HOUSE OF REPRESENTATIVES—*Thursday, November 19, 1970*

The House met at 12 o'clock noon.

The Chaplain, Rev. Edward G. Latch, D.D., offered the following prayer:

Do not worry over things, but always by prayer and supplication with thanksgiving let your requests be made known to God.—Philippians 4: 6.

Almighty God, our Heavenly Father, the source of all wisdom and the fountain of flowing love, bless, we pray Thee, all who work under the dome of this glorious Capitol and help them to do the work they have been given to do. Enable all of us to plan carefully, to labor confidently, to live creatively, and to lead our people courageously.

Keep us ever mindful of the fact that without Thee we can do nothing and that with Thee all great and good things are possible. Bless us with Thy presence this day and lead us and our Nation in the paths of righteousness for Thy name's sake. Amen.

THE JOURNAL

The SPEAKER. The Clerk will read the Journal of the proceedings of yesterday.

CALL OF THE HOUSE

Mr. GIBBONS. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. The gentleman from Florida makes the point of order that a quorum is not present before the reading of the Journal?

Mr. GIBBONS. Yes, Mr. Speaker.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 360]

Abernethy	Dennis	May
Adair	Dingell	Mayne
Anderson, Ill.	Dowdy	Meskill
Ashbrook	Dulski	Ottinger
Ashley	Edmondson	Passman
Aspinall	Fallon	Poage
Baring	Ford,	Pollock
Berry	William D.	Powell
Betts	Gallagher	Price, Tex.
Blatnik	Gilbert	Rosenthal
Brooks	Goodling	Scheuer
Brown, Ohio	Gray	Skubitz
Button	Grover	Springer
Camp	Gubser	Symington
Carey	Hébert	Teague, Tex.
Carney	Hosmer	Thompson, N.J.
Clark	Jarman	Tiernan
Clawson, Del	Langen	Weicker
Clay	Long, La.	Williams
Cramer	McClure	Wold
Crane	Macdonald,	Wyatt
Daddario	Mass.	Wydler
de la Garza		

The SPEAKER. On this rollcall 368 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

THE JOURNAL

The SPEAKER. The Clerk will read the Journal of the preceding session.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Arrington, one of its clerks, announced that the Senate had passed without amendment a joint resolution of the House of the following title:

H.J. Res. 1255. Joint resolution to authorize and request the President to proclaim the period January 10, 1971, through January 16, 1971, as "National Retailing Week."

The message also announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 2193. An act to authorize the Secretary of Labor to set standards to assure safe and healthful working conditions for working men and women; to assist and encourage States to participate in efforts to assure such working conditions; to provide for research, information, education, and training in the field of occupational safety and health, and for other purposes.

APPOINTMENT OF CONFEREES ON H.R. 12807, TO AMEND THE EXPEDITING ACT

Mr. CELLER. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 12807) to amend the act of February 11, 1903, commonly known as the Expediting Act, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and request a conference with the Senate thereon.

The SPEAKER. Is there objection to the request of the gentleman from New York? The Chair hears none, and appoints the following conferees: Messrs. CELLER, RODINO, ROGERS of Colorado, McCULLOCH, and HUTCHINSON.

APPOINTMENT OF CONFEREES ON S. 3867, TO ASSURE OPPORTUNITIES FOR EMPLOYMENT AND TRAINING

Mr. PERKINS. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (S. 3867) to assure opportunities for employment and training to unemployed and underemployed persons, to assist States and local communities in providing needed public services, and for other purposes, insist on the House amendment, and request a conference with the Senate thereon.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky? The Chair hears none, and appoints the following conferees: Mr. PERKINS, Mrs. GREEN of Oregon, Messrs. DANIELS of New Jersey, O'HARA, HAWKINS, WILLIAM D. FORD, HATHAWAY, SCHEUER, MEEDS, BURTON of California, GAYDOS, CLAY, AYRES, QUIE, ERLENBORN, SCHERLE, ESCH, ESHLEMAN, STEIGER of Wisconsin, and COLLINS of Texas.

DRUG ABUSE EDUCATION ACT OF 1970

Mr. PERKINS. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 14252) to authorize the Secretary of Health, Education, and Welfare to make grants to conduct special educational programs and activities concerning the use of drugs and for other related educational purposes, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Strike out all after the enacting clause and insert:

"SHORT TITLE

"SECTION 1. This Act may be cited as the 'Drug Abuse Education Act of 1970'.

"STATEMENT OF PURPOSE

"SEC. 2. (a) The Congress hereby finds and declares that drug abuse diminishes the strength and vitality of the people of our Nation; that such abuse of dangerous drugs is increasing in urban and suburban areas; that there is a lack of authoritative information and creative projects designed to educate students and others about drugs and their abuse; and that prevention and control of such drug abuse require intensive and coordinated efforts on the part of both governmental and private groups.

"(b) It is the purpose of this Act to encourage the development of new and improved curricula on the problems of drug abuse; to demonstrate the use of such curricula in model educational programs and to evaluate the effectiveness thereof; to disseminate curricular materials and significant information for use in educational programs throughout the Nation; to provide training programs for teachers, counselors, law enforcement officials, and other public service and community leaders; and to offer community education programs for parents and others, on drug abuse problems.

"DRUG ABUSE EDUCATION PROJECTS

"SEC. 3. (a) The Secretary shall carry out a program of making grants to, and contracts with, institutions of higher education, State and local educational agencies, and other public and private education or research agencies, institutions, and organizations to support research, demonstration, and pilot projects designed to educate the public on problems related to drug abuse.

"(b) Funds appropriated for grants and contracts under this section shall be available for such activities as—

"(1) projects for the development of curricula on the use and abuse of drugs, including the evaluation and selection of exemplary existing materials and the preparation of new and improved curricular materials for use in elementary, secondary, adult, and community education programs;

"(2) projects designed to demonstrate, and test the effectiveness of curricula described in clause (1) (whether developed with assistance under this Act or otherwise);

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

"(3) in the case of applicants who have conducted projects under clause (2), projects for the dissemination of curricular materials and other significant information regarding the use and abuse of drugs to public and private elementary, secondary, adult and community education programs;

"(4) evaluations of the effectiveness of curricula tested in use in elementary, secondary, and adult and community education programs involved in projects described in clause (2);

"(5) preservice and inservice training programs on drug abuse (including courses of study, institutes, seminars, workshops, and conferences) for teachers, counselors, and other educational personnel, law enforcement officials, and other public service and community leaders and personnel;

"(6) community education programs on drug abuse (including seminars, workshops, and conferences) especially for parents and others in the community;

"(7) evaluations of the training and community education programs described in clauses (5) and (6), including the examination of the intended and actual impact of such programs, the identification of strengths and weaknesses in such programs, and the evaluation of materials used in such programs;

"(8) programs or projects to recruit, train, organize and employ professional and other persons, including former drug abusers or drug dependent persons, to organize and participate in programs of public education in drug abuse.

In the case of activities described in clauses (4) and (7), the Secretary may undertake such activities directly or through grants or contracts.

"(c) In addition to the purposes described in subsection (b) of this section, funds in an amount not to exceed 5 per centum of the sums appropriated to carry out this section may be made available for the payment of reasonable and necessary expenses of State educational agencies in assisting local educational agencies in the planning, development, and implementation of drug abuse education programs.

"(d)(1) Financial assistance for a project under this section may be made only upon application at such time or times, in such manner, and containing or accompanied by such information as the Secretary deems necessary, and only if such application—

"(A) provides that the activities and services for which assistance under this title is sought will be administered by or under the supervision of the applicant;

"(B) provides for carrying out one or more projects or programs eligible for assistance under subsection (b) of this section and provides for such methods of administration as are necessary for the proper and efficient operation of such projects or programs;

"(C) sets forth policies and procedures which assure that Federal funds made available under this section for any fiscal year will be so used as to supplement and, to the extent practical, increase the level of funds that would, in the absence of such Federal funds, be made available by the applicant for the purposes described in subsection (b) of this section, and in no case supplant such funds; and

"(D) provides for making such reports, in such form and containing such information, as the Secretary may reasonably require, and for keeping such records and for affording such access thereto as the Secretary may find necessary to assure the correctness and verification of such reports.

"(2) Applications from local educational agencies for financial assistance under this section may be approved by the Secretary only if the State educational agency has been notified of the application and been given the opportunity to offer recommendations.

"(3) Amendments of applications shall, except as the Secretary may otherwise provide by or pursuant to regulation, be subject to approval in the same manner.

"(e) There are hereby authorized to be appropriated $5,000,000 for the fiscal year beginning July 1, 1970, $10,000,000 for the fiscal year beginning July 1, 1971; and $14,000,000 for the fiscal year beginning July 1, 1972, for the purpose of carrying out this section. Sums appropriated pursuant to this section shall remain available until expended.

"COMMUNITY EDUCATION PROJECTS

"SEC. 4. There is authorized to be appropriated $5,000,000 for the fiscal year beginning July 1, 1970, $10,000,000 for the fiscal year beginning July 1, 1971, and $14,000,000 for the fiscal year beginning July 1, 1972, for grants or contracts to carry out the provisions of this section. From the sums available therefor for any fiscal year, the Secretary of Health, Education, and Welfare is authorized to make grants to, or enter into contracts with, public or private nonprofit agencies, organizations, and institutions for planning and carrying out community-oriented education programs on drug abuse and drug dependency for the benefit of interested and concerned parents, young persons, community leaders, and other individuals and groups within a community. Such programs may include, among others, seminars, workshops, conferences, telephone counseling and information services to provide advice, information, or assistance to individuals with respect to drug abuse or drug dependency problems, the operation of centers designed to serve as a locale which is available, with or without appointment or prior arrangement, to individuals seeking to discuss or obtain information, advice, or assistance with respect to drug abuse or drug dependency problems, arrangements involving the availability of so-called "peer group" leadership programs, and programs establishing and making available procedures and means of coordinating and exchanging ideas, information, and other data involving drug abuse and drug dependency problems. Such programs shall, to the extent feasible, (A) provide for the use of adequate personnel from similar social, cultural, age, ethnic, and racial backgrounds as those of the individuals served under any such program, (B) include a comprehensive and coordinated range of services, and (C) be integrated with, and involve the active participation of a wide range of public and nongovernmental agencies.

"TECHNICAL ASSISTANCE

"SEC. 5. The Secretary and the Attorney General (on matters of law enforcement) shall, when requested, render technical assistance to local educational agencies, public and private nonprofit organizations, and institutions of higher education in the development and implementation of programs of drug abuse education. Such technical assistance may, among other activities, include making available to such agencies or institutions information regarding effective methods of coping with problems of drug abuse, and making available to such agencies or institutions personnel of the Department of Health, Education, and Welfare and the Department of Justice, or other persons qualified to advise and assist in coping with such problems or carrying out a drug abuse education program.

"PAYMENTS

"SEC. 6. Payments under this Act may be made in installments and in advance or by way of reimbursement, with necessary adjustments on account of overpayments or underpayments.

"ADMINISTRATION

"SEC. 7. In administering the provisions of this Act, the Secretary is authorized to utilize the services and facilities of any agency of the Federal Government and of any other public or private agency or institution in accordance with appropriate agreements, and to pay for such services either in advance or by way of reimbursement, as may be agreed upon.

"DEFINITIONS

"SEC. 8. As used in this Act—

"(a) The term 'Secretary' means the Secretary of Health, Education, and Welfare.

"(b) The term 'State' includes, in addition to the several States of the Union, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands."

Mr. PERKINS (during the reading). Mr. Speaker, I ask unanimous consent that the Senate amendment be considered as read and printed in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

Mr. GROSS. Mr. Speaker, reserving the right to object—and I hope I shall not have to object—will the gentleman state to the House that all amendments to this bill are germane?

Mr. PERKINS. I think they are all germane.

Mr. GROSS. The gentleman thinks they are?

Mr. PERKINS. Yes; they are germane. If the gentleman would like I will provide an explanation of the Senate amendments.

Mr. GROSS. Yes; I would like a brief explanation of the Senate amendments.

Mr. PERKINS. Mr. Speaker, the Senate amendment differs substantively in the following respects from the House-passed bill.

First, the Senate amendment differs from the House-passed bill in the matter of authorization of appropriations. Both versions of the legislation authorized a 3-year program beginning in fiscal year 1971. The House-passed bill authorized $7 million for fiscal year 1971, $10 million for fiscal year 1972, and $12 million for fiscal year 1973. The Senate amendment authorizes $5 million for fiscal year 1971, $10 million for fiscal year 1972, and $14 million for fiscal year 1973.

Second, the Senate amendment contains a provision for community education projects and contains a special authorization of $5 million for fiscal year 1971, $10 million for fiscal year 1972, $14 million for fiscal year 1973 for such a program. Under the community education projects, which are contained in section 4 of the Senate amendment, the Secretary would be authorized to make grants or contracts with public or private nonprofit agencies, organizations, and institutions for community-oriented education projects on drug abuse and drug dependency. The projects would include such things as personal and telephone counseling, information services, neighborhood aid, information centers, and peer groups discussion programs.

Third, the House-passed bill contained a provision for the establishment of an Advisory Council on Drug Abuse Education and an interagency Coordinating Council. The Senate amendment does not contain these provisions.

Fourth, the Senate amendment added special provisions for the use of funds for evaluation of the training and com-

munity education programs, the evaluation of materials used in the programs, and added a special provision specifically permitting the funding of programs and projects to recruit, train, and utilize professional and other persons including former drug abusers in program activities.

Fifth, the Senate amendment adds language to the technical assistance provisions limiting the technical assistance which may be requested of the Attorney General to those which deal with matters of law enforcement.

Except for major technical and stylistic differences in other respects the bills contain comparable provisions.

Mr. GROSS. Could the gentleman from Kentucky tell the House, since it was difficult to get the figures as they were read. whether this is an increase in the money figures in the bill as approved by the House; or is it a decrease—what is the situation?

Mr. PERKINS. It is an increase.

The authorization in the House-passed bill for fiscal 1971 was $7 million; $10 million for 1972, and $12 million for 1973. A total of $29 million was authorized over a 3-year period.

For the same activity as authorized in the House bill the Senate amendment provides $5 million for 1971, $10 million for 1972, and $14 million for 1973. So, in fact, it is the same identical figure for what was provided in the House bill. However, the Senate added a new provision and authorized an additional $29 million over the 3-year period.

Mr. GROSS. Does that include the special funding that the gentleman mentioned?

Mr. PERKINS. It includes that.

Mr. GROSS. It includes it all?

Mr. PERKINS. Yes.

Mr. MEEDS. Mr. Speaker, the Drug Abuse Education Act before us this afternoon has been passed unanimously by the House and Senate. H.R. 14252 was approved by a tally of 294 to 0 on October 31, 1969, and the other body approved the measure 79 to 0 on November 17, 1970. It is significant that H.R. 14252 was sponsored in the House by more than 85 Members of both parties. It has been my privilege and that of Representative BRADEMAS, of Indiana, to have been the chief architects of this desperately needed measure.

The focus of this bill is the classroom; the focus of existing Federal efforts in fighting drug abuse has been the police station and the hospital. I have strongly supported the increasing emphasis in these fields during the past 3 or 4 years, but early in 1969 it became clear to me that education must receive greater stress if we are to arrest the shocking trend in self-abuse and self-destruction caused by dangerous substances.

Education can be interpreted as you wish. To the officials administering the meager funds for drug abuse education, the term has meant public information, public distribution of pamphlets, TV and radio spots, and occasional books such as the tract prepared by the National Institute of Mental Health entitled, "Adverse Effects of Hallucinogenic Drugs."

Mr. Speaker, many of us believe that education about drugs means a dialog about drugs. Simply passing out booklets is inadequate, especially since many young people and adults entertain preconceived ideas about the qualities and effects of marihuana, LSD, heroin, and the amphetamines.

Television commercials are fine, but do they challenge a student face to face and ask why he smokes pot? No, they do not.

Pamphlets are OK, but do they convey the same meaning to a 16-year-old as does the personal recounting of a former addict's moments of terror? No, of course not.

Last month the Congress completed action on H.R. 18583, the Comprehensive Drug Abuse Prevention and Control Act. The bill began as a law enforcement measure, but eventually provisions dealing with rehabilitation and education were inserted.

The educational component contained in that bill is pretty much of an extension of existing efforts being conducted by the National Institute of Mental Health. While the NIMH is to be commended for their programs, they have not stressed substantive drug education efforts in the Nation's public schools.

H.R. 14252, the Drug Abuse Education Act, will help the schools face up to the drug menace. It will assist the many community education projects such as drop-in centers to reach many more young people.

H.R. 14252 vests authority for drug education with the Secretary of Health, Education, and Welfare. Speaking as the main sponsor of the bill, I cannot emphasize too strongly the need to involve the Office of Education. The Office of Education is, after all, the Federal coordinator for teacher training, experimental education programs in the schools, and the extremely important field of curricula testing and evaluation.

The distinction between the roles of the National Institute of Mental Health and the Office of Education was brought out on October 14, 1970, when the House considered the conference report on H.R. 18583. The following exchange took place between Chairman STAGGERS of the Commerce Committee and myself:

Mr. MEEDS. The gentleman is not trying to get into the field of elementary and secondary education, is he? Or into the field of higher education?

Mr. STAGGERS. No, we are not trying to get into that. We are trying to bring to the attention of the American people our great concern in educating people to the dangers of drugs . . . and we think this can be done by those in the health department who have the know-how.

In order words, we expect that H.R. 14252 will be funded and used as a vehicle to reach students through the historic dialog of exchanging ideas, of questioning, and of exploring the reasons for individual and public action.

We expect that the Drug Abuse Education Act will be funded adequately so that high schools, junior high schools, and even grade schools can benefit. In particular, we believe strongly that the Office of Education must play a pivotal role in teacher training, in testing curriculums, and in funding pilot projects in the high schools.

Another component of H.R. 14252 is the extremely valuable community education section added by Senator KENNEDY, of Massachusetts. As passed by the House last year, the community education provision was interpreted as authorizing funding of adult programs and so-called drug alert projects.

Senator KENNEDY, however, has expanded this section and given it separate funding. His changes are most worthy. The improvements include funding for peer group programs such as drop-in centers, therapeutic efforts, outpatient counseling, and telephone services to handle calls from youngsters.

The Committee on Education and Labor found that the drop-in center approach can be effective. We also found that among the most effective drug education programs are those which involve ex-addicts telling it like it is. The point here, Mr. Speaker, is that funding of these community education programs is essential, especially since it will take a while for classroom-centered programs to be launched by the Office of Education. The community programs have been cited as a source of credibility, as contrasted to often-ignored preachments from educators and others who are either uninformed or given to the wrong approach.

Mr. Speaker, shaping the Drug Abuse Education Act has been a difficult but rewarding challenge. It has been as valuable to me as it could be to our young people. Working on the bill has brought me new understanding of adults, youngsters, and the multitude of motives for drug taking. Learning and sharing thoughts has educated me, and with the passage of this bill, we can bestow an equal benefit to our country.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky that the amendment be considered as read and printed in the RECORD?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

ASK CAB TO DENY REQUEST FOR DIRECT FLIGHT FROM CUBA TO UNITED STATES

(Mr. ROGERS of Florida asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. ROGERS of Florida. Mr. Speaker, it appears that the Chilean Airline may make a request of the CAB, the Civil Aeronautics Board, to allow it, on the approved flight from Santiago, Chile, to New York, to stop at Havana as an intermediate stop.

This is the result of the recognition of Cuba by Chile. This would mean that for the first time since 1961, there would be a direct flight to the United States from Communist Cuba. It is within the power of the CAB to deny this request—if approved then by the President.

I hope all members will join me in writing to the CAB and the President and urging that such request be denied. With the amount of subversives that have been taken to Chile and trained there in the techniques of bombing and of revolution, to have a direct flight would be in the worst interest of this country. I would urge the membership of this House to urge the CAB and the President to deny that request. If it is not denied, then I plan to introduce legislation that will deny such a direct flight from Havana to New York.

ANNIVERSARY OF THE GETTYSBURG ADDRESS

(Mr. MICHEL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MICHEL. Mr. Speaker, today marks the 107th anniversary of the delivery of Lincoln's Gettysburg Address. It was and remains a vital and eloquent document because it looked beyond the transient issues to the deeper significance of the Battle of Gettysburg: the testing of the democratic idea and the endurance of government by the people.

I hope this day will make people think not of the specious glamour of battle, but of its abject horror and degradation. And I hope that all Americans will reread Lincoln's address and be reminded not of bitterness and internecine strife, but of the preservation of the Union, and of the freedom and of the greatness of the United States.

To reread Lincoln's message at Gettysburg is to be reenforced in our recollection of what was at stake on that Pennsylvania battlefield of honor and sorrow. Lincoln compressed a decade of strife and 2 years of war into one declaration of faith: That the Nation dedicated to the proposition that all men are created equal should not perish from the earth.

We have not perished from the earth—but neither have our ideals, so eloquently expressed by the Great Emancipator, been fully implemented. That task remains to us.

Lincoln's Gettysburg Address of over a hundred years ago still rings today when America struggles with four almost insoluble problems: how to join liberty to justice, how to join equality to excellence, how to avoid destroying or being destroyed by nuclear power, and how to complete the emancipation of all enslaved people.

We must reach together for the full promise of the Gettysburg Address, for it is our common heritage. Let us seek the future in unity, not division; in peace, not violence.

NIXON'S DILEMMA ON THE TRADE BILL

(Mr. GIBBONS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GIBBONS. Mr. Speaker, in today's issue of the Washington Evening Star there appears an editorial which I think ought to be called to the attention of every Member of the House. I see the minority leader, the gentleman from Michigan (Mr. GERALD R. FORD), present in the Chamber, and I would like to have his comment on this question, if I may. The column is entitled "Nixon's Dilemma on the Trade Bill."

I understand that, as of this time, the second day of the debate on the trade bill, Mr. Nixon still does not have a position as to whether he is for or against this bill, as to whether he will approve it or veto it as it comes from the House. The editorial states as follows:

NIXON'S DILEMMA ON THE TRADE BILL

(By Milton Viorst)

The most important piece of legislation to come up during the entire Nixon administration is currently before Congress. And, amazingly, we don't have a clue to whether the President approves of it or not.

This bill, which imposes a stringent new set of restrictions on imports, can damage our relations with every trading country in the world. It can profoundly impair the development of our national economy.

But because of its domestic political implications, the President has remained silent about it.

We know his opinions on street crime and student violence, on which he can take pious moral positions but which elude easy legislative solutions.

In contrast, he says nothing about the trade bill, where a moral position requires courage but whose disastrous consequences can be averted by a simple congressional majority.

Admittedly, the President is in a dilemma. He committed himself in 1968 to repay the Southern textile tycoons who made possible his election. He also has some major debts to the big spenders in the oil industry. He'll need both of these groups again in 1972. This legislation was originally written for them.

But he knows this bill is intrinsically inflationary. It will raise oil prices immediately and textile prices shortly. Over the long run, it could increase the price of every product that now has foreign competition. By 1972, the inflation in this bill could generate a lot of anti-Nixon votes.

The President also knows that, before long, the nation's exporters will begin to feel the backlash of economic reprisal. The European Common Market, our biggest customer, has warned explicitly that it will retaliate vigorously if this bill is passed.

Hardest hit will surely be agriculture, which last year had $6.6 billion in exports. Currently, American farmers export 50 percent of their soybean crop, 41 percent of wheat, 36 percent of tobacco, 58 percent of rice, 29 percent of cotton. Naturally, the farm lobbies are outraged by the bill.

As Denver's Rocky Mountain News put it: "Protection for a North Carolina textile plant will be at the expense of, say, an Indiana soybean grower (or) a Colorado wheat farmer."

There is no doubt, furthermore, that the bill will trigger the kind of action-reaction sequence (called a trade war) that can lead only to a grievous decline in international commerce, as the Smoot-Hawley protective tariff act did in 1930.

Paradoxically, the loser would necessarily be the United States. This year, despite all the complaining about unfair competition from abroad, we will have a $3 billion trade surplus. This surplus is vital to maintain our overseas commitments, our balance of payments and the stability of the dollar.

Mr. Nixon, perhaps, can still save the situation. He understands the importance of international trade. He is not, at heart, a protectionist. He can go on television to explain to the country exactly what is at stake.

He will have no problem showing that a congressman who votes for fatter profits for textiles and oil takes dollars out of the pockets of farmers, industrial workers and, ultimately, every American consumer.

Yet Mr. Nixon risks going down in history as the first protectionist president since Herbert Hoover, and the chief antagonist to the international trend toward freer trade.

By his acquiescing in the trade bill, he is asking the country to pay a heavy price for his personal political debts.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. GIBBONS. I yield to the gentleman from Michigan.

Mr. GERALD R. FORD. Mr. Speaker, at the outset, let me say I do not think the President's view on this legislation would have any impact on the view or decision of the gentleman from Florida.

Mr. GIBBONS. That is correct.

Mr. GERALD R. FORD. So any answer I give to the gentleman will be academic on how he votes.

Mr. GIBBONS. I did not ask for him to influence my vote.

Mr. GERALD R. FORD. Let me say that this bill which came out of the committee does not coincide in many details with the President's original recommendations.

In addition, the President cannot and should not necessarily make any judgment on a bill that has not yet been approved by the House and has not yet gone through the whole legislative process. His final decision will come at the appropriate time when Congress has worked its will.

When this bill has gone through the total legislative process, the President will make a decision.

THE TRADE BILL

(Mr. FRASER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FRASER. Mr. Speaker, I listened with astonishment to the remarks of the minority leader, the gentleman from Michigan. I had a call from the State Department about an hour ago urging my support for a recommittal motion with instructions. They said they were calling on behalf of the White House. The recommittal motion was spelled out to me in some detail, it included the administration's 1969 trade proposal, H.R. 14870, mandatory import quotas on textiles, and the proposed Domestic International Sales Corporation. Later, the instructions from the White House were changed and now the recommittal motion is going to be without instructions. This means the administration is supporting a motion to recommit the bill as it is presently written. This motion is completely different from the one proposed by the White House originally.

If we could assume that the President, as a matter of policy, will continually change his position on legislation, we would be faced with a novel and intriguing situation.

I think that the President has found it difficult to make up his mind many times. On one of the most important trade bills in recent years, however, I would have thought the President could have done better than this.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. FRASER. I yield to the gentleman from Michigan.

Mr. GERALD R. FORD. The President has sent his recommendations to the Congress on the trade bill. This bill which came out of the committee does not coincide with those recommendations in every detail.

On the other hand, I would say we have a responsibility to exercise our own judgment as legislators, and that includes the gentleman from Minnesota as well as myself.

Mr. FRASER. I am going to exercise my own judgment. I would have thought the President could have offered some leadership both to the Congress and to the country on this matter, but I suppose we will have to wait.

TRADE ACT OF 1970

(Mr. ADAMS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ADAMS. Mr. Speaker, I find quite interesting the recent colloquy with regard to the trade bill.

I inquired yesterday at the time of the rule, what the attitude of the President was. Having just returned from abroad, I find particularly that representatives of the State Department are very concerned about the effects of this bill. Many of us have been concerned about the position we should take regarding it. In fact, I have probably been persuaded to take the free trade position by certain positions that have been taken by members of the administration. So we are confused about what they expect or intend to do with the bill.

If my remembrance is correct, I would say to the gentleman from Michigan, the honorable minority leader, that in the past there have been indications to this House that certain bills would be vetoed if we were to vote in a particular way or if a bill were to come out in a particular fashion.

I find this silence by the administration, as to whether or not there will be a potential veto on the trade bill, something that is difficult to understand. It has been part of the name of the game to indicate the administration position. Certainly the President does not have to take a position. I find it unusual, however, after the education bill and the health bill and certain other bills in the past, on which the President has made statements that nothing has been said in this debate about the President's position.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. ADAMS. I yield to the gentleman from Michigan.

Mr. GERALD R. FORD. Mr. Speaker, I am impressed with the solicitude of so many on the other side of the aisle about the views of the President on the proposed trade bill. I hope their attitudes in the future on other issues will be consistent with their attitude today. We will be very grateful for that concern on subsequent matters.

Mr. ADAMS. I might say in the past we have tried to be aware of the President's position but we have been somewhat confused by this use of the veto mechanism and its nonuse, here.

Mr. GERALD R. FORD. Mr. Speaker, if the gentleman will yield further, of course, there is some difference between the actual veto on a bill that has gone through the legislative process and the current circumstances where the House on its own is supposed to exercise its own judgment.

Mr. ADAMS. Yes. We have found in the past, though, that the word has gone out about the use of the veto and this has been used quite effectively on certain bills as to their provisions. We are just a little confused about the silence here.

THE CONSUMER CLASS ACTION PROGRAM

(Mr. ECKHARDT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ECKHARDT. Mr. Speaker, I only wish that the President's lack of leadership were limited to the trade bill. I have been trying to carry a program which the President, since October a year ago, said he was for; that is, the consumer class action program. It has been impossible for me to get a single Republican to a subcommittee meeting to get the bill out. We finally did it with all Democrats.

Then during the recess the President accused those of us who are carrying the program for a class action bill of insisting on a perfect one. Therefore, he says the bill cannot come up.

I want to point out that the bill I introduced included in its title II the President's bill verbatim. Its title III is my approach. The two are not conflicting. All that has to be done to get the President's bill passed by this House is to get it out of the committee and simply strike out everything but title II.

I do not think we ought to do this. I think we should use the approach of title III, but I would not obstruct a free opportunity of the House to work its will by making a choice. We who support the broader and more effective class action bill are not obstructing the President's proposal. It is his party that is obstructing consideration of any bill by this Congress.

TRADE ACT OF 1970

Mr. MILLS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 18970) to amend the tariff and trade laws of the United States, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from Arkansas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill, H.R. 18970, with Mr. FLYNT in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday, the gentleman from Arkansas (Mr. MILLS) had 3 hours and 13 minutes remaining, and the gentleman from Wisconsin (Mr. BYRNES) had 3 hours and 15 minutes remaining.

The Chair recognizes the gentleman from Wisconsin (Mr. BYRNES).

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 20 minutes.

Mr. Chairman, I yield to a very valuable member of the Committee on Ways and Means, the gentleman from Pennsylvania (Mr. SCHNEEBELI).

Mr. SCHNEEBELI. Mr. Chairman, I thank my ranking member.

Mr. Chairman, I rise in support of H.R. 18970, the Trade Act of 1970. This bill, which responds to the current realities of international trade, reflects the careful thinking of the Ways and Means Committee over several months. The committee held extensive public hearings, receiving valuable testimony from all interested groups that runs 16 volumes in length. We met for 5 weeks in executive session to develop this legislation, which represents the best efforts of the committee to deal with existing trade problems.

Many of us on the committee who support the Trade Act of 1970 also supported with great enthusiasm the Trade Expansion Act of 1962. Our support for this legislation does not reflect a diminution of our conviction that free and truly reciprocal trade must form the cornerstone of international commercial relations. I believe that a proper understanding of the current realities of world trade and the problems faced by the United States, as well as an accurate understanding of the provisions of this bill, will result in the conclusion that the legislation provides the best vehicle for advancing our traditional goals of free trade in the present context.

In my brief remarks today, I hope to make this clear by discussing the current realities of international trade; the provisions of the Trade Act of 1970—which have unfortunately been ignored by those bent on undermining the bill—directly advancing free trade; the decline in United States balance-of-payments problems stemming in large part from the alarming deterioration in our merchandise trade account; and the features of the quota provisions of this legislation which will limit their application to imports disrupting U.S. markets while safeguarding consumer interests. I also want to comment on the unfortunate provisions of the bill that provide the President with authority to repeal the American selling price system of valuation on certain products.

CURRENT REALITIES OF WORLD TRADE

At the end of World War II, the economic capacity of Europe and Japan was decimated. The United States helped Europe and Japan rebuild their productive capacity by providing massive assistance and pioneering trade liberalization through reciprocal tariff reduction under the auspices of the GATT. Today, Japan has become a leader in world trade and

the third most productive nation in the world. Germany, which along with Japan was the most devastated country at the end of World War II has also undergone an economic miracle and is fully able to compete in world trade. The European Community represents a formidable trading bloc that is vastly enhancing the capacity of Europe to compete in world trade.

Although the nations of the European Community and Japan are fully capable of competing in world trade, they have retained a variety of restrictions in the form of nontariff barriers that make it difficult for American industry to compete on a fully reciprocal basis. At the same time, the U.S. market, which has remained more accessible and open than any in the world, has received the surplus products stemming from greatly increased productivity abroad. While I have not changed my basic belief in reciprocal trade and its worldwide benefits, I am disappointed and dismayed that some of our trading partners have not followed the U.S. leadership in fostering international trade.

In many cases, particularly in the area of our textile and shoe industries, precipitate increases in imports are causing severe economic dislocation, adversely affecting both employment and the productive capacity of our domestic industries. As a corollary of this increased import penetration and our efforts to strengthen the international community, we have experienced a severe decline in our balance of payments, stemming in large part from a deterioration in our merchandise trade surplus.

The Trade Act of 1970 responds to these existing conditions by enacting provisions clearly indicating our continuing commitment to free trade and also emphasizing our intention to insure that the United States is accorded full reciprocity in the international trading community.

PROVISIONS OF THE BILL DIRECTLY ADVANCING FREE TRADE

There are several provisions in the bill that build upon and promote further U.S. world leadership in advancing free trade among nations. Unfortunately, these features of the bill have been largely ignored by opponents of the legislation.

First, the bill provides the President with the authority to reduce tariffs 20 percent below the post-Kennedy-round rates—or 2 percentage points ad valorem, if this is greater. This will enable the United States to work out any adjustments that may be desirable with our trading partners in the General Agreement on Tariffs and Trade.

Second, the bill for the first time authorizes specific appropriations for the U.S. share of the expenses of the General Agreement on Tariffs and Trade. Prior to this time, our share of the GATT has been financed from a State Department contingency fund. By providing specific appropriations for our share of the GATT, the United States recognizes its continuing commitment to the efforts of GATT to foster free trade among nations through the elimination of both tariff and nontariff barriers.

Third, the bill provides—mistakenly, I believe—authority for the President to eliminate the ASP system of valuation as it applies to benzenoid chemicals, canned clams, and wool knit gloves. Our trading partners have mistakenly regarded this system of valuation, which is in reality a method of imposing tariffs, as a nontariff barrier that inhibits efforts to make progress in eliminating nontariff barriers. Although our trading partners are far more guilty in the area of nontariff barriers than the United States, this bill mistakenly takes the first step and goes the extra mile to achieve progress in the area of nontariff barriers by eliminating ASP on those items. While I feel this is wrong for a variety of reasons, most particularly its impact on 16,000 American employees whose jobs will be largely eliminated, its inclusion in the bill should be recognized as an effort to foster the international climate for free trade that the detractors of this legislation feel is being undermined. It is a further indication of our basic concern and further support for true reciprocal trade.

U.S. BALANCE-OF-PAYMENT PROBLEMS

The free accessibility of the U.S. market to growing productivity abroad, as well as the restrictions against the U.S. exports by our chief trading partners, have aggravated our balance-of-payment problems. The United States has incurred a deficit in our balance-of-payment account on a liquidity basis in all but 1 year of the last decade. These deficits have increased in recent years, exceeding over $7 billion in 1969. The deficit on this basis for the first 6 months of 1970 was nearly $3 billion.

This deterioration in our balance of payments reflects a decline in our traditional trade surplus which has until recently offset the substantial deficits we incur in our travel, military, foreign aid, investments abroad, and nonliquid capital accounts. The decline in our trade account reflects a rapid growth in imports that has not been offset by the moderate increase in exports over the last decade. In the last half of the 1960's this disparity has been increasingly alarming. Our merchandise trade balance—excluding military grants, AID financed exports, and Public Law No. 480 programs—declined from a surplus of $4.4 billion in 1964, to a deficit of $800 million in 1969. While our trade account improved somewhat in the early months of this year, recent Commerce Department statistics indicate that there has been a decline in our trade surplus in both August and September.

The severe balance-of-payment problems that the United States is experiencing must be of concern not only to the United States but to the entire international trading community in view of the fundamental role of the dollar in world trade. The problem we have experienced emphasizes the importance of our goals to attain full reciprocity for the U.S. trading interests in order to insure a healthy growth in U.S. exports, and also to insure that foreign markets are as open to the products of third countries as the United States.

QUOTA PROVISIONS OF THE BILL

The bill does contain quotas on textiles and footwear articles limiting imports in 1971 to the average level of imports of each article from each foreign country during the base period of 1967 to 1969. However, the bill permits the President to increase imports of textile or footwear articles by up to 5 percent a year and to completely exempt imports of any article from any country where such imports are not disrupting the U.S. market. He could also authorize increased imports where the supply of articles subject to limitation is inadequate to meet domestic demand at reasonable prices. Additionally, he could authorize increased entry into the United States of textile and footwear articles whenever he determines it is in the national interest, and the President is not required to define the national interest. These quotas would expire in 5 years unless extended by the President in the national interest.

Most importantly, these quotas would be completely superseded by any international agreement which the administration might negotiate toward moderating the increasing import penetration of textile and footwear articles. The quotas are intended to provide leverage to enable the administration to reach an agreement with supplying countries to moderate import penetration. We are not interested in rolling back textile and footwear imports, but merely insuring that the percentage of the market served by foreign imports does not increase so rapidly that economic dislocation and unemployment become a problem in these industries. Unemployment is an increasingly important and threatening factor in our domestic economy presently; we should not aggravate it further.

With the many safety valves specifically written into the law—which have unfortunately been ignored in both the domestic and foreign press—the bill does no more than respond to the serious conditions now prevailing in our domestic textile and footwear industries. In the past 5 years, the ratio of imports and footwear to domestic consumption has increased from 13 to 26 percent. During the first third of 1970, imports of footwear articles have equaled around one-third of domestic consumption. Domestic production of footwear declined between 1968 and 1969 by 60 million pairs, and production in 1970 is currently no greater than the 1969 level.

The situation in the textile industries is also very serious. In 1969, textile imports had increased to three times the level that prevailed in 1965, with the rate of increase in many product lines being much more rapid. Imports of sweaters of manmade fibers increased from one-half million dozen in 1965 to nearly 7 million dozen in 1969. In view of the accessibility of the U.S. market and the restrictions of the European Economic Community, the increasing productivity of textiles in the Far East are resulting in severe import penetration and economic dislocations in our domestic textile industries. During the first 6 months of 1970, employment in both textile mills and apparel factories

declined by 69 percent, the first such decline in many years.

In view of the seriousness of the problems confronting the textile and footwear industries, with their 2½ million employees—many of them low-skilled employees about whom the Congress has expressed great concern in our manpower training bills and the recent family assistance plan—the carefully circumscribed quota provisions contained in the bill are justified. Considered in this context, and remembering that the President is given full discretion to negotiate agreements that would supersede the provisions of the bill in specific instances, it cannot be said that the quota provisions represent a retreat from our traditional stance of free trade.

AMERICAN SELLING PRICE SYSTEM OF VALUATIONS

The authority provided in this legislation for repeal of the ASP system of valution on benzenoid chemicals, canned clams, and wool knit gloves, is both discriminatory and mistaken. The provision does not—as has been widely advertised—repeal the ASP system as a basic policy, since rubber sole footwear will still be subject to tariffs imposed on the ASP basis.

The administration was unable to arrive at what it considered appropriate conversion rates for repeal of the ASP system as it affects rubber-soled footwear, despite a recent study of the Tariff Commission. Their inability to determine the appropriate conversion rates for repeal of the ASP system on rubber-soled footwear lends credence to the concern many of us have that the converted rates used to repeal the system on benzenoid chemicals may also be inappropriate.

Although the bill does not repeal the ASP system, as has been loudly and improperly claimed, it precipitously removes longstanding protection which ASP has provided to the benzenoid chemical industry and its workers. Although the ASP system has been characterized as a nontariff barrier—again erroneously since it is a system of tariff valuation used in imposing the tariff rates—our trading partners did not make reciprocal concessions on nontariff barriers which they, in turn, maintain. Neither did they make reciprocal concessions in the tariff area. The net effect of the committee's action is not to repeal ASP, but to eliminate the protection on a discriminatory basis for 16,000 workers whose jobs will now be jeopardized. I am opposed to these provisions of the bill.

The bill contains other provisions, carefully explained by our able chairman and ranking minority member, improving the escape clause procedures, the countervailing duty and antidumping laws, expediting national security clause determinations, and improving the operations of the Tariff Commission. On balance, this legislation represents an improvement in our trade laws which merits support at this time. I sincerely hope that cooperation by our trading partners in resolving problems will enable us to move forward from this point toward the elimination of trade barriers—particularly in the nontariff area—and achieve the goal we all desire of free and truly reciprocal international trade.

Mr. BYRNES of Wisconsin. Mr. Chairman, I rise in support of H.R. 18970, the Trade Act of 1970.

In coming to a decision on this matter, there has been no lack of public debate, even though much of that debate has been based either on misunderstanding or distortion of several very important provisions in this bill as reported by the Committee on Ways and Means. There has been no lack of statements or statistics or reports.

If there is confusion as to the issues involved and how to resolve them, I suppose it is understandable.

Let me, if I can, do two things. First, let me outline where we stand as a nation in the overall world trade picture.

Second, let me clear the deck of several "red herrings" so that we can discuss the bill actually before the House rather than the distorted version that has been the subject of so much public controversy.

I think we must recognize that in the field of international trade we are in a new ball game today. We need to recognize that things are different from what they were in the 1950's and the early 1960's. Needed are policies and procedures that will take into account the changes that have occurred—policies and procedures that will work in the 1970's.

We need policies and procedures that will take into account the new strengths of Western Europe and Japan, the accelerated trend toward regional groupings such as the Common Market, the proliferation of preferential trade agreements, and the mounting and as yet unmeasured impact of multinational corporations.

In trying to find new answers to new problems, some of us may have to face some unpleasant realities and divorce ourselves from the delusion that trade today is merely a rerun of the same old show.

This is not to say that we should disregard the lessons of the past or cast off the characteristics which helped to make our Nation the free world's economic pacesetter. Far from it. In fact, we would do well, it seems to me, to revive at least one national institution, the great Yankee trader, and turn him loose again. He has been conspicuously absent from our trade negotiations for too long a time, and we need him more now than ever. The legendary Yankee trader would know, for instance, that you negotiate best from a strong hand and not after all your good cards have been played.

In the early post-World War II years, of course, we did lead from strength. With much of the industrial world in disarray we had no real trading peers. Our massive production machinery churned at top speed for years to meet the peacetime demands at home and to help rebuild, as I think we should have, the crumbled economies of Europe and Japan.

Because they were starting from the ground up, the facilities and equipment erected overseas were, for the most part, more modern and efficient than our own. We shipped abroad our technological know-how as well as our hardware.

Yesterday we were peerless in the areas of international trade and industrial production; today, we have peers, and tomorrow, if we are not careful, we may be outclassed.

I think that too often, as we look at and discuss the great progress that Japan and the Common Market have made, they think we are being critical of them. I am not critical at all. I say, God bless them. They have been very sharp and effective. To recognize that fact is not to condemn them. To recognize the great advances they have made is to compliment them, even though it also means that we have to be more concerned here at home as to what our workers are able to do in competition with the great industrialization and international trade promotion programs developed by the Japanese and Western Europeans.

I think the trend is apparent. It is true our net exports, including military grant shipments and foreign aid, rose by 45 percent over the past 5 years from $24.3 billion in 1965 to some $35 billion in 1969. But a major portion of these exports were in items of low labor content, produced by fewer workers, while the bulk of our imports, conversely, were and are in high labor content products. The result has been a net export of jobs.

Moreover, although our exports did gain by 45 percent in the 1966–69 period, imports increased much more dramatically in the same period—by almost 70 percent—from $21.4 billion to $36.1 billion.

Our imports, then, have been growing at a 25-percent faster rate than our exports, causing our merchandise balance—the difference between net exports and imports—to plunge from a healthy surplus into a deficit.

Specifically, the merchandise balance hit a 10-year high of $4.4 million in 1964 and then dropped to minus $1.4 million in 1968 and minus $800 million in 1969.

But, Mr. Chairman, our declining share of free world exports is probably even more revealing.

While free world exports generally have more than doubled, from $113 billion to $243 billion over the past decade, the U.S. share has declined from 21 percent to 18.4 percent, which shows clearly what has happened to our once peerless posture in international trade.

All of this time, we have been diligently pursuing the course that our major trading partners unfortunately have, I am afraid, quite clearly abandoned, if they ever did follow it.

Our course has been toward freer trade, but our major trading partners, most notably Japan and the members of the European Economic Community, have been going another way.

Take tariffs for example. The United States registers the lowest estimated average tariff level of any major trading nation. The United States has an average tariff level of 7.8 percent while the Common Market average is 8.3 percent and that of Japan is 10.7 percent.

But the United States is even more disadvantaged in terms of nontariff barriers to trade. While this country has dutifully adhered to the General Agreement on Tariffs and Trade, other major participants seemingly have paid only lipservice to it. To be sure, they have re-

duced their tariffs as required, but at the same time they have aggressively added or maintained nontariff barriers. With one hand they have taken down a fence; with the other, they have built a wall, which is even more effective in shutting out U.S. goods.

The list of nontariff trade barriers in other countries is long and startling. For example, a selected inventory of these barriers consumes more than 100 pages of a document submitted to the Ways and Means Committee during its recent public hearings on trade.

France, to cite just one of our trading partners, has quantitative restrictions—that is, quotas, those awful things you have heard about and read about in the press—or licenses which are practically the same thing, on numerous goods from electronics to textiles and petroleum products.

It also has special-use taxes directed specifically at U.S. automobiles. It has border taxes of up to 33 percent on most industrial products, plus a wide variety of other restrictions, all unfortunately typical of measures taken by most of the Common Market countries against imports.

When I review conditions such as this, Mr. Chairman, I cannot help but be reminded of the debate in this House 8 years ago when the existing trade law, the Trade Expansion Act of 1962, was before us. Our negotiators—yes, and Members of this Congress and the President—painted a glowing picture of the European Economic Community, portraying it as an outward-looking entity which would be a vast and growing market for U.S. goods and services, and a major factor in freeing world trade. At that time I was skeptical, and I said so in that debate, and it is with no pleasure at all that I note the realization of some of my worst fears in this regard.

The Common Market, because of its excessive use of nontariff barriers to trade, has failed miserably to contribute, as heralded, to freer trade. The Common Market has taken full advantage of the latitude given to it by GATT, and has established a new kind of world market, regional in nature, yet multinational; wide open on the inside, yet shut to outsiders. Its highly protectionist agricultural policy has become all that some of us feared it would 10 years ago. Both its import restrictions and its export subsidies form extremely difficult, and in some cases insurmountable, obstacles to our farm exports.

The Common Market maintains high support prices for its own farm products, and then makes certain these prices will not be undercut by imposing special import taxes at its borders. And its own exports of chicken, lard, dairy products, and wheat, are aided by subsidiaries. On other items, it has placed a double tax burden on would-be importers by rebating certain taxes on exports while imposing equivalent levies on incoming shipments.

World trade has always been a bit of a gamble, which the players freely accept. But when they play against the Common Market, I am afraid that in many cases they are playing against a stacked deck.

And this, unhappily, is only one horn of our trading dilemma. The other is Japan. Import restrictions imposed by Japan are encyclopedic in volume and variety. For most practical purposes U.S. businessmen simply cannot get into the Japanese marketplace if their products are at all competitive with Japanese producers. Japan has quotas and licensing restrictions on almost every conceivable type of product. And at this point I would refer you to a document issued in the second session of the 91st Congress, entitled "Written Statements and Other Material Submitted by Administration Witnesses to the Committee on Ways and Means During Hearings on the Subject of Foreign Trade and Tariffs," dated May 1970. If you will look at a copy of this volume, you will see some of the restrictions that are involved in trading with the nation of Japan.

Quantitative restrictions, and these are quotas—again, that naughty word—and licenses are imposed on coal, gas, oils, heavy fuel oil, other petroleum oil, other chemical and some pharmaceutical products, leather, leather products, especially footwear, large steam boiler turbines, diesel engines, electric generators, office machinery, including digital computers, parts, and other products. And there is automatic import licensing on machinery, chemicals, drugs, processed food, and other products.

You can go through the list—and it shows that it is practically impossible to export to Japan, unless they give you, on that individual item or on that individual shipment, an OK to send it in.

For example, there is the matter of borrowing money for an individual who wants to import from the United States. He has to get some financing, so he goes to the bank. They ask him what he is going to import and he tells them the item. They check with the Government and the Government says "No, we would rather have that item purchased from a Japanese producer." So the loan is not made.

That is what we have to contend with. They are looking after—whether they are right or wrong, and I do not know whether it is for us to judge—their own best interest.

The Common Market is indrawn, but Japan remains universally recognized as the most tightly closed market in the non-Communist world. All of which, it seems to me, has terribly shattered one of those cherished concepts that so many in the United States have held about world trade. The truth is it is far from being free and even further from being fair.

The only relatively free market in the world today is the United States, which is like an orchard full of ripe fruit, with the pickers swarming all over it. While foreign producers come here in droves, many of our domestic producers are looking elsewhere for a base of production. In numerous instances they cannot produce and sell, right here in the United States, as cheaply as foreign competitors who have to ship their goods across an ocean.

In large part, this is because of a substantial wage differential between this country and almost all others.

While production workers in the United States last year were earning an estimated $3.19 an hour, their Japanese counterparts were being paid 76 cents, or less than one-quarter as much.

The average hourly pay in Hong Kong was 26 cents or about one-twelfth of the U.S. average. In France it was 97 cents or less than one-third.

And so it goes, with foreign wages only a fraction of the comparable U.S. average.

Why is it, then, so sinful to look at the need to protect our workers and their jobs and their standard of living against unfair competition from areas that have sweatshop labor, as is indicated by the differential in the wage levels?

I think it is understandable that the tendency has been for so many of our American firms to move overseas to take advantage of relatively low production costs.

Of course, labor is not the only reason for the exodus. The U.S. manufacturer who establishes plants in the Common Market can sell there without having to worry about border taxes or ad valorem taxes that are levied on imports.

The CHAIRMAN. The gentleman from Wisconsin has consumed 20 minutes.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 10 additional minutes.

But while individual firms may profit from this growing transfer of production abroad, our country gains little and loses much.

We have lost jobs by the thousands every year and we have lost capital. What we have gotten back is a return on earnings, but most of this has been deferred.

So it is something less than a utopian situation in which our country finds itself in terms of international trade today. The clear production lead we once held is vanishing. The technological know-how that was exclusively ours has been scattered to the trading winds, and the high quality merchandise which used to be our hallmark is now coming back at us from the countries that we helped rebuild.

Let me say that I am not trying to paint a gloomy picture; we still have a great capacity, a great know-how, a great and capable labor force in this country. In fair trade we can compete with any of them. But we cannot do so in unfair trade, and all we ask is fairness.

In order to cope with these new conditions—the multinational markets, the preferential trade pacts, the growth of nontariff barriers, the impossible wage differentials and all the other trappings of world trade today—we simply must have some new tools with which to work. And the Trade Act of 1970 provides those needed tools.

Let me turn now to some of the "red herrings" that have been thrown into the discussion of this bill.

Red herring No. 1: It has been flatly stated that the bill rejects 30 years of liberal trade policy, and is a retrogressive return to the era of Smoot-Hawley that prevailed in the 1930's. Additionally, it is alleged that it will preclude progress in the reciprocal reduction of nontariff barriers, which should be the

focal point of further efforts for trade liberalization.

Here are the facts:

As a result of U.S. leadership through the reciprocal trade programs enacted by Congress through the years, U.S. tariffs have been reduced to the lowest average level of any major trading nation. The United States has recently concluded the so-called Kennedy round of negotiations whereby tariffs were finally reduced 50 percent across the board.

We do not in any way undermine or negate any of this action. Instead, the bill provides further tariff-cutting authority of 20 percent across the board, or 2 absolute percentage points if that is higher, in order to work out our differences in the GATT with our trading partners.

Additionally, the bill provides recognition of the importance of the GATT by providing for direct funding of the U.S. share of GATT expenses. Prior to this, these funds had been paid out of a State Department contingency fund.

We acknowledge the desirability of participating, and saying there shall be direct appropriations for our share.

Finally, the bill provides the basis for the repeal of the American selling price system of valuation, or ASP as it is popularly called. Despite the fact that this is a system of valuation that is clearly tariff related—and may I point out that the Europeans use a system of valuation different from ours—it just so happens that our trading partners have regarded this as a nontariff barrier whose removal is critical to future trade liberalization. Although our trading partners have a wide variety of nontariff barriers far in excess of anything the United States has, we have in this bill "walked the extra mile" by providing the basis for the repeal of ASP.

These are concrete steps taken in this bill to foster world trade that unfortunately have been ignored by those who misrepresent this as a return to the high duty levels prevailing in the early 1930's.

Red herring No. 2: It has been alleged in a great proportion of the magazine and newspaper articles discussing the bill that this is "an omnibus quota measure" that provides the basis for establishing quotas on a wide variety of products.

What are the facts? The existing escape clause, which now is so stringent that it was only recently that the Tariff Commission found favorably on any petition, has been moderated. It has been moderated by a return to essentially the same language that prevailed in the provisions of the 1951 act, and that prevailed until we changed the act in 1962, when we made it practically impossible for the Tariff Commission to find injury or injury related to imports. But under this language an industry or a union can file a petition with the Tariff Commission alleging that increased imports are contributing substantially to serious injury the industry is experiencing, and if the Tariff Commission finds that increased imports are a substantial cause—not just a cause, but a substantial cause—it must recommend that the President impose such increases—and let me point this out and underline it—in duties or other import restrictions as are necessary to alleviate the serious injury.

There is nothing saying that they have to recommend quotas. This language in the bill governing Tariff Commission recommendutions is the same as in existing law. We have extended this language to include the additional determination or basket clause which I want to discuss. The point I want to make is that it does not require quotas.

The committee has provided—and let me talk now briefly about an additional provision in this bill, which is new—that if a majority of the commission agrees that imports are a substantial cause of injury the industry is experiencing—then they go on to consider whether a series of very stringent criteria evidencing severe import penetration and market disruption are satisfied.

In making this additional finding, the Tariff Commission must make one of two alternative findings: First, as a percent of domestic consumption, imports of article represented 15 percent in prior year, increased by at least 3 percent in prior year and 5 percent in prior 2 years, or, second, as a result of imports domestic production is declining or likely to decline so as to substantially affect ability of domestic industry to operate at a reasonable level of profit and hours, jobs, or wages are declining or likely to decline substantially.

If either of these findings is made, the Tariff Commission must then determine that the imported article is offered for sale at prices substantially below those prevailing for like or directly competitive U.S. products and the unit labor costs of imported article are substantially below those attributable to like or directly competitive U.S. products.

If the Tariff Commission finds that serious increased imports are a substantial contributing factor to serious injury, it must, in its report to the President on its investigation, specify "the amount of increase in, or imposition of, any duty or other import restriction on such article which is necessary to prevent or remedy" the serious injury.

If these very difficult criteria are satisfied, neither quotas nor any other relief is automatically provided. Again the Tariff Commission simply forwards to the President its recommendation for alleviating the injury that has developed in connection with the escape clause investigation. In making these recommendations the Commission has the same latitude as it has today—no more and no less. Where people get the idea that there is contained in the bill a requirement for across-the-board quotas is a mystery to me—is just plain nonsense.

The only change the committee has made relates in the second phase of this new basket clause, which is that if they find these very stringent criteria are met, showing a real disruption in the market, we do provide in the bill a change relating to the ability of the President to ignore the recommendation of the Tariff Commission, which is the fact-finding body with the expertise in this area, the one that has conducted the investigation. Even where the additionally difficult criteria evidencing severe disruption and penetration are established, we permit the President to ignore the recommendation of the Tariff Commission if he determines that acting on their recommendations is not in the national interest. If the investigation shows the situation meets the escape clause but not the additional criteria, the President need only take such action as he deems necessary to remedy the inquiry—again, unless he determines any such action would not be in the national interest.

Let me also point this out: under the provisions of this bill the Tariff Commission is given even greater responsibility to review industry conditions where the President does proclaim import relief, in order to insure that every effort is made by the affected industry to efficiently adjust to the import competition, so that the import restrictions can be removed or moderated.

The President is also given greater authority under this bill to alleviate the injury through multilateral or bilateral negotiations rather than by proclaiming import relief.

Additionally, any relief granted may be reduced or terminated by the President if he determines that this is in the national interest, and any relief expires automatically at the end of 4 years unless extended by the President.

If any criticism can be fairly leveled against the committee, I say to you that it is that we did too little, not that we did too much. This is clearly not an omnibus quota provision nor a quota provision of any kind. It is simply a slight moderation or refinement of our existing escape clause procedures that is fully in accord with our obligations under title XIX of the GATT, since a showing of serious injury is required in all cases. We were so assured by Ambassador Gilbert when he was before our committee.

Red herring No. 3: It has been said that the bill, and particularly the provisions relating to textiles and shoes and the nonexistent "omnibus quota provision," will result in instant retaliation leading to a worldwide trade war, spelling the end of free trade.

What are the facts? Both the United States and our trading partners are members of the GATT, which provides specific directives to the contracting parties to make every effort to attempt to work out trade differences through negotiation.

And let us not forget this: the GATT says that when a participating country's domestic industry is suffering serious injury, that country is entitled to take action to alleviate that injury. And that is all we propose to do here. We do it in conformity with these provisions of GATT fully realizing that it may be necessary to work out compensation with our trading partners.

In enacting this bill, the Congress would find serious injury to the textile and shoe industries, and would provide under the legislation carefully circumscribed relief on a temporary basis. Let us remember that the textile and shoe quota provisions are temporary. They

will expire on July 1, 1976, unless continued by the President, as permitted again under article 19 of the General Agreements on Tariffs and Trade.

Since there are 2½ million workers and more than 35,000 firms in these industries, some moderation in the growth of imports is required if we are to avoid serious economic disruption far beyond the capacity of adjustment assistance to handle.

Employment is down in the shoe and textile industries. It is down 100,000 in textiles alone this year.

The CHAIRMAN. The time of the gentleman from Wisconsin has again expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself an additional 5 minutes.

That is true even though domestic consumption of textile products remains constant.

We must recognize the social consequences, not only to the workers involved but also to our national programs to place the disadvantaged and the marginally productive workers in gainful employment to their advantage, to their family's advantage, and to society's advantage.

Just the other day we enacted a program for manpower training in this country. Manpower training means nothing if we do not have a job at the end of that training. We must be concerned that we do not destroy the job opportunities which we hope will be there.

Also we have passed the family assistance program. It is based on putting people to work and giving them training, but there have to be jobs. We can see what is happening in just these two industries, shoes and textiles, with jobs disappearing because of imports. That is why it is necessary we take some action at this time to moderate that impact—not to cut out the imports, but to moderate the increases that are developing. This, in my judgment, is the kind of a factual situation that article 19 of GATT contemplates.

We attempt to handle the problem basically through voluntary agreements. Even in the extremely unlikely event that negotiations for voluntary agreements are unsuccessful, let me point out that the quota provisions are carefully circumscribed to permit a maximum of consultation, since we provide the President with full discretion by permitting him—and I am talking now about the specific quotas on textiles and shoes—to exempt any article from the quotas when he determines that this action would be in the national interest, and to exempt from quota any article which he determines is not contributing to market disruption in the United States. He can win increase imports above levels authorized in the legislation or in any voluntary agreement to insure an adequate supply at a reasonable price. It seems to me that the entire thrust of these provisions is toward a resolution of problems by consultation and negotiation with our allies.

Mr. Chairman, we have been consulting with our trading partners and will continue to do so in accordance with our obligations under articles 19 and 22. We fully expect our trading partners to avoid unilateral retaliation and to recognize the reciprocal obligation to consult with us under articles 19, 22, and 23. We face the same problems when import relief is provided under article 19 through our traditional escape-clause procedures. Unilateral retaliation leading to a trade war has not been a problem.

Additionally, this bill is clearly framed with international negotiation of our mutual trade problems as the focal point. The bill specifically provides that an international agreement will supersede the textile quota or the shoe quota.

Both the administration and the committee have made it abundantly clear, both in act and in word, that we seek an international agreement, moderating the sharp growth in shoes and textile imports that threaten market disruption, rather than legislated quotas. We want to provide leverage for negotiation leading to an international agreement with out trading partners and have, in fact, done exactly that. We already have such an agreement in the long-term cotton agreement, and this did not lead to unilateral retaliation or to a trade war. The Japanese have similar agreements to those we are talking about, with 10 other countries, and these agreements did not lead to retaliation or to a trade war.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 5 additional minutes.

They have an agreement on manmade fibers with the Common Market countries. Why do they not have one with the United States? They have pacts with some 10 other countries, with the recognition that they were disrupting the markets in those countries. For their good and the good of the countries they were dealing with, there had to be some mutual limitation on disrupting those markets. I think, without a doubt, when we show that we are going to stand up for our rights and protect our people, that they will agree to a voluntary program—the negotiations and agreements we desire—and that is our objective in this bill.

Now, Mr. Chairman, we come to red herring No. 4: It has been alleged that quotas will impose enormous taxes on consumers by virtue of the precipitous increases in prices that may be expected. What are the facts? These projections are based on the assumption that there will be a precipitous cutback in textile and shoe imports, although it is the stated goal of both the administration and the Congress to simply moderate the sharp growth of imports and bring them more in line with the growth of our domestic market. Achieving this goal does not mean that shoe and textile imports will be diminished. Therefore, there is no reason to expect the great price increase that has been projected.

This is borne out by experience under the long-term cotton agreement, negotiated under GATT with some 30 countries covering about 90 percent of our total cotton textile imports. This agreement has been in effect since October 1, 1961, but despite this, the wholesale price of cotton products—predicated on the 1957–59 base equaling 100—stood at 105.8 in May of this year. This is a much smaller increase than for other products on the wholesale price index.

Additionally, we must recognize, as I indicated earlier, that the bill specifically provides the President authority to increase supplies either under the quotas in the bill or any voluntary agreements that are negotiated in order to insure an adequate supply at reasonable prices.

Also, the President is permitted to exempt articles not causing market disruptions, if it is in the national interest to do so, and to permit a 5-percent across-the-board increase in imports each year.

Mr. Chairman, in all of these safeguards written into this bill, we have made every effort to insure that the bill will not result in price increases beyond those that normally occur in the general economy. Experience indicates we may expect even less.

I would hope, Mr. Chairman, that, however wide of the mark some of the criticism of this bill has been, the important features of the bill have been placed in the appropriate context through this debate today.

This bill also contains several important features that I have not touched upon. The bill provides procedures which will insure a more expeditious disposition of petitions filed under our antidumping laws and countervailing duty provisions. Rules for expediting procedures under the national security clause are also provided. Procedures of the Tariff Commission are streamlined in order to permit a more efficient discharge of their responsibilities under the statute. The bill provides the President with enlarged authority to act against import restrictions or other unfair acts of countries which unjustifiably or unnecessarily burden or discriminate against U.S. commerce. Formerly his authority was limited to cases of restrictions against agricultural products.

Additionally, the bill provides new tax rules that will encourage exports and the location of productive facilities in this country rather than overseas. Through the establishment of a domestic international sales corporation—or DISC—a business locating in the United States may have tax advantages similar to those now accruing only where businesses operate through a subsidiary overseas.

Under present law, an exporter using domestic corporation must pay full U.S. taxes on a current basis, while a corporation using a foreign subsidiary generally is required to pay only the foreign taxes on his income as it is returned to this country. Since tax rates in foreign countries average 10 percent less than U.S. corporate income tax rates, this is a distinct advantage.

Additionally, since the deferral depends on leaving earnings overseas, usually to be reinvested, and since this is reinforced by provisions of many foreign countries that impose a tax when dividends are paid, there is a much greater incentive for the utilization of capital

overseas than in this country. By providing similar incentives for the investment of capital in this country, it is hoped that our export operation will be improved, and that employment will be located here that might otherwise be located overseas.

It is important to note that the tax incentive is provided only where proceeds of a DISC are reinvested directly or indirectly in export-related assets. Thus, as dividends are paid by the DISC, they will be fully taxable so that the costs of the proposal represent more a deferral of taxes than an exemption. Additionally, it is important to note that costs of the provision will be significantly offset by secondary economic effects resulting from location of exporting operations in this country that otherwise might go overseas. More jobs mean more taxpayers, more manufacturing here means more suppliers for these operations—and these suppliers will pay taxes. Additional transportation and other services as well as many other secondary economic consequences will generate additional tax revenues. These secondary consequences could greatly reduce any costs of our efforts to provide American exporters with the same tax incentives that other countries have long provided for their exporters.

On this precise point, Mr. Chairman, I want to include at this point in the RECORD a letter I received from Under Secretary of the Treasury for Monetary Affairs, Paul Volcker, pointing out the substantial reduction in the cost estimates given the committee that could well result from the secondary economic effects of the DISC proposal:

THE UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS,
Washington, D.C., November 17, 1970.

Hon. JOHN W. BYRNES,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. BYRNES: This is in response to your inquiry concerning the revenue effects of the Treasury proposal for Domestic International Sales Corporations (DISC). In accord with past practices, the revenue estimates previously supplied by the Treasury to the Committee on Ways and Means only covered the direct and readily identifiable revenue cost of the proposal. As you know, on the basis of the phasing in provisions stipulated in the House bill, these costs are estimated at $160 million in calendar 1971, rising to $610 million in calendar 1975.

These estimates take no account of the favorable impact DISC will have on the levels of income and employment in the United States which will, in turn, generate additional revenues to the Treasury. Estimates of this indirect effect on revenues are difficult and, to some degree, dependent on the over-all performance of the U.S. economy in the years ahead. Consequently, the Treasury, in presenting proposals of this sort, has traditionally not provided precise dollar estimates of secondary effects. However, I believe we are justified in anticipating with confidence that the direct revenue cost of the DISC proposal will be offset to a substantial degree.

Enactment of DISC would permit and induce U.S. firms to expand export markets in several ways:

(a) They could quote lower prices on exports.

(b) They ould use the tax saving to spend more in creating export markets (e.g., increase foreign sales promotion).

(c) They would forego some marginal foreign investments in favor of continuing to supply the foreign markets with exports.

(d) They will have a less tangible, but nonetheless real, inducement to search out and take advantage of existing profitable exporting opportunities that are now foregone through emphasis on nearby domestic markets.

On the basis of reasonable assumptions, we have broadly estimated that DISC would raise U.S. exports by more than $1 billion a year when in full operation. Indeed, as we indicated to the Ways and Means Committee, certain assumptions, bolstered by analysis of some companies, would permit higher estimates, ranging above $2 billion. Given the usual multiplier effects, as the incomes of those initially employed are respent, even the more conservative estimates should result in increases in total gross national product of about $2.0–$2.5 billion, assuming that the economy is not operating so close to the limits set by manpower and capacity as to require offsetting reductions in other areas of economic activity. This higher product—and the higher employment and income that it implies—can, on the basis of average experience, be translated into higher U.S. tax revenues of as much as $.4–$.5 billion. Apart from this secondary revenue potential, it is also worth noting that the increased production would be associated with perhaps 75 to 85 thousand export-related jobs.

Of course, in some economic circumstances of relatively high employment, a portion of this export-induced income and employment would be drawn from other segments of the economy. This would reduce both the over-all increase in GNP as well as the revenue feedback of DISC. Such economic circumstances do not exist at present.

I would emphasize that, in circumstances now foreseeable, an improved competitive position for U.S. exports should enable the American economy to be operated at somewhat higher levels than would otherwise be prudent or desirable. Conversely, the experience of many countries shows that a weak balance of payments and trade position—other things equal—is one factor that at times tends to inhibit vigorous expansion.

On the basis of average experience in the American economy in recent decades, I feel it is reasonable to anticipate that the DISC proposal will result not only in added exports but also added domestic production and employment. This would, in turn, add to Treasury revenues, offsetting at least a significant portion of the original revenue losses.

As I have indicated, these effects are indirect and depend in part on the over-all level of economic activity, so they cannot be identified with the same precision as the estimates of direct revenue loss, either in prospect or retrospect. But they are, nonetheless, real and should be an important element in full Congressional consideration of the DISC proposal.

Sincerely yours,

PAUL A. VOLCKER.

Mr. Chairman, the Trade Act of 1970 responds to urgent public problems consistent with our obligation under the GATT. It cannot properly be labeled either a protectionist bill or a free trade bill.

It is neither. It is a realistic bill, which does not accept the myth of free trade or the impracticality of economic isolationism. It recognized the need for fair trade.

This bill recognizes that the time has come for other countries to understand—and to demonstrate their understanding—that the United States alone cannot absorb all of the surplus production in the world and that it must be concerned about the jobs and standard of living of our own people.

It recognizes that this Government cannot condone a policy of "raid, not trade"; that it cannot stand idly by and watch our matchless marketplace be raided from countries which have all but closed their doors to trade from us.

It recognizes that no American industry and its workers should be regarded as expendable, and that the pursuit of the international trade dollar should not be without due regard to both conscience and consequence.

And finally, it recognizes that the situation in international trade has changed and that there is a need for some new tools tailored to the needs and demands of today.

The Trade Act of 1970 is such a law.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 2 additional minutes.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from North Carolina.

Mr. JONAS. Mr. Chairman, I have asked the gentleman in the well to yield bcause I do not expect to use much time myself since I do not want to prolong this debate, but I do want to ask him a question on his own time, rather than take too much time myself, because I think it is important that we bring this bill to a vote today.

Mr. Chairman, I want to say publicly that I think the gentleman from Wisconsin (Mr. BYRNES) and the gentleman from Arkansas (Mr. MILLS) have made masterful presentations of the issues that are involved. Frankly, it is difficult for me to understand how anyone who is interested in fairplay and who is unwilling to see a large segment of American industry destroyed by unlimited imports, can fail to be impressed by the analysis of the bill and the arguments presented by the distinguished gentleman from Wisconsin (Mr. BYRNES), and the equally distinguished chairman, the gentleman from Arkansas (Mr. MILLS). I wish to pay my respects to both of these gentlemen for the job they have done upon this bill yesterday and today, and indeed during the weeks and weeks and weeks of deliberations in the committee.

Now, with regard to the question of retaliation: The gentleman indicated that already 10 other countries have agreements with Japan which restrict exports of textile and apparel products into those countries. Eight of those countries, as I understand it, are in EEC.

Mr. BYRNES of Wisconsin. That is right.

Mr. JONAS. And the record will show that while we have been taking 20 percent of the Japanese textile mill exports, the entire EEC was only taking 3 percent, and it will also show——

Mr. BYRNES of Wisconsin. The gentleman may be correct. I thought we were taking about 50 percent of their exports of apparels and the Common Market was taking 5 percent.

Mr. JONAS. I was going to mention that.

Mr. BYRNES of Wisconsin. But the gentleman's figures may be accurate.

Mr. JONAS. We are taking 51 percent of their apparel exports, and the EEC is only taking 5 percent.

Mr. BYRNES of Wisconsin. I assume that that is because the voluntary agreement that they entered into was on limiting and establishing a quota on what Japan would send to the Common Market. But the reason for that——

Mr. JONAS. But the point is, has anybody been retaliating against Japan in the EEC?

Mr. BYRNES of Wisconsin. Not that I know of.

Mr. JONAS. If they can make a voluntary agreement with 10 countries in the world to limit exports, why do they refuse to make one with us? If they would negotiate an agreement with us, there would not be any need for this bill; is that correct?

Mr. BYRNES of Wisconsin. Of course, that is what we have been aiming at for a long, long time. We still aim at it in this legislation. Because we say, even with the textile quota that would be provided by the bill, it would be superseded by voluntary agreement.

The President has entered into an agreement with the Japanese that provides a limitation—provided restraint is really what we are talking about—restraint on the increase in imports coming in.

Mr. JONAS. There is one other comment I would like to make, and I would ask the gentleman if he agrees with me. If by any stretch of the imagination the House of Representatives should defeat this bill, do you think there would be any opportunity for negotiating? What would we have to negotiate with?

Mr. BYRNES of Wisconsin. I doubt it, because then the United States and the Congress of the United States has said they will be so advised—just come on boys; it is your market—and they would make it their market.

Mr. JONAS. We would not have anything from which to negotiate?

Mr. BYRNES of Wisconsin. We would have no strength. That is my point. We certainly would be damn poor Yankee traders if we do not have any cards in our hand.

Mr. HARSHA. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman.

Mr. HARSHA. Mr. Chairman, on several occasions during the present session of Congress I have urged support for long-needed regulations in the area of foreign trade imports. Because we can no longer sit idly by as American plants close and other nations attain astounding economic growth through wholesale importation, I am again urging my colleagues to pass H.R. 18970, a measure I cosponsored that will solidify equitable import quotas on textiles and apparel, manmade fibers and footwear.

Competition from foreign markets has become devastating for many American shoe and textile companies. Foreign manufacturers have concentrated their fire seemingly with the intent of closing down their American competitors. In fact, in many cases, foreign-made goods sell for less in America than in the countries where they are manufactured. Something on the order of 65,000 jobs in the United States have simply disappeared in the past few years because of these tactics and many more manufacturers are suffering huge financial losses because they can no longer compete with the more cheaply produced imported products.

In addition, these same foreign manufacturers have restricted their own shoe and textile imports, thereby forcing America to take a disproportionate share of the output of underdeveloped countries. Complex redtape and exorbitant duties make it virtually impossible to sell any quantities of these goods to the same countries who are dumping them in large quantities here.

Let me point out, Mr. Chairman, that the Nixon administration has attempted to negotiate reasonable relaxations of foreign import restrictions, but, unfortunately, with little success. Almost every country with which we trade exercises similar limitations on the products we export. These restrictions take the form of export licenses, quotas, duties or sanitation laws. They are all designed to penalize American industry by making it more difficult to merchandise our goods on a competitive basis in foreign lands, or to force us to keep those goods at home.

We can no longer afford to sit by and be so blatantly compromised in the area of foreign trade. It takes little economic knowledge to realize the obvious end to the present policies. Thousands more working men will lose jobs. Hundreds more plants will close down and their owners will suffer the agonies of bankruptcy. All of this comes at a time when the unemployment problem is critical enough.

The regulations and limitations we are discussing today have become increasingly necessary over the past few years. I have seen specific examples of the hardships caused in my own district because we have not acted more promptly on this legislation.

In the Sixth District of Ohio many shoe manufacturing firms are located in communities where these factories are the major source of income and employment. It is these small manufacturers in the small towns who first feel the damage of unrestrained growth of imports. It is frightening to realize that unless some form of import control is instituted, foreign manufacturers will probably absorb nearly 50 percent of the American footwear market by 1975. Furthermore, there is every indication that foreign shoe imports could conceivably equal as much as 90 percent of U.S. production in just 5 short years.

America has long been a nation dedicated to free trade, but we will never again see truly free trade if we allow continued foreign exploitation of our shoe and textile markets. Trade must be a two-way street and, presently, the scales are weighted heavily in the favor of foreign competition.

I should also like to point out, Mr. Chairman, that many of my colleagues and many of our Nation's editorials have resorted to flat pronunciations that such regulations as those embodied in H.R. 18970 will inevitably lead to an international trade war. I believe those opponents of the measure are completely overlooking the built-in safeguards and resorting to scare tactics in an effort to gain support for their baseless arguments. They have also ignored the fact that the bill has a self-terminating clause that allows the President to suspend a nation's quota if he can get that nation to negotiate a set of substitute regulations that allow for orderly trade. In this way, the bill leaves the door open for foreign countries to negotiate at the bargaining table.

Mr. Chairman, I hope my colleagues will open mindedly consider the evidence:

First, the growth in both volume and market shares by foreign competitors has caused and still threatens serious injury to U.S. manufacturers through lost production, closed plants, idled workers and impaired profits;

Second, foreign producers enjoy wage-cost advantages which domestic firms are unable to offset with advanced technology and efficient operations;

Third, foreign importers receive benefits from hidden Government aids, direct subsidies or tax rebates; and

Fourth, the United States absorbs a disproportionately large share of imports due to tightly shielded foreign markets.

These points surely demonstrate the overwhelming need for implementation of import quotas as a protective measure for American shoe and textile manufacturers, workingmen, and overall economy.

These limitations on imports will, indeed, make markets more orderly and end the present disruptive tactics of foreign competitors who are picking off and killing one American manufacturing target after another. The bilateral agreements that will follow passage of this measure will also allow for a steady expansion of foreign quotas in the United States, contrary to the arguments of many of the trade bill's opponents.

I urge strong support for quick passage of H.R. 18970, "The Trade Act of 1970," so American shoe and textile manufacturers can once again get into the thick of international competition on an equal basis.

Mr. BOLAND. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman.

Mr. BOLAND. Mr. Chairman, I commend the gentleman from Wisconsin for his fine explanation of this bill and also for the explanation by the chairman of the great Committee on Ways and Means yesterday.

The gentleman from Wisconsin indicated some are saying that this is a horrendous proposal. But this designation, as the gentleman says, is a red herring.

My point, as you have indicated, is that imports which will continue to flow

to our shores even after the adoption of this bill.

I would just like to point out one item here that you mentioned—shoes. In 1969, there were imported into the United States 202 million pairs of shoes. On an annual basis for 1970 that has escalated to 268 million pairs of shoes. All we are seeking to do through this legislation or that the Congress is seeking to do is to stop this fantastic and incredible escalation of the importation of goods. It does not bar importations, but just makes it more equitable and fair.

Mr. BYRNES of Wisconsin. That is absolutely correct.

The CHAIRMAN. The gentleman from Wisconsin has consumed 51 minutes.

Mr. MILLS. Mr. Chairman, I yield 10 minutes to the gentleman from Oregon (Mr. ULLMAN), a member of the Committee on Ways and Means.

Mr. ULLMAN. Mr. Chairman, I rise in opposition to this legislation—not because there is not a trade problem but because this is not the real remedy for the problem in this country.

What is the real reason that we are not competitive in the world market today? We are becoming increasingly noncompetitive.

First, it is because of the continuing rampant inflation in this country.

Second, it is because of the backsliding economy.

We are never going to become competitive in the world market until we get control of these situations.

If we had a growth economy in America today with controlled inflation, we would not be here today debating this legislation.

It is high time in this Nation that we faced up to the real problem and that we get a handle on wages and prices and that we direct credit into the right and socially desirable channels and that we reestablish a dynamic growth economy.

Enactment of the proposed Trade Act of 1970 would clearly be a regressive step, setting back world trade and slowing economic recovery here at home. The proposed legislation—with its inherent inflationary factors—is a specific threat to our economy, at a time when the U.S. economy is already in serious difficulty.

It is true that the United States has problems with some of its world trading partners. Though our balance of trade currently shows a surplus, the calculations are somewhat misleading. For example, the value of imports is not set high enough because it is calculated at the foreign port of departure. More realistically, it should account for the added cost of transportation, and the total value should be computed after the import lands at our shores. On the other hand, the value of our exports is inflated, with Commerce Department figures including the value of goods sent free-of-charge abroad under aid programs, and sales of military goods overseas.

Moreover, the overall surplus masks serious trade deficits that we are now experiencing with a number of individual nations. Chief among these is Japan. Our true trade deficit with Japan last year was near $2 billion.

We must come to grips within this highly imbalanced situation. But in doing so, we would be making a grave mistake to pass sweeping restrictive legislation that would surely bring reprisals from all our world trading partners, and erase the progress of the past 35 years in world trade relations.

We should instead go to the real source of our world trade problems—rampant inflation in the U.S. economy. The 6 percent and higher rate of increase in the price of our goods that we have seen for nearly 2 years now, and which we are still experiencing, is the primary cause of our trade difficulties. Our exports are being priced out of the marketplace. We are not competitive.

Add to this the current stagnation in our economy, with U.S. industry producing at far below its capacity, and it is not at all surprising that other trading nations are pulling sharply ahead of us in the world marketplace.

Japan's economic growth booms ahead at the rate of 14 percent a year, and West Germany's is expanding by 8 percent a year. Ours is at a virtual standstill. Upward movement in our economy applies only to unemployment and the cost of living, an unenviable record.

The only way we can get back to a competitive position in world markets is to re-establish dynamic growth in our economy. We cannot accomplish this goal under the present economic policies of this administration.

For nearly 2 years, this administration has failed to take up the tools available to repair the economy and control inflation. It has refused to act in the key areas of prices, wages, and credit. We have instead been diverted with talk and rosy economic forecasts. Now, for instance, the administration is asking us to believe that all will be well by 1972, when we will reside in a Camelot of full employment and 6 percent growth annually.

We have made no economic progress at home or overseas in 2 years despite similar, earlier predictions, and we will see no progress by 1972 unless the administration begins to substitute action for rhetoric.

In June of last year I told Secretary of the Treasury Kennedy that I could not support extension of the tax surcharge unless the administration did the things that had to be done to stop inflation. I also wrote to the Secretary outlining a program for such action. I urged that the administration move into the area of wages and prices, and impose a tough policy of guidelines, making clear that the national interest will not tolerate increases in prices and wages above these guidelines.

I urged that the administration take a firm hand in shaping the use of credit in the economy, helping to direct available financing to areas of national social need, such as housing. Secretary Kennedy replied that the administration would not, as a matter of policy, take such steps.

Unfortunately, the administration has stuck with this policy decision, and we have paid dearly for it in the ensuing months.

Today business activity is weak with no upsurge in sight. A recent survey of industry's capital spending plans for next year shows that only a 2 percent increase in expenditures is planned. Part of this depressing forecast can be attributed to the administration's successful drive last year to repeal the investment tax credit, one of the most useful and effective tools developed in our economy in recent years.

The consumer is caught on the horns of inflation, the final victim of outrageous wage increase settlements in the auto, construction and transportation industries, and the retaliatory price increases made by business to cover its increased labor costs.

We cannot regain strength in our economy and in our world trading position without a tough new policy on prices, wages, and credit. We must have real restraints applied coupled with a visible relaxation of monetary policy that will bring down long-term interest rates for the average citizen. We should reinstitute the investment tax credit.

This is the answer to our world trade problems; not the ill-designed and ill-directed legislation before the House.

I would ask you to reject this bill. I would urge the President to use the full authority now available to him to move strongly against Japan and other nations violating the spirit and intent of the GATT agreements. He should insist through tough bilateral bargaining that these nations open their doors wider to American goods.

But, above all, I would again request that the President and his administration act now to put dynamic growth back into the U.S. economy so that American industry is capable of meeting the growing challenge of world trade.

Compared with the real economic problems of this Nation, this legislation today is really a tempest in a teapot. So I am going to vote in opposition to the legislation.

I would like to commend the distinguished chairman of the committee for the untiring work that he has put into this legislation, much of which certainly should be adopted. I would like to ask the distinguished chairman of the committee whether I am correct in assuming that the reference in section 205(a) of the bill to subchapter II of chapter 5 of title 5 of the United States Code refers to the Administrative Procedures Act.

Mr. MILLS. The gentleman is correct.

Mr. ULLMAN. Am I, Mr. Chairman, also correct in assuming, therefore, that this section would permit an importer or retailer of a product not exempted from the quota provisions to obtain a hearing on the question of whether the product in which he is interested should be exempt?

Mr. MILLS. The gentleman is correct.

Mr. ULLMAN. I merely wanted to establish, Mr. Chairman, that an importer or retailer would have the opportunity in a fair administrative hearing to seek an exemption, and that these exemptions would not be denied without affording importers and retailers due process, including the opportunity to be heard and

to obtain findings on the record which must be supported by substantial evidence.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. ULLMAN. I yield to the distinguished chairman.

Mr. MILLS. I share the gentleman's concern, and that is why the bill makes reference to the Administrative Procedures Act.

Mr. ULLMAN. I thank the gentleman.

Mr. ANDREWS of Alabama. Mr. Chairman, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman.

Mr. ANDREWS of Alabama. Mr. Chairman, we are dealing today with the very survival of one of this Nation's greatest and certainly one of its most efficient industries—the American textile industry.

During the many months—yea, the years—that the matter of textile imports has been discussed in and out of the Halls of Congress, the cheap-textile-producing nations have so increased the amount of imports pouring into the United States the bill we are considering today is almost too late.

We must pass H.R. 18970, the Trade Act of 1970, and we must pass it now. We do not have time to worry about hurting the feelings of Japan. We are dealing with the survival of an industry that employs 2.4 million workers. Over a hundred thousand of them have lost their jobs already this year—victims of low-wage textile imports.

In my own State, textiles represent the second largest industry, employing 42,200 people, with an annual wage well over $200 million. They help form the backbone of the economy of Alabama. The story is the same in many other areas throughout this Nation.

The success formula used by cheap textile nations, notably Japan, is simple enough, but it could not work without the cooperation of the United States. The Japanese textile worker makes about 36 cents an hour, while the American textile worker receives, on the average, $1.99 per hour.

The American textile industry is required by law to pay the minimum wage of $1.60 per hour, while the Japanese not only have no minimum wage but enjoy a government subsidy for their exporting efforts.

By using labor paid coolie wages, Japan earned $94.4 million last year from textile shipments to the United States. We import $800 million more in cotton, wool, and synthetic fibers than we sell abroad, and one-half of this trade deficit comes from Japan.

Our generosity has not been met by the Republic of Japan. While we have placed no restrictions on Japanese imports, she has restricted goods that we exported to her. While Japan has refused to negotiate voluntary quotas with the United States, she has made such agreements regulating textile trade with nine other nations.

Japan's stubbornness and our tolerance have helped that nation build up a textile trade advantage over the United States of $525 million.

The notion that we should sacrifice our own domestic industry in order to build up the same industry in a foreign country is outrageous enough, but when I think of the refusal of Japan to give the United States any help in Vietnam, I am even more at a loss to understand why we should be so generous to that nation.

Aside from the disastrous effects the present textile trade deficit is having on those employed in the industry, the American consumer can also expect problems ahead.

Once a market falls under the domination of a foreign nation or nations, the laws of this Government against cartels and subsidies will no longer apply, and the consumer will be the loser. The silk industry, for example, has doubled its prices since 1959. General prices in the United States are up 17.1 percent since 1957–59, but the textile-apparel prices are up only 9.5 percent.

The Japanese have refused voluntary quotas. They have shown that their greed will outweigh any other consideration in this vital matter.

Therefore, we must limit textile imports to the average imported during 1967–68. If the Japanese do decide to respond, the bill will permit negotiated quotas above the 1967–68 figures. It will also make it easier for industries to show injury from imports and obtain relief.

Mr. Chairman, we face a grave crisis in our domestic textile industry. The hard-working men and women in this industry are looking to Congress for action. They are looking for us to pass reasonable legislation to protect them.

H.R. 18970 is such legislation. I urge a favorable vote on the bill by this House.

I include a letter at this point.

UNITED TEXTILE WORKERS OF AMERICA,
New York, N.Y., November 12, 1970.

To Members of Congress.

Sir: A resolution was adopted by the United Textile Workers of America at its annual Southern Conference in Atlanta, Ga. on October 23, 24 and 25. This conference was attended by delegates from W. Virginia, Virginia, North Carolina, South Carolina, Tennessee, Georgia and Alabama.

The same concern for the continuing loss of textile jobs, resulting from the ever-increasing rate of imports has become the most crucial issue for textile workers throughout all of the United States.

Secretary of Commerce Stans stated that 65,000 textile workers lost their jobs in the past 12 months due to textile imports from the Far East. He further stated that if imports from Japan, Taiwan and Hong Kong continue at the present rate, the unemployed figure could rise to 100,000. As a result of international agreements since 1961, cotton fabric yarns and apparel imports have slowed down, while, at the same time, imports have shifted to fabrics and apparel made of other fibers.

The American government has attempted, on many occasions, to conclude agreements to regularize this trade. Japan has been the leader of rebuffing every attempt and, as a matter of fact, their arrogant conduct has verged on insult.

It is important that the House of Representatives and the Senate pass legislation to check the growth of textile and apparel imports, along the lines of the Trade Act of 1970, H.R. 18970 reported out by overwhelming vote in the House Ways and Means Committee, and under review by the Senate Finance Committee as part of the Social Security amendments.

65% of the textile industry and apparel manufacturing of this country is located in small communities. Any threat to the survival of these industries will sound the death knell for the economic life of hundreds of these communities, and it will hit severely men and women suffering from hard core unemployment, whatever their color, in small towns and large cities. It will create a tremendous increase in unemployment and, therefore, welfare costs.

It is necesary to safeguard the labor standards attained in the United States from erosion by unfair foreign competition based on the perpetuation of wages as low as 9c an hour, untold hours of work, and the exploitation of children.

We urge you to protect us as this problem cannot be handled through collective bargaining and we, therefore, must appeal to our elected representatives to assist us in protecting our people.

Sincerely yours,

GEORGE BALDANZI,
International President.

Mr. MILLS. Mr. Chairman, I yield 10 minutes to the gentleman from Georgia (Mr. LANDRUM), a member of the committee.

Mr. LANDRUM. Mr. Chairman, it seems to me there has been much misinformation regarding the nature of the trade bill now before the House—and regarding the historical context of this bill.

Its opponents have said that it signifies a return to protectionism and the end of reciprocal trade. This is just not true. The fact is that this bill would attempt to restore reciprocal trade. The record shows that the United States did not insist on reciprocal trade relations during the 25 years after the Second World War, and, as a result, did not receive reciprocity. While such an American policy could perhaps be justified for war-torn lands in the 1940's, it cannot be justified today in our dealings with the prosperous countries of Western Europe or with Japan.

Opponents of the present bill usually begin and end with an unfair comparison of this legislation with the Smoot-Hawley Tariff Act of 1930. As we are all aware, this country turned inward in its trading relations with the rest of the world following the onslaught of the great depression and the stock market crash of 1929. The Smoot-Hawley Tariff Act raised import duties on most of our imports and in many cases imposed duties of up to 50 percent on the value of the imported article. The act became law in a period of financial stress; unemployment was growing rapidly, the country was clearly headed into a depression and other countries were taking similar measures to protect their own economy. At the time the Tariff Act was considered to be a defensive move necessary to assist our agricultural economy and to safeguard American jobs and American industries.

A short time thereafter, in 1934, Congress approved a law to reverse the trade policy established in the Tariff Act of 1930. Franklin D. Roosevelt had been elected President. His Secretary of State, Cordell Hull, a fine spokesman for the agricultural interests of the South, sponsored a program which was called the Reciprocal Trade Agreements Act. The

basic idea of the program was one of reciprocity. There was no intention to engage in a unilateral tariff disarmament. Under the Trade Agreements Act, tariff reductions were permitted through negotiations and in exchange for tariff reductions by other countries. The negotiations were conducted on a bilateral basis and called for the careful trading of tariff concessions in order that no domestic industry be seriously injured by the tariff reductions. A number of trade agreements were negotiated and the downward trend in the level of U.S. tariffs which stood at 50 percent in terms of dutiable imports had begun.

In the late, 1930's, however, other countries continued to engage in tariff discriminations and competitive currency devaluations. A number of countries used trade strictly as a political weapon for their own ends. The world became divided into trade warring blocs. Complete economic warfare became a reality with the growing friendship between the Fascist countries of Germany, Italy, and Japan.

With the beginning of World War II and the entry of this country into that war, efforts to achieve liberalization of international trade were for the most part set aside. Thus, the Reciprocal Trade Agreements program initiated in 1934 had little opportunity to bring the peace which had been promised by its supporters. Nationalism was too great a force in those days for an outward looking commercial policy to overcome.

I believe that the policy embodied in the Reciprocal Trade Agreements Act of 1934 was a wise policy. Moreover, I feel that the basic idea of reciprocity in our trade relations must continue to be the basis for trade relations with other countries if international trade is to make the contribution that can be made to the economic progress and development of all countries.

Unfortunately, for a number of reasons, reciprocity has been too often ignored. The United States after World War II had emerged from the depression and became the greatest industrial power in the world. Our basic industries: steel, petroleum, chemicals, textiles, heavy machinery, aircraft, and electronics developed beyond any expectation that one might have had in the 1930's. Our agricultural abundance added to the economic preponderance of the United States in world markets.

Thus, the situation at the end of World War II was all in our favor, both economic and military. Europe and Japan were prostrate, unable to recover by their own efforts. The U.S. response to this situation was the most magnanimous gesture ever undertaken by a victorious nation. Instead of demanding reparations, we poured economic and military aid into Europe and Japan, asking little in return. Indeed, $22 billion of Marshall plan aid went to Europe between 1947 and 1952, most of it on a grant basis; that is, we asked no payment in return. As it turned out later, this might have been a shortsighted view of the ability of Western Europe and Japan to recover.

In 1947, our trade balance showed a surplus of $10 billion. We were preoccupied with what was called the dollar gap—a shortage of dollars abroad. We not only extended billions of dollars in foreign aid, but we also adopted trade policies aimed at increasing the flow of dollars abroad. In place of a bilateral trade agreements program, we negotiated a multilateral trade agreement known as the GATT—General Agreement on Tariffs and Trade. We began rounds of tariff negotiations in which we agreed to cut our tariffs substantially. Just as in the aid program, we did not require Europe or Japan to go along in a fully reciprocal way. Our political and economic goals, of course, were the rebuilding of a strong and self-sufficient free world.

In 1949, European countries were only slowly recovering from the ravages of war. It was that year that most of the countries devalued their currency in order to improve their competitive position. The devaluation was substantial and had a tremendous effect. Our trade surplus went from $10 billion in 1947 to $5 billion in 1949 and down to $1 billion in 1950.

Indeed, 1950 marked the first year in the post-World War II period in which this country experienced a balance-of-payments deficit. These deficits have continued ever since. At the time, however, the payments deficit was welcomed as a means of putting more purchasing power in the hands of our friends abroad. The continuing deficits we experienced in our balance of payments in the years between 1950 and 1956 caused no alarm. The deficits were relatively small—$1½ billion a year; we still had substantial gold reserves and our economic superiority was still unquestioned.

In 1958, however, the situation began to change. After much talk about economic and political unification, six of the European countries gathered together in what is now called the Common Market. The ultimate aim of the Common Market was to get rid of all trade barriers between those countries and ultimately to achieve common fiscal, monetary, and agricultural policies. At the same time, a common external tariff would be imposed on imports from outsiders. We welcomed the economic unification of Europe both for economic and political reasons. Politically, a strong Europe was felt to be a necessary bulwark against further Communist encroachment. Economically, it was felt that the trade discrimination against countries outside the market would more than be offset by economic growth within the Common Market.

On the other side of the world, the Japanese also began to gain economic strength after 1958. The industriousness of the Japanese people, their ability to take advantage of U.S. technology, and the economic and defense umbrella of American military forces in the Pacific, all enabled Japan to devote its energies to enhance its commercial position.

It was also around 1958 that American companies began to move abroad en masse, partly to take advantage of the growth potential in other industrialized countries and partly to take advantage of the low labor costs in Europe and the Far East. One of the results of these forces working together was further deterioration in our balance-of-payments position.

From 1958 through 1968, our gold stocks declined by some $12 billion. Moreover, dollars held by foreigners doubled over this period. At the end of the fifties, we engaged in what was called the Dillon round of trade negotiations and further reduced our tariffs by some 20 percent. It was hoped by the negotiations to keep the Common Market outward looking. However, these negotiations did nothing to change the direction of European agricultural policies which began to manifest themselves in a device known as the variable levy.

When President Kennedy was elected in 1960, he made the first order of legislative business a new grant of trade agreement authority. It was hope that, through trade negotiation, the United States would be able to deal with the inherent trade discrimination of the European Economic Community. Further, it was hoped that, through further trade liberalization, the United States could improve its balance-of-payments position. The Congress accepted the President's arguments and granted him sweeping authority to negotiate tariff reductions. In the 1962 act, the President was permitted to cut tariffs by 50 percent and was provided authority to reduce tariffs to zero on products in which the United States and the Common Market had an overwhelming interest. The Congress assumed that the Common Market and other industrial countries, including Japan, would fully reciprocate. Indeed, in the hearings before the Congress, it was emphasized that reciprocity was to be the guiding principle for U.S. negotiators. The Kennedy round lasted 5 long years, during which the United States continued to experience large balance-of-payments deficits. The European countries—namely France, under General De Gaulle—put additional pressure on the dollar by large purchases of gold. As a result, the U.S. Government began placing restrictions on American capital investments abroad.

The Kennedy round was completed on June 30, 1967, the day the President's trade agreement authority under the 1962 act terminated. Although the exchange of tariff concessions was substantial, the Kennedy round, to a large degree, failed to deal with two principal areas of trade relations: U.S. negotiators were unable to change the growing protectionist trend in the European agricultural policies, nor was there any success in dealing substantively with the nontariff-barrier issues. Since the results of the Kennedy round were announced, Congress was beseiged by pleas from many basic industries for relief from burgeoning imports. These pleas were not the usual handful of complaints from smaller industries which have traditionally opposed the liberal trade program.

The complaints came from large industries, like steel, textiles, shoes, dairy, meat, oil, electronics, and chemicals. The intensity of the demands by these industries caught the executive branch and the Congress by surprise. Only 5 years before, many of these groups had supported the Trade Expansion Act. Continued balance-of-payments crises and moves by the administration to control American tourist expenditures abroad added fuel to the fire of the trade debate which began to rage in the Congress. Meanwhile, imports rose rapidly while export growth barely kept pace with the growth in the domestic economy.

One thing was clear—the situation could no longer be characterized simply by free trade versus protectionism. Large American industries were pointing out that the United States did not receive the reciprocity expected from foreign countries. Yet, these countries encouraged exports to the United States.

It was pointed out, for instance, that Japan maintains over 90 quantitative restrictions on items of export interest to the United States—to say nothing of its restrictions on investment.

The Japanese Government also provides many special forms of export insurance, including investment, price, loan, and overseas advertising risks. And exporters are permitted to reserve up to 5 percent of their export proceeds for foreign market development—which is tax deductible—even if not spent. Special depreciation rates for plant and equipment are granted by the Ministry for International Trade and Industry if the enterprise is concerned with export promotion.

The Italian Government rebates to wool textile exporters the integrated rate of the general turnover tax. In addition, of course, Italian exports—including all textiles—receive a rebate of the transactions tax in the amount of 6 percent of the export value together with a refund of certain manufacturing taxes.

American agricultural exports have been hard hit by the import policies of the European Common Market. We all know what happened to our chicken market in Europe when the European Community launched its variable levies: Our hard-won market disappeared. The American response was very disappointing. It was a classic example of too little and too late. If we had told the Europeans in no uncertain terms that "for every American chicken you pluck, we will cut off a Volkswagen coming into the United States," they would have thought twice about putting on the variable levy. Unfortunately, this country hemmed and hawed until the Europeans were convinced we would not act to harm their exports substantially. This was a case where our political goals of friendship and European unity overwhelmed our own economic self-interest. Now we find that our wheat, corn, tobacco, and barley exports to the European Community are being curtailed by the growing protectionism inherent in the common agricultural policy.

In the industrial area, Europeans increased their border taxes and export rebates. This they were able to do under the rules of the GATT negotiated in 1947. As you recall, we had a $10 billion trade surplus then and we were trying to put more dollars in the hands of our friends abroad. It is all too clear that in the instance of tax rules in the GATT, we agreed too quickly to rules which do not insure reciprocity. As imports of textiles and electronics products from Japan, Hong Kong, and Taiwan increased rapidly during the 1960's, our industries pointed out that Japan in particular continued a rigid system of control over imports and investment. Thus, U.S. producers were denied access to the Japanese market. The reciprocity which we have sought in our trade negotiations simply has not come about.

To a large degree, the failure of our negotiators to insist on full reciprocity and the failure of our trading partners to extend that full reciprocity has been due to the continued assumption that the economic preponderance of the United States could support a continuation of the economic policies of the post-World War II period. This was evidenced in the amendment of the domestic procedures under which industries could seek relief from injurious import competition. The tariff-adjustment provisions of the 1962 act were so rigidly drawn that no industry was successful in obtaining relief until just the past year. This lack of relief to domestic industries increased the pressures for restrictions on imports. I might add, it also increased the pressures on the Congress for legislation to control imports by quantitative limitations.

To a large degree, our trade policy has been at a standstill since the end of the Kennedy round. In mid-1968, the executive branch reluctantly recommended further tariff-cutting authority but made no recommendation for amending the tariff-adjustment provisions in order that American industries could obtain relief from injurious import competition. The Committee on Ways and Means held extensive hearings on the executive branch's trade proposals but was to take no action prior to the adjournment of the Congress.

One major effort of the present administration has been the attempt to negotiate an agreement with Japan and other major textile exporting countries to control the flow of textile and apparel imports into the United States at reasonable levels. As you know, these efforts have not as yet proved successful.

At the present time, the textile industry in the United States directly employs some 975,000 persons and the apparel industry—vital to employment of minorities in many of our crowded inner cities—hires another 1.4 million Americans. It is these two important industries that have suffered during the delay of negotiations.

Capital expenditures for new plants and equipment have dropped 8 percent in the past year—and are down almost $250 million since 1966.

Total employment in the textile and apparel industries dropped 100,000 in the first 9 months of this year—the lowest level since 1966.

Profits in the textile industry declined 44 percent as a percentage of sales from the second quarter of 1969 to the second quarter of this year; and fell 46 percent as a percentage of equity during the same period.

Profits in the apparel industry slipped 32 percent as a percentage of sales from the second quarter of 1969 to the current second quarter and were down 37 percent as a percentage of equity.

The Federal Reserve Board's production index for apparel products in July dropped 7 percent from the 1969 level. Its average index for the May–July 1970 period was the lowest since October 1964.

Unfilled orders for cotton, wool, and manmade fiber woven gray goods at the end of August 1970 were 19 percent less than August 1969.

Inventories of cotton, wool, and manmade fiber woven gray goods were 23 percent higher at the end of August 1970 than in August 1969.

Textile and apparel imports made from cotton, wool, and manmade fibers continued to climb during the first 9 months of 1970. Our trade deficit in these products—which was $500 million in 1966 and $1 billion in 1969—is expected to exceed $1.2 billion in 1970. The heaviest influx, as most of us know, has been in the area of manmade fiber products.

After the President submitted a trade proposal to the Congress at the end of last year, the Committee on Ways and Means began extensive hearings on the matter.

Our hearings encompassed some 16 volumes and included petitions by over 70 industries for import quotas. Moreover, many of the major organizatons joined domestic producers in requests for restraints on imports. The committee, of course, also received the views of those who oppose any change in existing trade policy, and who emphasized the need to recognize the contribution that past trade policies have made to this country and our major trading partners.

Let us examine the choices that were before the committee on the basis of the testimony received:

First, we could have simply given the executive another carte blanche negotiating authority, another opportunity to achieve reciprocity, without safeguarding the interest of American industry and labor in any meaningful way;

Second, we could have conceded to the demands of 70 industries, plus American labor for import quotas on a host of imported products;

Third, we could have raised tariffs as we did in 1930 under the Smoot-Hawley Act; or

Fourth, we could have provided a moderate degree for protection for outstanding problems and criteria for relief for other industries if they were found to be injured by import competition, while at the same time showing the rest of the world that we were still interested in reciprocity, if they are.

The Committee on Ways and Means has basically taken the fourth option. It proposes some temporary restraints on imports of footwear and textile products, which could be superseded by voluntary agreements on the part of textile and shoe exporting countries. We do not feel this is too much to ask for all we have

done for Europe and Japan when they were in difficulties, and in the light of their own protective devices against precisely those industries which are bearing the major brunt of foreign competition here in America.

We also propose revising our unfair trade practice statutes so foreign countries cannot dump their wares on our market with impunity. We have modernized our escape clause and adjustment assistance provisions to give injured parties a fair chance to gain some relief. We propose giving the President some authority to reduce tariffs which we expect would be mainly used to offset whatever restrictions the President finds necessary to protect injured domestic industries. And, to aid our balance of payments, we have approved an export tax incentive which, I might add, was promoted by the Treasury Department as a response to the export tax incentives employed by our foreign trading partners.

There are those who say this bill is another Smoot-Hawley; that foreign countries will retaliate against American exports. Frankly, I believe that those groups which are spouting this reaction are speaking emotionally to protect their import interests and not realistically.

Legislation to regulate the growth of textile imports will have no significant effect on consumer prices. While import legislation should slow this rapid rise it will not prohibit large volumes of imports from textile producing nations around the world.

Prices are affected by many factors from day to day—including the general business cycle, deflationary or inflationary Government monetary policy, shifts in consumer tastes, and other factors.

The textile quota provisions of the pending trade bill are so generous that the present product mix of the tremendously wide variety of styles and fashions of men's, women's, and children's clothing in low, medium, and higher priced brackets will continue to be available at the retail counter.

Actually, the maintenance of a highly competitive, expanding domestic textile-apparel industry is the consumer's best assurance that he or she will continue to receive quality textiles at reasonable prices. When any segment or large part of that market falls under foreign domination, the competitive influence on prices can be lost. A good example of the latter is silk. Japan and Italy dominate the world's silk-textile production. And, as a result, since 1960, the wholesale price index of silk textiles has increased some 89 percent. During the same period, the price of all textile products—operating in the competitive U.S. market—have increased only 1 percent and the combined textile and apparel index is up about 9 percent.

There has been talk, of course, that if the United States limits importation of textiles and apparel from other nations, they will retaliate against our agriculture exports.

Let us consider, for a moment, the case of Japan. Can Japan afford to retaliate against American exports of soybeans or cotton in the light of the fact that it is totally deficient in production of these commodities, which it needs to feed and clothe its population? Japan buys our soybeans, according to Dr. McDonald K. Horne, Jr., former chief economist of the National Cotton Council, because Japan needs them vitally. She already buys most of China's exportable soybean supply—and there is no practical outlook for much increase in that supply. In 1969, the world exports of soybeans came from the following countries: United States, 311.1 million bushels; mainland China, 18.2 million bushels; Brazil, 11.4 million bushels; and all other countries, 1.7 million bushels.

Dr. Horne has pointed out that since 1958 there has been a significant reduction in China's soybean acreage in compliance with the regime's general policy to convert land from low-yielding crops to high-yielding ones. And soybean production is considered a low-yielding crop.

There are, of cour[illegible], many cotton-producing countries—and Japan is our greatest cotton export market. Our cotton industry does not, however, expect retaliation. It does not believe retaliation will come from individual Japanese business firms. Quite sensibly, the Japanese buy their cotton where they can get the best deal. For example, they purchase about one-half of Mexico's export cotton year after year— although they sell virtually no textiles to Mexico. Last year, in fact, Japan bought more cotton from Mexico than from the United States.

Altogether, it is highly doubtful that Japan will retaliate against our agricultural crops. After all, Japan exports over 30 percent of its total exports to the U.S. market, and it would stand to lose far more than the United States by engaging in retaliation. We import almost $2 billion more from Japan than we export to Japan. Why would they lose that business?

Now, the European countries are threatening to put a tax on soybeans, but they have been threatening that for a long time. They may use this bill as an excuse to do this—if they do, it will be an irrational act because Europe has far more to lose than it could possibly gain in a trade war with the United States. Have you noticed how many Volkswagen beetles there are on the road in the United States? There are not too many Fords or Chevys picking their way through the streets of Paris or Rome. I am sure that Henry Ford and General Motors would not mind if we established a "variable levy" on imported cars, or a road tax on cars with engine cylinders exactly the same size as Volkswagen—that would be reciprocity according to the way the Europeans play the game. The Europeans have a lot more at stake. We still have six divisions of American boys over there to protect them at an enormous cost to us in budget and balance-of-payments terms. Over 50 Senators have cosponsored a resolution introduced by Senator MANSFIELD to pull some of our boys back. If they want to retaliate, I think that resolution would pass both Houses in 3 days and the boys would be coming home. It has been 25 years now that we have been protecting them. Now it is time they did something for the free world for a change.

I don't know whether or not this legislation will become law—I sincerely hope that it will. I can tell you that I think the days for unlimited open-door one-way free trade are over. We must restore balance and reciprocity in our commercial relations with foreign countries and this bill is a start.

Mr. ICHORD. Mr. Chairman, will the gentleman [illegible]ield?

Mr. LANDRUM. Yes; I am glad to yield to the gentleman.

Mr. ICHORD. I want to commend the gentleman in the well for the outstanding speech he has just made.

As stated, he rejects the contention that this bill rejects the principles of free trade. I certainly want to concur in that evaluation.

I would like to ask the gentleman this question: Is it not true that in most instances the provisions of this bill are very flexible, giving the President, the Executive, discretionary authority rather than mandating him to take such action?

Mr. LANDRUM. More so than any it has been my pleasure to read and study. As a matter of fact, all of the critics to the contrary notwithstanding, I think they have just been reading and looking at their prejudices rather than looking at and reading what the facts of the bill are.

Mr. ICHORD. Mr. Chairman, I rise in support of H.R. 18970 and especially in favor of title II of the bill providing quota limitations on imports of textile and footwear articles. My district has a large number of garment and shoe factories providing employment for thousands of my constituents and hardly a day passes without the receipt of a letter advising me of a further layoff of workers or the closing of a plant due to the inability to find a market for garment and footwear production, the markets having been swamped with the import of cheaper foreign-made articles. I concur with the finding of the distinguished Committee on Ways and Means that these temporary measures are abolutely necessary to insure the inability of the textile and footwear industries which provide jobs for more than 2½ million American workers.

Mr. Chairman, I reject the contention that this is a return to American economic isolation. It is axiomatic that if another nation can produce article A more efficiently or at less cost than this Nation and we can produce article B more efficiently or at less cost, we should produce article B and the other nation should produce article A. Both nations will benefit from the resulting trade. We, who support this measure are not rejecting the principle of free trade. Instead we are recognizing the fact that trade is a two-way street; that the domestic and foreign policies followed by this country since the end of World War II have finally pushed American industry up against the wall. These policies have placed American industry at a serious trade disadvantage. Foreign-based industries not only have the advantage of lower labor costs but they also have the advantage of lower taxes. In addition, many nations subsidize their exporting industries like

Japan, for example, which permits special depreciation allowances for assets used in export production. Other nations provide tax exemption for exporting industries while we observe this nation actively encouraging American companies to locate their plants abroad by establishing programs to insure the company against ex-appropriation and other hazards. Is it any wonder that so many American companies have chosen to relocate their production plants abroad?

In the past 5 years imports of footwear have increased from 96 million pairs to 202 million pairs. Domestic production declined from 642 million pairs in 1968 to 581 million pairs in 1969. The situation is equally bad, if not worse, in the textile field. For example, there were 501,000 dozens of sweaters imported in 1965. In 1969 there were 6,974,000 dozens imported. Is there any wonder that plants are being closed and work forces are being reduced?

Mr. Chairman, the provisions of this legislation are very flexible. The legislation, should not be viewed as establishing a policy of protectionism but as an honest effort to face up to some very hard facts. The President must be given the discretionary authority contained in this legislation to take the necessary steps to save the jobs of thousands of American workers.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the distinguished gentleman from Michigan (Mr. CHAMBERLAIN).

Mr. CHAMBERLAIN. Mr. Chairman, I would like to address myself to one area of U.S. trade which is dealt with only indirectly in H.R. 18970, but which certainly must be closely watched by the Congress. I refer to the operations of the United States-Canadian Automotive Products Agreement. H.R. 18970, the Trade Act of 1970, would amend the Automotive Products Trade Act by renewing the transitional adjustment assistance for firms and workers which expired on June 30, 1968. H.R. 18970 would also amend the provisions of the Automotive Products Trade Act which provides for such adjustment assistance to firms and groups of workers adversely affected by the operations of the agreement by liberalizing the criteria for granting the assistance and to conform it to the more liberal standards of the Trade Expansion Act, as would be amended by H.R. 18970.

Mr. Chairman, in requesting the implementation of the United States-Canadian Auto Products Agreement, the Congress was given certain assurances as to mutually beneficial developments in automotive trade between the United States and Canada under the agreement. Some of the assurances, such as the expansion of trade, have been realized. Automotive trade between the United States and Canada has increased. Automotive production in Canada has increased.

However, the substantial export surplus in automotive trade with Canada has almost disappeared, and the overall trade surplus with Canada has turned into a substantial deficit. Moreover, the transitional restrictions affecting production in Canada and automotive imports into Canada still exist. As observed in the report of the Committee on Ways and Means, the objective of the agreement of allowing market forces to determine the most economic pattern of investment, production, and trade has not been attained. Market forces have not yet been allowed to operate freely.

The Canadian requirement of the maintenance of production to sales ratio for U.S. automotive companies producing in Canada, in general, has been exceeded and the continued effect of the production to sales ratio is difficult to judge. Suffice it to say that the continued existence of this requirement does affect the management of the automotive companies in their production and marketing decisions.

The Canadian "valued added" requirement has also been exceeded in actual practice. However, the length of time that U.S. manufacturers will be committed to maintain an agreed upon "Canadian content" in manufacturing in Canada is all too unclear, and such undertaking also can affect the freedom of market forces to operate.

Finally, the failure of Canada to permit individuals to import automobiles from the United States free of duty, the special requirements on the importation of original equipment components and parts, as well as the factors mentioned above, have contributed to the maintenance of price differentials between the United States and Canada. Despite the fact that the differentials between prices paid for automobiles in Canada and the United States has declined, the higher Canadian price continues to interfere with commercial decisions, and frustrates the objectives of the agreement. As you will find on page 54 of the report:

> The committee notes with concern that five years after the agreement was signed the Canadian duty remains virtually unchanged and Canadian citizens still cannot import automobiles duty-free from the United States, although there is no such restriction on imports from Canada. This Canadian restriction and other conditions frustrate the achievement of the free-trade objectives of the agreement.

Mr. Chairman, unless and until our Government representatives firmly insist that the Canadians live up to the spirit as well as the legal requirements of the agreement, Canada will continue the transitional restrictions on automotive trade to the long run detriment of producing interests in the United States. This is yet another example of foreign countries making progress so slowly in removing restrictions and living up to the terms of international agreements that the progress is barely perceptible. Such a lack of action completely denies the basis of reciprocity and goodwill that give such agreements validity. It is time that the validity of the United States-Canadian Automotive Agreement be established. If Canada does not take concrete steps to provide full and complete reciprocity between that country and the United States as contemplated in the automotive agreement, I firmly believe that the Congress should repeal the Automotive Products Trade Act and thereby terminate the agreement. This is a problem that demands the very close surveillance of the next Congress.

Turning to the broader provisions of the bill before us today, the Trade Act of 1970, has as its main goal free and fair trade. In view of current international economic conditions and attitudes, however, it has become disturbingly apparent that free trade does not always mean fair trade. This bill consequently contains provisions that would both raise as well as lower trade barriers depending upon the products and the particular imports involved.

Among the provisions of H.R. 18970 are the President's requests for the extension of tariff-cutting authority, the repeal of the American selling price system of calculating duties on certain chemical imports; the Domestic International Sales Corporation—DISC—proposal providing for advantages to American export firms; and liberalized adjustment assistance provisions for firms and workers adversely affected by rising imports. In addition, in the absence of diplomatic agreements with certain countries to limit their textile and footwear exports, quotas would be established holding such imports to the average level for the years 1967 through 1969. The President also would be authorized to impose import restrictions on other products found by the Tariff Commission to be causing serious injury to a domestic industry.

The international trade picture has undergone some dramatic changes not only since the early postwar years but particularly in the last 5 years as well. The factors at work here are indeed many and most complex. Nonetheless, it is clear that policies appropriate to one period must be reexamined in the light of new conditions particularly if greater international cooperation toward economic stability and growth are to be encouraged.

The committee on page 9 of its report accompanying this bill states this concern, which I share, as follows:

> The Committee believes that the United States economy and the world economy in general, have been well served by the leadership exerted by the United States in expanding world trade. The preponderance of the economic strength of the United States afforded this country the opportunity to exert such leadership in the anticipation that other countries would follow. However, the hope that other countries would move toward greater access to their own market has been realized all too infrequently.
>
> The stake that this country has in expanded world trade is, of course, still important. The interest of many other countries in expanded world trade is even greater. The time has come for other countries to realize that the United States alone can not accept all of the surplus production stemming from increased productivity abroad. Other industrialized countries must move more rapidly to open their markets, not only to competitive products of other industrialized countries, but also to the exports of developing countries.
>
> The United States remains the most accessible market to the effort of foreign producers. Despite the claims of our trade partners, United States duties, subject to continued reductions under the trade agreements program, are at the lowest overage level of any major industrialized country.

As I have indicated, H.R. 18970 seeks to deal with a number of facets of the current world trade situation that are of concern to us involving potentially many different products and many different countries. It is no secret, however, that the final character of this legislation has been greatly influenced by the failure of the Japanese to agree to voluntary limits on their textile exports to the United States.

This concern is prompted particularly by the tremendous jump in exports to the United States of manmade fiber products of from 163 million square yards in 1964 to more than 585 million square yards in 1969. This has occurred during a time when our trade balance with Japan has gone from a $241 million surplus in 1965 to a $1.4 billion deficit in 1969.

There are a number of other factors which severely question the fairness of the present position of Japanese trade policy. For example:

The average wage of American textile workers presently is about $2.40 an hour while his Japanese counterpart earns somewhere between 50 and 75 cents an hour.

The United States provides a market for more than 50 percent of all Japanese textile exports yet European Community countries account for only about 5 percent due to Japanese trade barriers.

Japan maintains quotas on more commodities than any other developed country in the free world. Our Government has repeatedly sought on agreement with the Japanese to abolish import quotas on some 100 products. Any progress in this direction has been meager.

While there are few restrictions on foreign investment in American businesses, Japan prohibits such investment in a long list of its own industries and sharply restricts it with regard to many others.

Nor is concern for the fairness of Japanese trade policy limited to textiles. The recent action by the administration protesting the sale of Japanese-made television sets in this country at a price lower than that charged to Japanese consumers is but a further example of the type of practice that totally distorts the meaning of free trade.

Mr. Chairman, the Japanese economic miracle undoubtedly has been brought about by many factors. However, I do not feel that it is inappropriate to remind our Japanese trading partners that no small part of their success is due to the more than $4 billion that the American taxpayers have made available in the form of foreign aid to stimulate the Japanese recovery since 1946. Nor do I feel it inappropriate to call attention to the fact that, in addition, our American taxpayers have also borne the cost of providing national security for Japan under the umbrella of the U.S. military presence in the Far East. Further, the United States has provided, in a large measure, the market that has made this economic miracle possible. For all this effort, it is indeed discouraging that we have not had a greater degree of cooperation in the negotiation of voluntary trade agreements with Japan. I am satisfied that this bill would not be considered by the Congress today had the Japanese not so adamantly resisted any voluntary agreement.

Mr. Chairman, I am not prepared to stand by while this Nation's free trade policies are taken advantage of, while one after another of our markets is taken over, and while more and more American businesses and jobs are exported abroad.

The bill before us today is not the shrill, rigid measure that it has been painted in some quarters. It combines flexibility with firmness. It makes clear that what we want most of all are voluntary trade agreements and not legislative tariff and quota regulations. I am not completely satisfied with this bill, as a matter of fact, I do not know anyone who is completely satisfied with this bill. While I regret that this legislation is necessary, I cannot help but conclude that the actions of some of our trading partners have left us with little or no alternative.

It is with a considerable measure of reluctance that I support the Trade Act of 1970.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from California (Mr. CORMAN), a member of the committee.

Mr. CORMAN. Mr. Chairman, I thank the gentleman for yielding. I would like to ask some questions about the DISC proposal and how it will apply to the motion picture industry. First, if a domestic motion picture company sets up a DISC and the DISC leases a film produced by the parent company in the United States to exhibitors in a foreign country, will the film be export property and will the income of the DISC from the foreign lease be entitled to tax deferral?

Mr. MILLS. The answer is "Yes." A motion picture film produced in the United States by a domestic company and then leased for showing abroad by a DISC generally would constitute export property and the income received by the DISC from leasing the film to exhibitors in foreign countries would qualify for tax deferral.

Mr. BELL of California. Mr. Chairman, will the gentleman yield?

Mr. CORMAN. I am pleased to yield to the gentleman from California.

Mr. BELL of California. Mr. Chairman, I am opposed to H.R. 18970 because I am fearful that a measure of this kind would result in unfavorable counteractions by other nations involving retaliatory quota and tariff barriers which in the long run would be harmful to our domestic economy and international trade. America has the greatest potential in the world as a trading nation and we must continue our all-out efforts to keep trade barriers down.

I do, however, believe in the importance of bargaining with other nations to bring about a more favorable economic climate for our domestic industries, although unfortunately, this is not always the result. I am, nevertheless, particularly concerned about such restrictive and inflexible provisions in the bill as those concerning the textiles and shoes.

But I do wish to point out my support for the features of the bill which give some consideration to international industries such as the film industry which has been suffering so seriously the past few years. Section 402 of the pending bill—dealing with domestic international sales corporations—would give some advantage to industries involved in international production and would create incentives for them to increase their domestic film production. This is a feature that I have spent some effort pushing and promulgating in the Congress.

I am pleased to hear the chairman say that the tax benefits available to exporters will also be available to the motion picture industry because they have quite a serious problem in Los Angeles, particularly insofar as runaway films are concerned. I think it is very vital for the good of the Nation's very important, but seriously crippled film industry that the incentives as represented in section 402 of this bill be made available to this industry.

Mr. CORMAN. I would like to pursue this for a moment. When a film is produced, it is of course intended for showing in the United States as well as in other countries. A company does not normally produce some films for showing in the United States and others for showing outside the United States. Is it true that under the bill a film which is made for both domestic and foreign showing will qualify as export property as long as in the hands of the DISC it—or prints of it—is held primarily for foreign rather than domestic showing?

Mr. MILLS. That is correct.

Mr. CORMAN. I have one further question on the application of the term "export property" to motion picture films. A motion picture film produced in the United States may be shown in a foreign country from a positive print or duplicate negative made in the foreign country rather than in the United States. Foreign-made positive prints or duplicate negatives are sometimes used for foreign exhibition of a film because the laws of foreign countries so require. The film itself, of course, from which the foreign positive print or duplicate negative is made will still have been produced in the United States. Would a foreign-made positive print or duplicate negative made from a film produced in the United States constitute export property as the term is used in the bill?

Mr. MILLS. It would in certain circumstances. Under the bill it is intended that a DISC be allowed to perform incidental assembly operations in connection with the products it exports. On the other hand, a DISC may not engage in manufacturing activities with respect to the products. It is possible to view the production of positive film prints or duplicate negatives by a DISC as manufacturing rather than assembly. It would seem to me, however, that where because the laws of a foreign country require the prints of films which are shown there to be made in that country, then the activity by the DISC would be treated under the bill as an incidental assembly operation by it. Accordingly, this activity would not prevent a film which was produced in the United States from qualify-

ing as export property. This would not be the result, of course, if the value added to the print or negative by reason of the DISC's activities accounted for 20 percent or more of the total cost of the print or negative, since in that case the activities would be considered manufacturing.

Mr. CORMAN. I now want to ask about the lending authority of a DISC. It is my understanding that a DISC can use its income to make loans, so-called producer's loans, to its parent company or to an unrelated domestic company for the purpose of financing the production or manufacture of new export products. In other words, a DISC can make loans to a domestic motion picture company to finance the production of additional films. Is that correct?

Mr. MILLS. Assuming the other requirements regarding producer's loans are met, a DISC would be permitted to loan its tax deferred profits to a domestic motion picture company for the purpose of financing the production of additional films as long as the amount loaned to the motion picture company did not exceed the amount of its assets which are considered under the bill to be export related.

Mr. CORMAN. To continue for a moment on the subject of loans by a DISC, in the motion picture industry it frequently happens that the production of a film is a joint undertaking involving two or more companies. One of the companies involved may be the actual production entity and another may be responsible for the financing and distribution arrangements. The exact division of responsibilities between the companies of course depends on the actual agreement between them, but in any case each one performs functions which are indispensable to the production and release of a film. Where more than one company is involved in the production of export property, as in the example I have just described, could a producer's loan be made either to any one of them separately or to all of them jointly?

Mr. MILLS. I do not believe the type of joint venture the gentleman has in mind would be one which itself would have export related assets so as to permit a DISC to make a producer's loan to it. In addition, a DISC could not make a producer's loan to a company involved only in the financing or distribution of a motion picture film since under the bill a loan can only be made to a person engaged in the manufacturing or production of export property. A producer's loan, of course, could be made to the production company to the extent of the amount of its assets which are considered export related, and under the bill that production company would be permitted to loan the amount it borrowed from the DISC to another production company or financing company.

Mr. CORMAN. There is an additional point I would like to raise on the subject of loans by a DISC. The bill contains a formula which determines the maximum amount of a loan which a DISC can make to a borrower engaged in the manufacture or production of motion pictures or other export property. According to this formula, one looks to the borrower's receipts arising from the sale of export property during a 3-year period beginning in 1971. Now, it seems to me that in drafting this provision we had in mind that during this 3-year period one would look to receipts of the borrower not only from the sale of export property, but also from the lease or rental of export property. The bill refers only to "the sale of export property," but I believe this should be read as "the sale, lease, or rental of export property." Is that correct?

Mr. MILLS. Although the formula in the bill to which the gentleman referred only specifies receipts from the sale of export property, it is clear that it was intended to also include receipts from the lease or rental of export property.

Mr. CORMAN. I would now like to focus for a moment upon the production company which is responsible for the actual making of the film. Film production is often intermittent in nature. For example, there may be a span of time while the company is preparing or developing its next production, or a considerable period of time may elapse while its current production is readied for final distribution. One of the requirements in this bill is that a domestic company must be engaged in the manufacturing or production of export property in order to qualify for a producer's loan. I do not think this bill intended to disqualify such a production company from receiving a producer's loan. Is that correct?

Mr. MILLS. Yes.

Mr. CORMAN. I would like to raise a final question about the amount of the producer's loan which the DISC can make to a domestic producer. The bill provides a formula for determining the maximum loan which a DISC can make to a producer. One element in this formula is the amount of the export property on hand at the beginning of the year. I would like to point out that a motion picture producer may have incurred substantial expenses in the making of a film which may not be completed at the beginning of the taxable year. I believe that the provisions of the bill do not intend to exclude these costs from the computation of the allowable producer's loan for that year. Is that correct?

Mr. MILLS. That is correct.

Mr. CORMAN. I thank the gentleman.

Mr. MILLS. Mr. Chairman, I yield 10 minutes to the distinguished chairman of the Committee on Armed Services, the gentleman from South Carolina (Mr. RIVERS).

Mr. RIVERS. Mr. Chairman, I want to thank the very distinguished chairman of the great Committee on Ways and Means for this opportunity for me to speak on this important legislation and to say far be it from me to claim any expertise in this field of legislative endeavor.

First of all, I want to pay my compliments to this great committee for the many hours, many days, many weeks and even years of research which they have put into this vital reciprocal area. Long before I came to Congress, I heard about the reciprocal trade proposals of the late Cordell Hull. I have seen it, as MacArthur said, "go glimmering and disappearing."

Mr. Chairman, my business is military. I want you to just listen to one or two things. The great textile industry has done much for the people who wear the uniform of this country.

We are dealing here with legislation which in many cases will determine the future course of some of our most basic essential job-producing industries. We are dealing with a carefully thought out program, a plan to bring our outmoded trade practices up to date. You heard the chairman say last evening, and concurred in by the distinguished ranking minority member, that we are 3 years late on this. President Nixon needed this 3 years ago.

The chairman and members of this great committee are to be commended for what they have done. This is not a regional bill, although the future economic life of many regions and communities is dependent upon its passage. The bill is not designed to help one industry or any narrow segment of any industry.

It will provide the broad framework within which the President and future Presidents can encourage expanded international trade, and at the same time safeguard American industrial payrolls. Passage of this bill would bring new strength and vitality to those basic manufacturing industries which historically have been the foundation for our high standard of living, and strong national defense policy.

As chairman of the great Committee on Armed Services, I have more than a passing interest in this bill to see that your men, who wear the colors of your country, have the best training and are the best-equipped force on earth. We have just that today, but our position will be difficult, very difficult to sustain if we permit low-wage imports to continually chip away at the economic strength of our basic manufacturing industries which have helped to make this country strong.

Now, listen to what I have to tell you. The textile industry is a case in point. The Defense Department has called the textile industry second only to steel in military importance, and rightly so. How many of you or how many Americans have taken the time to realize that the textile industry alone—and this includes fibers and apparel, supplies more than 23,000 items for your defense forces? This includes individual protection in the form of body armor, footwear, helmet liners, bedding, tentage, as well as logistical support with parachutes, landing strips, rope, cordage, and countless other items which come from the great textile industry.

Since the end of World War II we have seen a tremendous technological advance in this industry as well as other industries. These advances have come about because scientific research has been applied to everything around us, including the clothes we wear and the fibers we use at home and in industry.

Remember, I said research. As civilians, we enjoy permanent press and warmer clothes, lighter weight clothes, and colorful and serviceable new fashions. In the military, the breakthroughs have been even more dramatic.

We should reflect just for a moment

on some of the truly spectacular contributions our textile industry has made to the military. These accomplishments have not been easy. They have come as a result of the type of dedication and brain power which can only come from an American industry working in cooperation with its Government. Credit must be given to the research and development people in the Defense Department, and to this Congress for its wisdom in appropriating sufficient money for research.

But the efforts of the Government can succeed only if we know we can draw on the research skills and production know-how of our large and diverse textile industry.

In the area of personal protection for your servicemen alone the challenges since the end of World War II have been even more dramatic, and in fact even staggering. We have had to find new ways to protect our Armed Forces against the fragmentation weapons, small arms fire, antipersonnel mines, and chemical warfare agents, biological and radiological agents, flare and flash fires, thermal effects of nuclear weapons, flash blindness, the laser-ray detection and protection, in all types of climate from the frozen Arctic to the burning, steaming, stinking jungles of Vietnam.

The need to protect the individual from all of these contingencies has brought about incredible demands for new fibers, new fabrics and new techniques.

Some of the developments in the area of protecting our troops from fire have been particularly significant, because they have civilian applications as well as military.

A flame resistant fiber, for example, has been developed for the uppers of jungle boots. This same fiber has a great future in some clothing and some home furnishings. The fact that we use helicopters as mobile armament bases in Vietnam has required that pilots and other crew members have flame-resistant coveralls in case of crashes or fires. The same materials employed to protect our helicopter crews can be used in civilian industries where workers are exposed to open flames or highly volatile materials.

Because we have been involved in a jungle war, in Vietnam, considerable research has been done on combating mildew and rot. This research, likewise will have a great civilian spinoff.

While adding to the protection of our foot soldiers, we have had to lighten the weight of his equipment. Much of this has been done with new fabrics and new processes. The weight of armored jackets, for example, was substantially reduced by processing nylon fiber into a needle-punched felt.

These are just a few examples of literally hundreds and hundreds of innovations which have resulted from the work of our American fiber-textile-apparel industry.

When our Armed Forces need new fabrics or new fibers, they cannot turn, for instance, to the Japanese. What do the Japanese care about our soldiers—or the Koreans or the Malaysians.

They look to the 2½ million loyal and dedicated Americans employed in our own textile industry.

If we had an all-out push for military textiles, as we did for Vietnam or the Korean war when our textile industry did such a remarkable job of filling huge requirements, I am not sure we could do the job.

In 1951, our Government invited bids for 9 million yards of worsted serge uniform fabric. At that time, 54 producers bid on that contract. Of those 54 companies, 39 have now disappeared from the American competitive scene. I wonder where we would turn if we needed such a large procurement today? It is for protection as the distinguished gentleman from Georgia said. All we are doing for our people and all that our people are asking is what other countries are doing for their people. That is all. We are not cutting them off. We want reciprocity and we are not getting it. I am talking about your military now.

Through a magnificent effort, our domestic textile industry met the demands of the Vietnam buildup in 1966 without the necessity for a single rated order.

But, Mr. Chairman, our textile industry can continue to meet civilian and military needs only if it has the strength and vitality to grow.

Textile imports are currently entering this country at an all time annual record rate of 4.4 billion square yards. At the same time, employment is down sharply, earnings are declining, and spending for new plants and equipment is low.

No industry can face the future with much confidence if it sees nothing but record after record being shattered by imports from countries which pay only a fraction of our wages, and less than these, in our way of life. No company can spend money on research and modernization and new processes if it is under constant pressure to eke out a small profit, if any profit at all, or even face losses, as our textile companies, one after the other, are doing today.

In my own State of South Carolina, more than 235,000 people are employed in textile mills and directly related activities. This is our largest and most important manufacturing payroll, accounting for two-thirds of our entire industrial wages. But in August of this year, the latest month on which figures are available, employment in textiles alone was down 6,300 from August of 1969. Our State simply cannot absorb the brunt of any further loss of jobs in order to permit the low-wage oriental businesses to come into our country. Our national defense should not be jeopardized by weakening one of our most essential defense industries.

We have a serious and growing problem here at home, and we need the Trade Act that this great committee has given to us. I am sure this House will respond. Mr. Chairman, I thank you and your great committee for giving us this opportunity.

Mr. WATSON. Mr. Chairman, will the gentleman yield?

Mr. RIVERS. I yield to my distinguished colleague from South Carolina.

Mr. WATSON. Mr. Chairman, I should like to commend my distinguished friend and colleague, the chairman of the Armed Services Committee, for his fine and persuasive statement, and I would like to associate myself with him in support of this legislation.

Mr. RIVERS. I thank the gentleman.

Mr. ANDREWS of Alabama. Mr. Chairman, will the gentleman yield?

Mr. RIVERS. I yield to the distinguished gentleman, my dear friend from Alabama.

Mr. ANDREWS of Alabama. I wish to commend the gentleman for the fine statement he has made. I did not realize, until you made your statement, how dependent our military services are on our textile industry. If I remember correctly, you stated that next to steel, the textile industry was the most important industry to the military. I am convinced that if we do not pass this bill and it does not become law, our textile industry as we know it today will be in serious trouble and, as you pointed out, plants are closing by the hundreds. Unemployment is rising by the thousands.

Does the gentleman agree with me when I say that in my opinion the military strength of this country is dependent upon the passage of this bill?

Mr. RIVERS. The distinguished chairman is correct. The military strength of our country is dependent upon the bill. We cannot do without this bill. Company after company is folding up. We just do not have the goods. The capital is not large enough to hold the inventories which the textile industry needs to give your fighting man a chance to survive in the jungles of South Vietnam.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 20 minutes to the gentleman from New York (Mr. CONABLE) a member of the committee.

The CHAIRMAN. The gentleman from New York is recognized for 20 minutes.

Mr. CONABLE. Mr. Chairman, in the light of this afternoon's oratory, and in anticipation of what is yet to come, I feel a little like the lonely girl in the woods in that I will have to be careful about what I say.

My friend and leader, the genial gentleman from Wisconsin, has already referred to the fact that there has been a great deal of hyperbole about this bill. That's on both sides. This bill is not necessarily a national calamity if it passes, nor are great industries tottering on the brink if it does not pass.

This bill has a great many provisions. Some of them look toward a more liberal trade, a few of them, and some of them look toward a restriction of trade. In this respect it is like most of the other legislation we pass—a mixed bag.

On balance it is, however, in my opinion, a step in the wrong direction—and call that hyperbole if you please. I do not think we should be taking a step in the wrong direction. While I do not anticipate disaster, I do not consider it the purpose of this body wittingly to move against the civilizing force of a liberal and extensive trade among nations and among human beings.

I understand how we have arrived at this point. I think there are two big reasons really. First of all, there is no doubt that our trading partners have not been fair with us in many respects. Japan has been described as the most closed market in the free world, and I think it is. There are close to 90 quantitative restric-

tions on the kinds of exports we would like to send to Japan, and these are illegal. These quantitative restrictions were probably justified when they were imposed. The Japanese had a serious balance-of-payments problem. Since that time Japan has had the miracle of economic growth far beyond other nations of the free world, and they can no longer be justified in continuing these quantitative restrictions.

So let us lay to rest the argument that those of us who oppose this bill are trying to justify the Japanese or any other country in a restrictive course. The issue is not, are we justified? The issue is, what is our national interest?

I think we are in a quite similar situation to our course in Vietnam in this respect. Personally, I think in a military sense we would be justified in going after the Vietcong, in military escalation, in sending more troops to Vietnam, and in continuing, in short, a course which we have now long considered to be no longer in our national interest. The fact is, the American people do not want further escalation in Vietnam. By the same token, despite the justification, our national interest opposes steps which could result in escalation of a trade war as well.

The issue then is, "What is going to be the best for this country," not "Have we been fairly treated?"

We have recourse against other countries if they are not treating us properly or fairly. That recourse has not been used by the Executive during recent years. And again I understand how this could happen. Inevitably our representatives abroad are interested in tranquil relations with other countries. Unfortunately our business confidence has suffered as a result of their unwillingness to invoke the law which is designed to protect our commercial interests against such unfair practices as dumping, and subsidized imports, and so forth.

So, point No. 1, there is justification for this bill, for being angry with our trading partners where they have not treated us fairly.

Point No. 2 is one I have already touched on. We are here today because the Executive has not used the tools already available to combat the unfair trade practices which do exist.

President Nixon during recent months has been using adjustment assistance. He has on occasion invoked the escape clause, or at least started the process.

It is possible for a vigilant and vigorous Executive to take a lot of steam out of the excuse for this type of legislation.

So we are at this point, first, because we have not been fairly treated in some cases, and, second, because we have not used the existing laws available to the Executive to protect our own people against unfair trade practices.

We have decided in this bill to invoke a more automatic, effective protective device than what business conceives to be available in American law at the present time.

If we assume that protection is necessary, I submit that a quota approach is the worst type of protection to use. These are times when our economy has been superheated. We have been having as a result a serious inflation in this country.

There are those who use statistics to claim that something which will reduce the supply of goods in this country will not have an impact on price. I believe that is patently incorrect. There is no way in which one can repeal the law of supply and demand. In other words, if we cut down on the supply of goods available, it will have an inevitable, although an indeterminate, impact on the price of those goods in a free market economy.

For this reason there is a very solid economic disadvantage to going the quota route.

If one wants to increase tariffs, that would fly in the face of the Kennedy round, to be sure, but providing that type of protection instead of quota-type protection at least we would know what the impact on price would be. We do not know what the price rise will be if we are dealing with a reduced supply.

There are those who say, "We are not really cutting down on the supply. We are just freezing the percentage of the market we will give to imports from certain countries."

We have to assume that the demand will continue to expand in this country. So, in effect, although the major impact may not be instantaneous—although there will be some rollback of supply because it is based on a historic figure—we are going to have an eventual reduction in supply with all its inevitable impact on prices, through the use of these quotas.

I know that my leader, the gentleman from Wisconsin (Mr. BYRNES), has said that the basket clause, on which he labored long and hard, has no mandated remedy, that it does not require the rise of quotas. It may, for instance, lead to different types of remedies if they are recommended and the President accepts the recommendation.

What, then, is the objection to the basket clause as such? It is primarily the objection of the impact this particular provision will have on possible foreign retaliation. It uses a fixed mathematical formula. Granted, there is discretion in its application, but it is something that other countries can easily grasp and turn against us in ways that will definitely not be in our interests in the long run. We would not want other countries to whom we are selling to say that a 15 percent intrusion of imports is prima facie disruptive. That has been the great concern felt about the basket clause.

This raises the whole issue of retaliation.

Nobody knows that retaliation is going to result from enactment of this legislation. Nobody can tell what the future attitudes of our trading partners will be. One thing we can be sure of, though, is that it is not in our interest to rely on the restraint of our trading partners if we can avoid it. If the result of this bill is to trigger retaliation, we must remember that there are more and higher paid jobs involved in the export trade and producing for export than in all probability are threatened by the import trade.

We have had a lot of discussion about the extent to which imports are cutting into jobs here. I do not have any doubt that imports will cut into jobs in some areas and to some extent. However, keep in mind the basic statistics relating to textiles and to footwear which are the two items for which we make a legislative finding of injury in this bill. By volume the textile imports in the last full year for which we have statistics constitute an intrusion of 8.5 percent. They constitute an intrusion by value of about 4 percent of our total domestic market.

With regard to footwear, it is somewhat higher, somewhere in the vicinity of 13 percent.

These statistics certainly do not sound like industries tottering on the brink of extinction despite the obvious disruption that is occurring with respect to some particular items. We have in the law ways to deal with these particular items. If we have a vigilant and aggressive executive branch willing to invoke the law and to use the weapons already available to it, it seems to me that we can expect our business to have a greater confidence in its Government's willingness to take the steps necessary to prevent it becoming the victim of unfair trade practices.

There has been a lot of talk about whether this is a liberal or a conservative trade bill. I think it is foolish to talk about this kind of label, particularly in this area. What is liberal and what is conservative in the area of trade? There are those who say that a liberal trade posture is conservative in the sense that it has some confidence in the basic value of our free enterprise economy, which is competition. Frankly, I do not like to see the Government taking a paternal step in relation to any business. If you think it has been good for farmers to have the Government be paternal to agriculture, then perhaps you will also think it is going to be good for the Government to be paternal with respect to our manufacturing industries. I would like to see us have a little confidence in our system. Maybe that sounds liberal and maybe it sounds conservative—I do not know—but we still rely substantially in this country on competition as the device that keeps our business affairs in order and keeps our prices down and keeps the muscle and moral fiber in our businessmen. I do not advise individual Members what is the right or the wrong vote for them on this bill, but I suspect it may be watershed legislation, whether or not it is by itself it is an unmitigated disaster.

I suspect, however, except for those people who have very special problems in their districts, that 10 years from now those of you who vote for this bill are not going to be very proud to have done so. It is a step in the wrong direction. It is a step I think we should not take. I hope the Members will balance all the factors in this complex legislation before they decide they want to take that step.

Mr. HANNA. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from California.

Mr. HANNA. I want to commend the gentleman for the very excellent statement he has made. I want to say further that I note in his presentation this em-

phasis upon competition. It has occurred to me in my view of what is going on between ourselves and those who are competing with us is that whereas they have had their impact upon us in the mass production areas of cheaper products, we have not been very aggressive going back to their countries with their growing ability as consumers of higher grade products. It amazed me where we were losing some of our business in textiles to Japan, to Hong Kong, Taiwan, and Korea. The French are going there with their high cost and high style clothing when we should have been there taking advantage of the growing market.

Mr. CONABLE. The gentleman's remarks remind me of two points that ought to be made. First of all, the very things that are going to be affected by this legislation are the things the Nation buys as bargain basement necessities. Inevitably they are going to be the things that are going to be most affected by quantitative restrictions. We are reducing competion in the very items the poor are most likely to buy.

The second thing is that, referred to by the gentleman from California, foreign markets are going to be developed at a faster rate over the coming years than is our own domestic market rate, already highly developed. For this reason we should be reaching out and not pulling in at this point.

Mr. HANNA. I think that is precisely the point I wanted the gentleman to make and I am most delighted to hear him make it.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. I yield to the distinguished gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. I think all of us believe in competition. I am 100 percent in agreement with the gentleman on this. But I think in this country we require a fair competition. We have fair labor standards laws, we have minimum wage laws that require competition within a framework of rules that do not apply when we talk about competition in many areas overseas. I think that is a factor that has to be considered when someone talks about competition.

The gentleman is a semanticist of some note, and I would like to hear the gentleman's comment on whether or not there has not been loose use of the word "compensation" and also the word "retaliation" as they are used in the general area of international trade.

In my view too many people are talking about retaliation when they should be talking about compensation, which we all recognize is a matter for negotiation under the procedures of the General Agreements on Tariff and Trade.

Would the gentleman comment on those two facts?

Mr. CONABLE. Yes. First of all, on the issue of fair competition, I understand what the gentleman is saying. We are not going to be able to compete with respect to every single item of clothing or of goods to be produced in low-priced labor areas throughout the world. However, we have to be willing to compete with respect to the aggregate values of trade. One of the things we are looking for is a more efficient distribution of our industrial capacity. I think we have got to be willing to accept some degree of dislocation on that account if we are going to have the kind of competition that makes sense. That is one reason why I certainly support the provision of the bill encouraging adjustment assistance and making more readily available the escape clause and the kind of protective provisions that are in here within Presidential discretion when real injury is occurring.

With respect to compensation, what the gentleman says is right. The power given to the President to negotiate a further reduction of tariff rates is given primarily for compensatory purposes. The President does not consider this, I am sure, to be a general power to——

The CHAIRMAN. The time of the gentleman has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. CONABLE. As I said, the President does not consider this, I am sure, to be a general power to reduce tariff duties lower than they presently are. I accept that there is a difference between compensation and retaliation, and I think very few people understand the compensation aspect of this bill; still, retaliation is something to be feared regardless of the obligation to give compensation.

Mr. BYRNES of Wisconsin. The question I was asking the gentleman is whether he does not feel that many people, instead of speaking of retaliation, should be talking about compensation pursuant to established procedures under the GATT.

Mr. CONABLE. Yes, compensation will be required.

Mr. BYRNES of Wisconsin. And that is the normal procedure. We acknowledge that there may well have to be some compensation.

Mr. CONABLE. Yes. If we could be sure that this is going to be the response expected abroad we would feel better.

Mr. BYRNES of Wisconsin. We are living, it seems to me, within the General Agreement of Tariffs and Trade, and it recognizes the right to take protective action against an injury to domestic workers or industries. We are following that.

We may have to pay compensation, but if they will live within the General Agreement on Tariffs and Trade, as we are, then there should not be retaliation, but a mutual resolution of our problems through negotiations within the scope of the GATT.

Mr. CONABLE. I think I said that. I think it is clear that nobody can predict that retaliation will result.

Mr. BYRNES of Wisconsin. That is right.

Mr. CONABLE. I say it is a very real danger in this kind of escalation.

Mr. BYRNES of Wisconsin. Will the gentleman agree with me that there are many people who are basing their opposition to the bill on the grounds that this is bound to produce retaliation and a trade war?

The CHAIRMAN. The time of the gentleman has again expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. CONABLE. Mr. Chairman, I thank the gentleman for the additional time.

We are the greatest trading Nation in the world. We have reason to fear what happens to our trade if people are encouraged in the building of walls, by our example.

Mr. BYRNES of Wisconsin. They have more fears than we do, their economies are more dependent on international trade—as a percentage of their gross national product than we are. I am not going to get into an argument with the gentleman because I think that the gentleman and I agree on too many aspects, even on this question.

Mr. CONABLE. I thank my leader.

Will the gentleman yield me an additional minute?

Mr. BYRNES of Wisconsin. Yes; I yield the gentleman 1 additional minute.

Mr. CONABLE. I would like to say before I sit down that I am somewhat surprised at the vehemence that has been aimed at DISC, because as far as I am concerned that is one of the better parts of this bill. It does look toward an expanded trade, and it does provide a method for helping small companies who have not been able to export before. The money that we get from exports in this country is found money, in effect, not money that is generated by one domestic company competing against another. I think we should try to expand trade, and while we have to acknowledge that DISC does constitute a tax preference, it is the kind of tax preference built into our laws already in many other situations. It makes considerable sense in the light of the problems on trade we have every reason to expect over the next few years.

Mr. FRELINGHUYSEN. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from New Jersey.

Mr. FRELINGHUYSEN. Mr. Chairman, I thank the gentleman for yielding. I simply want to commend the gentleman for his very clear and cogent presentation. There are a good many Members who have misgivings about this bill, and the gentleman has supplied enlightenment of a kind which has so far been somewhat lacking in the debate on this bill. There are, of course, some good points in the proposed legislation, and there are serious problems that need attention, and I think the gentleman has pointed his finger at the reasons why there is doubt about the passage of the legislation.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Massachusetts (Mr. BURKE) a member of the committee.

Mr. BURKE of Massachusetts. Mr. Chairman, I rise in support of this legislation.

I would like to point out to the Members of the House, I agree with the statement made by the ranking minority member of the House Committee on Ways and Means when he pointed out that in this Nation we have a minimum wage law which calls for the payment of $1.60 an hour. What are we talking about here? We are talking about unfair competition—competition that comes in from the Orient where wages are as low as 6 cents an hour—6 cents an hour for a 10-year-old child—7 cents an hour to a

female worker, and 10 cents an hour for a male worker. What is needed is an international agreement requiring the strict adherence to international fair labor standards and calling for minimum wage laws and other labor standards. Until we have that we must have safeguards which will protect the wage levels, living standard, and job opportunities for our own workers.

So you can see it is impossible for us at this time to bring forth a perfect piece of legislation. However, this is a step in the right direction and it will help to stabilize our economy for the next few years, which is so important at this time of high unemployment.

By our figures here in America today, unemployment is up over 5.6 percent. One of our great economists just a few days ago mentioned that this could reach as high as 12 percent within a few years.

As to imports of footwear—for the first 9 months of 1970, they totaled 183,406,400 pairs or an increase of over 20 percent over the same period last year.

It is estimated, based on the first 9 months of 1970 imports of nonrubber footwear, that they will total 237,200,000 pairs this year.

There is an imbalance in the footwear trade of close to $800 million and there is an imbalance in the textile trade of close to $1 billion.

At the growing acceleration of the rate of increase in imports we could well hit a figure of over $2 billion imbalance on textiles and shoes this year.

In 1965 we had a trade surplus of $7 billion.

In 1969 that figure had dropped down to $1.3 billion.

You must realize included in that figure of exports, there are approximately $2.5 billion of economic aid and military aid and other types of foreign assistance that this country gives out.

So, actually, in 1969 we had a deficit of about $1.2 billion.

If this rate were to continue until 1975, we could have a minus in trade of over $5 billion and at the end of the 1970's, we could have an imbalance of trade well over $10 billion, $12 billion or $15 billion. If that happens, then we will have to have a devaluation of the dollar.

Believe me, when I tell you, that this is the most important bill before the Congress this year. It is the only piece of legislation that is going to give some of these suffering industries that we have in this Nation a little bit of relief.

This is not a protectionist bill. This bill is actually a trade expansion bill.

The free traders do not talk about some of the provisions in this bill such as authorizing a cut of 20 percent across the board on our tariffs.

They do not talk much about the elimination of the American selling price which could reduce tariffs on benzenoid chemicals of up to 85 percent.

They skip all of those provisions. It concerns them that we might be helping a few industries that are facing extinction in this Nation.

The basket amendment offered by the gentleman from Wisconsin is a good amendment. But it does not go far enough. But we will accept that.

As someone pointed out here, the President has all the powers. With all the restrictive and protective provisions in the bill, for every protective provision there are about three other provisions that loosen up these provisions and place in the hands of the President the right to increase imports of textiles, the right to increase imports of shoes, the right to increase imports of individual items—and the right to increase them by individual countries.

So the free-trade people have everything to gain here. We are placing into the hands of the President the authority and the power to regulate the so-called quota provisions of the bill.

So again, Mr. Chairman, I strongly urge all the Members to vote for H.R. 18970 as reported by the Committee on Ways and Means. Passage of this legislation is vital. I do not know of any legislative enactment in recent years which is so important to the future job opportunities and well-being of many industries throughout the country. For the first time in a long time the many industries which are threatened by runaway import competition will be given a ray of hope for the future. The bill contains procedures making it possible for those industries which can make a good case to show they are suffering serious injury or are threatened with serious injury to receive some relief.

Based upon information submitted to us during the lengthy public hearings conducted by the Committee on Ways and Means on this legislation, it is clear that at least the following industries in New England have an important stake in the passage of this legislation: textiles and apparel, with 177,000 jobs spread throughout New England; shoe plants, with 70,000 jobs located throughout New England; rubber footwear; leather goods; brass mill products; stainless steel flatware; flax yarns and thread; fishnets; card clothing; pulp and paper machinery; machine tools; scissors and shears; handbag frames and purse frames; fine and specialty wire; stainless steel sinks; Christmas decorations; electronics; mink fur skins; clothespins and veneer products; miniature precision bearings; antifriction bearings; sprocket chains; builders hardware; wood screws and related fasteners; bicycles and cycle parts; slide fasteners; safety pins and straight pins; fishery products; marble; granite; confectionery products; and green olives.

Much has appeared in the press about the possible effect on New England of the modification contained in the bill on the national security amendment. While I opposed the amendment, it should be made clear that this in no way affects the President's authority to eliminate the oil quotas which we oppose. He has that authority today and will have it after this bill becomes law and can exercise it if he so chooses. Moreover, I believe that the best place to strike this provision is in the Senate. Then if that is done, members of the New England delegation, who are rightly concerned for our fuel supplies, can go as a body to the House conferees and ask them to support the deletion of the provision.

On the other hand, to use the oil quota amendment as an excuse for voting against the bill will, in effect, amount to a vote against providing reasonable avenues of relief from unreasonable import competition for the types of New England industries which I have mentioned above. In my opinion, this is not a justifiable position.

I strongly urge all Members of the House to vote against the motion to recommit and to vote for this bill which is a thoughtfully considered, and balanced bill completely in the national interest.

Mr. LANDRUM. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania (Mr. DENT).

Mr. DENT. Mr. Chairman and Members, a minute ago one of the previous speakers here in the well said that we had failed to reach out and penetrate foreign markets with our high-priced goods. There are two reasons we cannot do that. First, if you reach your arm out into a foreign market to sell American goods, you will end up with a stump. You will lose at least your arm up to your elbow. You cannot sell high-priced consumer goods in a low-wage economy. It is just impossible.

The greatest builder of the American economy and the economic system in the history of these United States was a man named Henry Ford, who first realized that once you are able to mass-produce, you must then be able to mass-consume. It has been said that this is the greatest trading nation on the face of the earth. Yes, because this Nation has the greatest per capita income. Trade is nothing but a commercial venture. The minute you take the profit out of it, there is no trade.

Let us tear away the shrouds of secrecy about what a great international aid trade is to peace, good will, and neighborliness. Since passage of the reciprocal trade bills, there have been 50 wars in the world of a minor or major degree, more than in any similar period in the history of mankind.

What do we hear now today? They are saying we cannot pass a bill to help steel. We cannot pass a bill to help glass. We cannot pass a bill to help mushrooms, because there will be a retaliation. Retaliation? Is that not what the British threatened us with after the Boston Tea Party? Did these untrained, poorly equipped, forebears of ours, with little or nothing to fight with, run and hide behind a threat, or did they stand up and give this Nation this free Congress that we are operating in today?

There are more scared men in this Congress than in any group I have ever sat with in my entire life, and I have been in politics, in a legislative branch, for almost 40 years.

They told me in 1962 when I voted against the so-called Kennedy round that they would defeat me. I got the biggest majority I ever got in my life this November, and I have been getting them for 40 years. My people are not afraid of retaliation. Do you know what they are

afraid of? They are afraid of the same darned thing every Member of Congress is when election times comes around. He is afraid he will be put out of a job. You tell my glass workers—over 1,000 of them drawing adjustment assistance. Do you know what adjustment assistance is? Relief, relief for able-bodied men with wives, homes, and children to keep.

Sure, I have all the respect in the world for the textile industry putting their backs into the line. But they cannot walk away from their friends forever. They walked away in 1962 and they are walking away again, but this Nation cannot survive on textiles, and it cannot survive on shoes, and it cannot survive on glassine and mink. It has got to survive on the total product. The Lord did not annoint any man in this Congress to say it was all right and proper to protect those workers in the textile industry, but to let my glassworkers go down the drain for progress, so that the foreign countries do not retaliate. But how much can they retaliate? What more can they do? What more harm can they do to a nation or to its people?

I have here communication from the Latrobe Co. which says:

> Our company has 35 percent of its hourly production workers on layoffs. We have experienced our second significant dismissal of salaried people for the year 1970 alone. Our stock sold for $30 a share, and we had not missed a dividend for 80 years. Now we have missed two dividends, and our stock is selling for $6.50.

All of this damage has occurred in 3 years because this great Nation worked out a friendly voluntary agreement with the Japanese and the European market that they would only send to the United States the same amount of steel they had sent to the United States in the previous 3 years by tonnage.

These are very smart people. Do not ever underestimate the Japanese in trade. I am scared of them—more than I was in the war. I am afraid of them. When I have finished with this speech today, I intend to put into the RECORD how the Japanese mounted their export blitz.

Let me tell Members something, and I say it for the record, and I want it to last as long as the record lasts. If I were a worker in a glass plant, I would see no difference in that glass plant being blown out of existence by the bombs dropped from a Japanese plane than I do from the tons of glass that has been imported into the United States and forcing my plant to shutdown.

There is nothing more sacred to a man in the whole world than the opportunity to earn a living. I was privileged—or one might say underprivileged—in my youth when I started to work at the age of 7 in a glass plant. I was fortunate in one thing: I did not have to go to school. So during the years when I should have been learning my reading and writing and arithmetic, I was learning common sense about the economy of America, and it has lasted me all of my life.

I know one thing. I do not care how we varnish this bill before us today. The biggest fraud pulled on the American people in trade was the so-called Kennedy round. Its basic concept was: We give the President the power to reduce tariffs, and we are going at the end of that period to have 4 million more workers in the next 5 years in the United States because of the passage of this bill. Where was that testimony given? It was given to the Ways and Means Committee, the same committee that brought this sick turkey out of the hatch.

The then Secretary of Labor—recently defeated for Governor of New York—said in that committee, and I have the records if Members want to read them, and I can give the page and title and verse—there would be 4 million new jobs in the United States at the end of the 5-year period of the reciprocal trade bill under Kennedy. The then Assistant Secretary of State for Trade Affairs, George Ball by name, said that we would have 5 million new jobs in the United States if we passed the bill.

Do you want to know the truth? You have the highest unemployment in the history of the whole United States, and perhaps of the world.

Do you want me to tell you something about what I have learned in my nonschool nights when I had to think rather than read? I learned that there was a fellow named Hoover, and he has been a good campaign issue in my district ever since.

The CHAIRMAN pro tempore (Mr. DANIELS of New Jersey). The time of the gentleman from Pennsylvania has expired.

Mr. DENT. I should like to have some more time, if possible. I believe the opposition to this bill ought to have a little more time.

Mr. LANDRUM. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. DENT. Mr. Chairman, I am sorry to say that you cannot pound 20 years of learning into 10 minutes of speech.

This fellow Hoover was given the devil by everybody. We are kind of grateful, we Democrats, that he came along. But, you know, I am starting to apologize to Mr. Hoover's memory.

They said he had a great depression. It has been said around here by some that it was the Smoot-Hawley tariff that caused it.

Now let me tell you a little bit about history and a little bit about facts. The depression started in 1929, because it happened the year I was married. That shows what good judgment I have. But the marriage worked out well. I am still married to the same woman.

The Smoot-Hawley tariff was not passed until 1932, and we were already on our knees long before the Smoot-Hawley tariff ever was passed. It went into effect in 1932, and it never really went into effect because the Reciprocal Trade Agreement was passed in 1934. There is not a list of the dutiable items in the United States in the Customs Department based on the Smoot-Hawley tariff, so just throw that thing out the window. That is an old turkey which has been paraded before the people for 30 years, and they said Hoover was a bum.

Let me tell you something else. In Hoover's time there was unemployment which reached the pace of 15.3 percent. Do you know what we have today? Now we have 5.6 percent, but that only counts the fellows who have had a job. It does not count about 3 more percent of the youth in this country. It does not count 26 million Americans who are drawing social security. It does not count 13 million Americans under welfare relief in this country of ours. It does not count 11 million attached to the military sector of our country. It does not count the enormous number of civil employees of the United States.

In Hoover's day we counted everybody who was able to walk and breathe as being unemployed. Statistics were on all those who were not working at something, no matter what they were, even if they were not employable persons.

If we take all the people today we have built props for, the unemployment today would stagger you.

I am going to make a prediction. I do not want you to laugh at it, like they did in 1962 when I predicted that, instead of having 4 million or 5 million more jobs after passage of the Kennedy round, after it came around the American people would be so darned sick of it it would be about to nauseate them.

You do not know the true feeling in this country of ours.

I am ashamed that I am alined in this particular vote—I say I am ashamed of it—because I am alined with persons here who actually believe it is a protectionist bill. It is no wonder they believe it is a protectionist bill; they never stay here to learn anything.

I say to you that within the next 5 years—and I believe this as much as I believe the Lord is my maker—this legislation will make no impresison at all upon the economic well-being of the jobs sector of this country, and we are going to have more unemployment in the next 5 years than we have ever had at any time in the history of these United States.

Within the next 5 years this Congress will have to do something drastically that they could do now reasonably.

Mr. Chairman, I have heard about the basket provision. Do you know what a basket is? A basket is something you carry something light in, like textiles and shoes. You cannot carry steel in it. It is not constructed for that kind of use.

What have you done here? You took textiles and shoes and you put them on a shelf. Then you put all my steel and all my glass and all my automobiles and all of that stuff in a basket.

I will tell you something else. Do you know why it is no good? Because the largest element in the make-up of the world is water, and a basket will not hold water. The basket provision is just so much hot air. I will prove it to you. If in the wisdom of the members of the Committee on Ways and Means——

The CHAIRMAN. The time of the gentleman has again expired.

Mr. DENT. Mr. Chairman, may I have 2 additional minutes?

Mr. LANDRUM. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. DENT. It takes me that long just to fill my lungs.

If in the judgment of the members of the committee and especially the chair-

man of the committee—and I have great admiration for him, I will tell you, and I know you have listened long enough to him so you will vote for this, anyway, but if they felt that the basket provision was the relief mechanism that they say it is on this floor, then why did they carefully take out the items that the members of the committee want in it? Mink. Mink will become an important item. It has to change a whole lot. Why did you not put mink in the basket, or were you afraid that they would be crushed by the steel that you have in there with them?

Yes, Mr. Chairman, a basket is good, and I will tell you what it is usually used for. After a person dies the first place they put him is in a basket. I assure you in this particular bill no one on this committee or on this floor would like to help the industries that are picked out for salvation in this bill any more than I would, but I recommend to you all one thing. Do not fall for consumer protection.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. DENT. May I give you the consumer protection bit for 30 seconds?

Mr. LANDRUM. Mr. Chairman, I yield the gentleman 30 seconds.

Mr. DENT. Here is an advertisement in a nationally known magazine. It says that you can get old-fashioned colored glass collectors item decanters for 50 cents each. I am kind of a nut on glass, because I worked in a glass factory from the time I was 7 years of age, and I am interested in it. So I cut out this thing that says they will send you magnificent, authentic replicas of old hand-blown collectors items in glass. I sent my good American money in for it. These are supposed to be magnificent authentic replicas of old hand-blown collectors items that you will be happy to put on your shelf. So the box comes. First of all, the box is marked Continental Can Co., but when you open it up there is another box inside. What do you think this box is? It is from Taiwan. You hide that, you see. What did I order from? From a company called Colonial Studios, Inc. These are the magnificent American replicas that I am going to put on my shelves. Gentlemen, here is the way these foreigners do business.

Mr. Chairman, I want to talk a little about protectionism.

Several basic developments on the trade front cannot be ignored without courting serious danger to our national welfare.

One basic fact is that we have in the past 35 years all but dismantled our tariff. From an average rate of slightly over 50 percent on dutiable items when the Trade Agreements program was begun in 1934, the tariff has been cut to about 9 percent. This level will be yet further reduced under the two remaining years of the Kennedy round.

At the same time about 38 percent of our total imports are free of duty. This means that the duty collected on all of our imports, free and dutiable, are only about 6 percent.

The effects of the dismantling of our tariff during the many years while world trade was disrupted by war and cold war activities, did not make themselves felt until the war-torn countries had thoroughly recovered from the ravages of war, or during the past decade. Therefore we continued to lower our duties long after we should have stopped.

Now there is no longer any doubt that we cut too deeply in numerous instances while other countries, with some exceptions, either did not cut their tariffs comparably or nullified their cuts by nontariff devices, such as currency devaluation border and turnover taxes, rebates on exports, and other devices.

The result is that we have, with few exceptions, an open market while we export to countries that have numerous controls to protect their own economies. We need only mention Japan and the Common Market; but there are others of lesser importance.

Actually it is not only the nontariff barriers of other countries that place us in a weak trading position; it is our inability to compete in our own market with low-cost imports and in foreign countries with third countries that can compete with us in those countries as readily as in our home market. Markets that we formerly enjoyed are falling more and more to our competitors. The latter are in a stronger competitive position to cope with the prevalent nontariff barriers of other countries than we are because they can undersell us in any event.

We do not have to look very far or to look for obscure clues to find the source of our competitive weakness. When we pay wages that are from 2½ to five times as high or more as our competitors, while their productivity per man-hour or man-year approaches our own because of the adoption of modern technology, the mystery is dissolved. It is a matter of simple arithmetic and no amount of recourse to economic theory or sophisticated mystique can hide the plain truth.

The list of products in which we are running a trade deficit is too high to blind us to the facts. You may pick almost any consumer goods and make your own search; and you can go even to raw materials and semimanufactured goods and minerals and also find additional examples.

Our high production costs today have opened the entire American market to foreign imports. Just listen to the percentages of our market that imports took over last year:

	Percent
Steel	13
Automobiles	[1] 18
Woolens	26
Television sets	[2] 30
Shoes	33
Sewing machines	40
Sweaters	42
Electric calculators	73
Table radios	80
Tape recorders	90
Portable radios	95
Finished marble	70–75

[1] Imported cars increased 10%, U. S. production decreased 10%, Japanese cars increased 40% up to the end of July.

[2] The data for television sets is not current. There apparently will only be one U.S. manufacturer of color television sets produced domestically in about a year.

We are in a critical state in our foreign competitive posture; and there is nothing reassuring on the horizon. Our Vietnam involvement has continued to obscure much of our difficulty, contrary to what the apologists claim, who ascribe our poor showing in trade to domestic prosperity and indifference to exporting. Had it not been for the Vietnam involvement we would have had to face the music before now. It acted as a buffer. Those who read this involvement as the source of our trade difficulty read backwards. If the war is liquidated we will find that as the anesthesia wears off the pain of our competitive reality will become unbearable. Our war activities have concealed the fundamental cause of our dismal trade showing.

The time has come when even the false trade statistic issued these many years by the Department of Commerce can no longer conceal the bare bones of our discomfiture. The facts are showing through the layers of concealment. They show that even under the misleading system of statistics foisted on the public, our trade balance has shrunk staggeringly during the past several years. From an export surplus ranging from $4 billion to $7 billion a few years ago, we fell to a bare $300 million in 1968 and then recovered to about a billion in 1969. Here was a shrinkage ranging from four to $6 billion in a very few years.

If the statistics were published in a manner that would reflect our true competitive position, foreign aid, food for peace and highly subsidized agricultural shipments would not be shown as true exports. Eliminate these shipments and our balance falls by some $2.5 billion a year. Then if we valued our imports on what they cost us laid down at our ports rather than at their value at the foreign point of shipment, another $3 to $3.5 billion would be subtracted from our surplus. In other words, instead of a trade surplus we would have faced a deficit in the magnitude of $5 or $6 billion in 1969, as measured by competitive exports against c.i.f. imports—that is, foreign value cost plus insurance and freight.

While the Department of Commerce now admits to a badly shrinking trade balance it continues to conceal the true state of our trade disaster. It still claims a trade surplus, in place of a gaping deficit. This posture obscures the true state of affairs and represents a disservice to those who seek a remedy for the perilous state of many of our industries in the face of import competition. It underpins an indefensible policy of further tariff cuts and further attempts to bargain for removal of nontariff barriers.

The fact is that if our exports of machinery and aircraft and chemicals are set to one side our trade in the remaining products makes a pitiful showing indeed. Yet, so far as employment is concerned, there are several million more employed in the trade-deficit industries than in the trade-surplus sector.

Nor can it any longer be said that it is only the so-called labor-intensive industries that are at a competitive disadvantage. Steel, automobiles, electronics, petroleum, office machines, and so forth, are not labor-intensive in the usual sense of that term. They are capital-intensive,

but we suffer some of our worst deficits in those very products.

This was one of those arguments on which the professors of economics feasted over the years. They were dead wrong. While trade deficits were experienced principally in glassware, pottery, fisheries, and so forth, it was said that it was only the labor-intensive and inefficient industries that could not compete with imports; and no real effort should be made to save them. This attitude underlays the notion of extending adjustment assistance to industries that were seriously injured by imports. The way to the graveyard was to be made easier for them.

The fact that labor-intensive industries presumably offered relatively high employment to American workers made no impression. They were to be sacrificed if they could not survive on their own. Yet many of these ardent advocates of adjustment assistance wore the robes of prolabor identification. The trouble was that while they may have loved labor, they loved the import-export interests and internationalism much more.

Not long ago I put into the CONGRESSIONAL RECORD the market penetration achieved by imports of both labor-intensive products and capital-intensive products. We are on the short end in the import-export balance in a number of large industries: automobiles, petroleum, steel, textiles; but also in numerous other industries that in the aggregate come to a large total: footwear, office machinery, including typewriters, calculating machines, and so forth, consumer electronic goods—radios, TV, recorders, record players—fisheries, hand tools, optical goods, fruits and vegetables—tomatoes, strawberries, melons, canned mushrooms—screws, nuts and bolts, cordage, cutlery, sewing machines, clocks and watches, mink, bicycles, bicycle parts, motor scooters, ladies' handbags, umbrella frames, toys, pianos, and so forth. The latest threat is the Honda rototiller produced for the American market exclusively.

The list grows year after year. The market penetration goes deeper and deeper. With the tariff all but gone, there is nothing to stop the inroads other than insufficient production capacity abroad; and this capacity is growing very rapidly in some of the industrial countries.

Our own foreign investments are helping the expansion of foreign productive capacity. Our machinery and equipment has helped toward the vast technological improvement that has characterized foreign production in the past decade or two. We are reaping the backlash from much of this foreign investment, including the building of plants across the border in Mexico and in Korea and Taiwan.

A trade policy that does not take the great changes of the past two decades cited here into account represents a ticket to commercial defeat for this country on the scale of a veritable debacle.

I include the following letter:

NATIONAL INSTITUTE OF STEEL DETAILING,
Pittsburgh, Pa., October 21, 1970.

Hon. JOHN DENT,
House Office Building, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN DENT: In speaking with Mssrs. Simon & Vagley this afternoon they informed me that you would be speaking before the Tariff Commission at their November hearings.

We of the N.I.S.D., both locally and nationally, would be most appreciative if you could make mention of not only our special problems, but of the problems of foreign competition faced by *all* service industries. We rather feel that in the concern over products, such as shoes, glass, textiles, flatware, etc., the service industries of this country have been somewhat neglected.

Of particular interest to us, based on information from the Customs Department, is that while original engineering/detail drawings may be brought into this country at a low duty fee, reproduction of these drawings, (which are just as valuable and useable) are brought in completely free of *any* duty or tariff. Combine this with the very low wages paid abroad and it is easy to see why foreign competitors are springing up by leaps and bounds.

Some have even opened "sales offices" in this country to better reach our customers!

We thank you for your past considerations and wish you every success in your efforts to rectify the dangers of foreign imports.

Yours truly,

JOHN J. METCALFE,
President.

Mr. LANDRUM. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois (Mr. PUCINSKI).

Mr. PUCINSKI. Mr. Chairman, I take this time to ask a question about this bill, and I do not see the chairman of the committee here. Perhaps the gentleman will defer my time until the chairman is here, because I wanted particularly to make some legislative history.

Mr. LANDRUM. Mr. Chairman, in view of the statement which has been made by the gentleman from Illinois (Mr. PUCINSKI), we shall reserve his time until later during the debate when the chairman is on the floor.

Mr. Chairman, I now yield 5 minutes to the gentleman from Texas (Mr. ECKHARDT).

Mr. ECKHARDT. Mr. Chairman, this bill is the result of a growing movement in Congress toward effecting specific increases in quota restrictions on foreign imports. There are two reasons given to justify stiffer trade barriers. First, that such is a broad economic prescription to cure our balance-of-payments difficulties and, second, that we should give relief to certain industries under pressure from rising imports.

Well, Mr. Chairman, I challenge both of these arguments. They are fallacious. This bill treats symptoms. It does not treat the disease. It is not like the use of aspirin for scarlet fever. It is more like the use of leeches for the treatment of anemia. Protective measures will do more to aggravate the situation than to help it.

One must keep in mind, in a discussion like this, the distinction between the balance of payments and the balance of trade. The balance of payments is made up, basically, of two separate categories: The balance of trade, which is the actual flow of goods and services; and the capital account, which includes the flow of investments and Government transactions such as loans, foreign aid, military expenditures, and so forth.

Until very recently, the balance of trade had been consistently massively in our favor, as some of the other speakers have pointed out. In the last decade it has run around $4.5 billion on the average. It actually reached about $7 billion in 1965. It is now in our favor on the basis of the cumulative January–September 1970 figures at a level of about $2.47 billion.

Mr. Chairman, there is a difference between the figure I am using and the one, I think, the gentleman from Minnesota used, and that comes about by the fact that there are two ways to calculate the dollar level of the balance of trade. You may include cost, insurance, and freight. This is called the c.i.f. basis, and the figure for imports would, of course, be higher in that case and therefore the figure for the favorable trade balance, less.

The reduction in our trade surplus is primarily due to the excessive aggregate demand of our economy. There has been an almost incredible rise in imports due to this inflation. If we can control inflation, the flow of imports should return to normal.

The protectionist does not see it this way. He reasons that by cutting down on foreign imports, our balance of trade surplus will increase and this in turn will reduce the balance-of-payments deficit. Rather than pursuing a course of trade expansion and a liberalization, he seeks a curtailment. Rather than expanding the flow of goods, services and international good will, he seeks the easy way out.

Mr. Chairman, the basic flaw in the protectionist's reasoning is this: While imports to this Nation will be reduced by the stiffer quotas, American exports will similarly decline. There is no doubt that other nations, whose economies would suffer due to the reduction of the American market for their goods, would retaliate.

Mr. Chairman, I want to pause here to say, somewhat in response to a part of the discussion between the gentleman from New York (Mr. CONABLE) and the gentleman from Wisconsin (Mr. BYRNES) that retaliation is probably not the proper term. The point is that, if the market for imported goods and products that go into the basement of the store is not permitted to flow into America, the foreign nations producing such cheap consumer goods will protect other markets at home and will begin to produce some of the products that they now buy from us. I feel that the free trade idea is the basically correct idea and what we should be doing is producing that which we can produce best and most efficiently. I refuse to accept the proposition that the American economy is not as strong, as viable, and as flexible as that of any other nation in the world. When we create artificial means of re-

stricting markets and controlling trade by bills of this sort, by quotas, I think we drastically disturb the balanced economy of this country and many other countries of the world and the delicate relations which exist between these countries in world trade.

Our inordinate infatuation with business failure in this session of Congress fascinates me.

The CHAIRMAN. The time of the gentleman has expired.

Mr. LANDRUM. Mr. Chairman, I yield 5 additional minutes to the gentleman from Texas.

Mr. ECKHARDT. Mr. Chairman, during this session of the Congress we have been concerned with failing newspapers, failing railroads, failing stockbrokers. We purport to be able to change economic factors in our economy by artificial means, in each case bailing out the failure, directing our efforts in areas in which we are not efficient, and failing to encourage readaptation of our factories and own service institutions to the exigencies of the times.

Now, we must consider for a moment our trading posture as compared to that in a more normal economic environment. Over the last several years, or before we unduly procrastinated in dealing with inflation, we had a trade surplus that ran around $4.5 billion, more or less, over a number of years.

Now, because of the abnormally inflated prices of American goods our trading partners cannot afford to buy much more in value of goods than they sell. However, our favorable trade balance has recently tended upward.

Now, suppose we enact trade restrictions against their products at a time when our products are most dear? It is quite reasonable, if not absolutely necessary on their part, to quit buying expensive American goods and start making them themselves or buying them from others who sell them cheaper. Thus, our exports, already diminished, are reduced to an absolute minimum. We turn back the direction of the present trend toward a more favorable trade balance.

Now, I am speaking on this point because it affects my own district very directly. In the Port of Houston we export about twice as much value of goods as we import. This is one of the great bases for employment in that area. There has been a great deal of talk here about loss of employment in other areas if this bill is not passed. But all I need to do to convince me that the employment argument cuts the other way is to observe the activity of the port and observe the activity of all those businesses fed by the port, and observe the great quantity of grain going out of that port. It is one of the largest in terms of farm exports of any port in the country, and you can see the effect on everyone who is dependent on the port, including farmers, laborers, those who load ships, the people who deal with them in our own community. I suggest that we had better not tamper with this process; that our tampering with it will undoubtedly do more harm than good.

Particularly do I think that the quota system is bad, because it must be somewhat arbitrarily administered. A free trade practice or a tariff practice is relatively automatic, but as soon as you adopt quotas and provide for exceptions, someone must establish the exceptions. The bill of course gives the ultimate authority to the President to do so, but you have many different types of business, many different types of imports of various textiles, in which the President is in a position to make judgment, as to one against the other.

Now, this is not a sound way to operate an economy. If we want to move to a totally controlled economy with a great number of limitations on imports, a great number of controls of this nature, and then give the authority to an administrative person to make exceptions, we may follow this course, but if we do, we create quite a different type of economy than that which has served us so well for so many years.

It is for these reasons that I oppose this bill, and I shall vote against it.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield to the gentleman from North Carolina (Mr. MIZELL) such time as he may require.

Mr. MIZELL. Mr. Chairman, I rise today in strong support of H.R. 18970, the Trade Act of 1970.

This bill, which I am proud to cosponsor, has been the subject of a great deal of discussion and debate, not only within the Halls of Congress, but in the executive branch and, more importantly, in hundreds of communities across the Nation.

Today, Mr. Chairman, I would like to call the attention of my colleagues to two instances in my own district, the Fifth District of North Carolina, which illustrate very clearly the severe and adverse effects which the unlimited importation of textile goods, manufactured by low-wage labor, have had on the American textile industry.

First, there is a report from the Winston-Salem Journal which states that the U.S. Tariff Commission has ruled that Arista Mills Co. of Winston-Salem was injured by imports because of lower tariffs allowed by the 1962 Trade Expansion Act:

TEXTILE IMPORTS DAMAGED ARISTA, TARIFF BODY SAYS; OPENS WAY FOR AID ON TAXES

(By Jim Gray)

The U.S. Tariff Commission has ruled that Arista Mills Co. of Winston-Salem was injured by imports because of lower tariffs allowed by the 1962 Trade Expansion Act.

The decision by the commission, a possible landmark case for American textile industries plagued with import problems, will give Arista economic assistance in the form of an extended tax-loss carryback.

Arista, a 132-year-old firm, closed the textile end of its business in December 1969, terming price competition from imports the main reason. The company sold its machinery and inventory and concentrated on its growing computer center.

CARRYBACK EXTENDED

Albert L. Butler, Jr., Arista president, said yesterday the decision will permit the company to secure a five-year tax-loss carryback instead of the normal three-year carryback permitted by the 1962 trade act. This means Arista will be able to recapture taxes paid on profits made in the past five years.

Francis Shore, chief of the Tariff Commission's textile division in Washington, declined to call the ruling a "landmark" yesterday, but said it was the first such decision involving a textile company. He called it a decision involving "an individual firm" and said the amount of economic relief will be up to the Department of Commerce.

The case will be welcome news to other industries concerned with imports and may cause a flurry of similar requests before the Trade Commission.

The four-man commission made the decision after Butler pleaded Arista's case in Washington Oct. 13. Butler insisted that the company was not able to compete with rising imports "in spite of its strength in facilities, labor, financing sales and management."

TRACES EFFORTS

He traced the company's efforts to increase sales in new or already-tried fields but said all efforts proved fruitless against foreign competition. He showed the commission shirts imported from Hong Kong, Jamaica and other areas which retailed for much less than ones made of Arista fabrics.

When the company announced the shutdown, 400 people lost their jobs at the plant on Goldfloss Street during an 8-to-10-week period. The mill which made colored yarn fabrics, operated three shifts a day and had withstood "civil war, foreign war, depression, panic and fire since 1838," Butler said.

Butler said the decision will go to the President and then to the Department of Commerce. Arista will submit a plan of tax adjustment to the department for a ruling, but the Trade Commission's recent decision seems to have been the biggest hurdle in Arista's request for assistance.

This decision has been described as "a possible landmark case for American textile industries plagued with import problems," and provides for economic assistance to the Arista Mill in the form of a 5-year tax-loss carryback, which represents a 2-year extension of the carryback permitted under the 1962 act.

This company testified that "in spite of its strength in facilities, labor, financing, sales, and management," it was forced to close down the textile division of its business in December 1969, and listed "price competition from imports" as the main reason.

When the company was forced to shut down its textile division, 400 people lost their jobs. But these are only 400 of almost 2,000 textile jobs that have been lost in the Fifth District of North Carolina alone in the past 2 years.

Almost 10,000 have been lost statewide, and if immediate action is not taken, the other 278,700 textile jobs in our State will become increasingly endangered, and the number will be further and further depleted.

Albert Butler, Jr., president of the firm, said at that time that the textile mill, which made colored yarn fabrics, had withstood "civil war, foreign war, depression, panic, and fire since 1838." But they could not withstand the flood of imports manufactured with cheap labor.

At this point, I would like to have the entire Journal article placed in the RECORD.

I would also ask my colleagues to con-

sider a letter written by Mr. Victor Bates, president of Bates Nitewear Co., Inc., in Greensboro, N.C., to my distinguished colleague the gentleman from Arkansas (Mr. MILLS).

In that letter, Mr. Bates said:

It is a matter of regret to me to inform you. . . . our auditors, A. M. Pullen and Company, have just completed their annual audit for our fiscal year ended September 30, 1970, and that audit discloses that our profits for fiscal year 1970 were approximately 28 percent less than our profits for fiscal 1969; and that our annual contribution to our profit-sharing plan, in which more than 400 of our employees participate, will be decreased by the same percentage. Our auditors also tell us informally that despite this staggering decrease our company fared better than all but two of fifty to seventy-five textile companies of which they have personal knowledge

Mr. Bates continued:

We feel that this tremendous decline in our profits is directly attributable, not to general economic conditions but not to the flooding of our textile markets with cheap Far Eastern labor employed at wage rates with which we cannot possibly compete; and we feel too that a failure of the Congress to take action to restrict these imports can only worsen this situation in the years ahead, with dire results for the entire textile industry and its thousands of employees.

Mr. Chairman, this letter needs no further explanation. I believe it says everything there is to say about the issue we are debating today.

I believe that no nation in the world needs fear this trade act of 1970. The Japanese need not fear it, because it provides for them a sizable portion of the American textile market, and it provides for proportional increases as that market continues to expand.

A fairer proposition would be hard to imagine, and I can see no concrete evidence, and no real reason for serious speculation, that this bill will spark any massive retaliation by any of our trading partners.

I believe they will recognize the need for this Government to see to it that American workers are not systematically excluded from earning a living as a result of our international trading policies.

I am convinced that any other nation would operate on the same principle, and the United States would not condemn any nation for such an action, if proof of injury by foreign trade were as conclusive as it is in this case.

In passing this bill, we will be reasserting our right to dictate our own internal commercial affairs, rather than throwing them at the mercy of our foreign competitors. This is responsible legislation; it is vitally needed legislation.

Today we must listen to the distress calls of 2.5 million consumers, taxpayers, and family members who are employed in America's textile industry. These people's very lives depend on fair trade in textiles. They have the right to demand that fairness, and the United States has the responsibility to require it.

I strongly urge my colleagues to vote with me for passage of the Trade Act of 1970.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may require to a valued member of our committee, the gentleman from Illinois (Mr. COLLIER).

Mr. COLLIER. Mr. Chairman, contrary to testimony presented in House Report No. 91–1435, before the Ways and Means Committee, I feel that the record should show that there is and has been an economic impact upon the domestic production of certain types of athletic shoes as a result of imports.

A representative of one producer in the track shoe industry, for example, states:

We have been badly hurt by the flood of foreign made athletic shoes produced in low cost labor markets. Leather top track shoes are an important element in this situation.

The Athletic Goods Manufacturers Association recently published a report which refutes the testimony in the trade bill hearings that the Addis and Puma track shoes were in a different price category than those which are manufactured by U.S. companies.

I regret that the information furnished me on this subject was not placed in my hands at the time the Committee on Ways and Means was conducting these hearings because I believe the record should show that the statements declaring the existence of a noncompetitive situation are inaccurate. I am confident, however, that this will be brought to light when the Senate Finance Committee considers this legislation.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may require to the gentleman from South Carolina (Mr. WATSON).

Mr. WATSON. Mr. Chairman, it is generally recognized that no other industry has been more crippled in the past 10 years by foreign imports than our domestic textile industry. Since the conclusion of the initial Kennedy round of tariff negotiations almost 10 years ago, there has been an incredible upward trend in textile imports including those from Communist countries.

Our distinguished colleagues have quoted the statistics on these imports, and they are alarming. But, the most distressing statistic of all is the unbelievable number of jobs that have been lost as a result of textile imports. In my State of South Carolina alone, more than 5,000 jobs were lost during 1968–69 due to textile imports.

Earlier this week this House passed the Comprehensive Manpower Act to create jobs for the hard-core unemployed at a cost of $7.5 billion over the next 3 years. But, Mr. Chairman, it would be ironic and indeed tragic if, on the one hand, we enact one piece of legislation to create jobs, and in turn fail to limit textile imports, which rob the American worker of jobs.

There has been entirely too much rhetoric already about reciprocal trade, and not enough discussion and consideration of the American worker, whose job is eliminated because too many exporting countries interpret trade reciprocity to mean that America is a dumping ground for cheap low wage imports.

Regardless of how one may feel philosophically toward free trade, we should all recognize that foreign textile manufacturers should not have an exclusive right to a free and open American market when, at the same time, their governments are imposing restrictions on American imports.

This Congress has an obligation to the American textile worker to protect him against imports produced under horrible working conditions, which strangle his economic livelihood. Free trade, theoretically, is OK, and we should keep the trade lanes open to friendly nations, but when a country like Japan refuses to play fair, then it is time for Congress to stand up and hit them where it hurts—in the pocketbook.

The issue is jobs, and at a time when uemployment is extremely high, Congress should protect jobs instead of exporting them. The textile industry is one of our largest employers of both skilled and unskilled workers in the United States, and it is our Nation's biggest rural manufacturing employer. The American textile industry is not seeking preferential treatment; it is asking for fair play by simply being allowed to reasonably compete with exporting countries. The import quota bill is reasonable. Contrary to the vociferous alarms issued by the New York Times and other liberal newspapers that this bill would destroy international trade, its passage would, in fact, put reciprocity back into international trade by demonstrating to foreign nations that this country is no longer going to tolerate an uneven trade policy that works to its economic detriment.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may require to the gentleman from Tennessee (Mr. QUILLEN).

Mr. QUILLEN. Mr. Chairman, as the sponsor of one of the original textile import quota bills in this session of Congress and an endorser of H.R. 18970, I am strongly in favor of this bill and support its passage and enactment into law. I would, however, like to bring to the attention of the Members of the House that great care must be used in the enactment and implementation of this legislation to avoid unexpected hardships on particular, and sometimes unrecognized, segments of American industry. Since H.R. 18970 was reported by the Committee on Ways and Means, an example of such hardship has come to my attention in my own district in east Tennessee. This involves the Formex Co. in Greeneville, Tenn.

The Formex Co. is a division of Huyck Corp., a native American company that has been manufacturing highly engineered endless textile belts—known as papermakers' "felts" or "fabrics"—for use by the paper industry in the United States and other countries since 1870. In the 1950's, Huyck Corp. satisfied a long-sought-after objective in the papermaking industry by developing a synthetic fiber replacement for a bronze wire "screen" belt traditionally used in the fourdrinier, or wet end, section of papermaking machines where the paper is initially formed. This new woven fabric successfully combined a fine mesh and tex-

ture with stability, strength, and ruggedness, enabling it to make satisfactory paper on large papermaking machines with marked improvements in performance and efficiency over the product which it superseded.

As Huyck Corp. developed this new product, it established a plant in Greeneville, Tenn. By the time the operation had begun to break even in the mid-1960's, Huyck had invested some $7 million in plant and equipment and $13 million in operating losses; an unusually large investment for a company which even now has net assets of less than $25 million. These facts give some indication of the difficulty encountered in developing and manufacturing this product and the high level of engineering and business commitment that was required in order to bring it to fruition.

Since the mid-1960's, this new Huyck product has enjoyed spectacular growth, particularly in the United States, which has the world's largest papermaking industry. Huyck's business in this product has grown at an average rate of 10 percent per calendar quarter during this period. In addition, Huyck and its subsidiaries now have plants manufacturing this product in Canada, Great Britain, and Australia. A plant addition in Tennessee was completed around the first of this year, and additional pieces of equipment continue to be installed in the Tennessee location. That operation now has some 150,000 square feet of manufacturing floor space and nearly 300 employees, and Huyck Corp. is now negotiating for a site for a second plant to manufacture this product line in the United States.

The principal raw materials, other than treatment chemicals, used in the manufacture of these open mesh fabrics are filament yarns made from nylon and polyester fiber. Nylon is used in a large proportion of these fabrics and polyester fiber must be used in all of them. The nylon is acquired from U.S. sources. However, there are no U.S. manufacturing sources at the present time from which the Formex Co. can obtain polyester materials with the specific characteristics and performance that are required to produce the polyester yarns for the product. Therefore, of necessity, multifilament polyester yarns used in the product come from Canada and monofilament polyester yarns are imported from West Germany. From 1967 through the first 8 months of 1970, total purchases by the Formex Co., Greeneville, Tenn., of these imported yarns have been 27,779 pounds in 1967; 32,350 pounds in 1968; 47,553 pounds in 1969; and 44,349 pounds during the first 8 months of 1970.

Although Huyck Corp. and its affiliates, including the Formex Co. in Tennessee, are constantly testing polyester yarns from U.S. sources and assisting and encouraging potential U.S. sources to develop satisfactory materials so that eventually it will be possible to use U.S. yarns entirely and avoid expensive imports, to date, no satisfactory sources have been found in the United States for materials acceptable for this purpose.

Huyck Corp. estimates that the use in its U.S. manufacturing facilities of polyester filament yarns during the next 5 years will be 127,000 pounds in 1971, increasing to 267,300 pounds in 1975.

In addition to the foregoing problem with yarns, the success of Huyck's new product in the U.S. market has so outpaced the capacity of the Greeneville, Tenn., plant that, while getting the recent Greeneville plant expansion designed and completed, Huyck has had to import a minor percentage of fabrics from its Canadian and Italian plants in order to keep its papermaking customers in the United States supplied. These imports have ranged from about 14,000 square feet with an ultimate sales value of about $38,000 in 1967, to about 187,000 square feet with sales value of about $723,000 in 1970.

Huyck expects to have to continue to import about 50,000 square feet—with an ultimate sales value of $200,000—per year into the United States for the next 2 to 3 years until its second plant for the production of this product line is built and in full operation.

Thus, it will be apparent from the foregoing facts that any limitations on the importation by Huyck of the yarns and fabrics also, unless Huyck were assigned its own quota, to the average of the quantities imported during the years 1967, 1968, 1969 can be expected to have grave consequences on the U.S. papermaking industry generally, on the technological and commercial advances to the American consumer which it makes possible, on Huyck Corp. as a going American business entity, and on the continued growth potential of this valued product line. Sales of this product line in the United States have been growing so fast that, as a practical matter, these 3 years and any prior years are meaningless as a quota base.

This is particularly unfortunate because it seems quite clear that the products in question clearly fall outside the problem area which the import quota provisions of H.R. 18970 are designed to handle. This product line does not compete in the great textile industry in the United States, but merely in the small, highly specialized felt and fourdrinier wire industries which serve the paper industry. The volume of purchases of imported polyester yarns is insignificantly small to the great companies in the man-made fiber industry in the United States. In fact, it is a curious irony that the relative smallness of the volume of the class of products is undoubtedly one of the reasons why Huyck has not yet been able to find sources for acceptable polyester yarn materials in the United States. Apparently Huyck's actual or potential needs are not large enough to merit any of the extensive development work or very close manufacturing attention which would be a prerequisite for American producers to supply the desired yarn product or their constituent fibers.

In summary then, this situation must be acknowledged to be representative of those instances where an unreasoned administration of the provisions of the import bill not only would not be beneficial to a small unnoticed segment of American industry, but, in fact, could work a significant, and indeed unnecessary, hardship on substantial numbers of workers and consumers by virtue of its impact on derivative industries. Thus, it is clear that to achieve a just result in this situation, for example, another exception to accommodate this specific case should be written into the bill or, at the very least, it should be considered from the outset as a classic example of a case involving the kind of nondisruptive imports falling within the contemplation of section 104 of the bill for which executive relief can and must be granted if the best interests of American economy and consumers are to be served.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from Iowa (Mr. GROSS).

Mr. GROSS. Mr. Chairman, first of all I want to commend the gentleman from Wisconsin (Mr. BYRNES), for the excellent protectionist speech he made earlier this afternoon. I regret that not all Members of the House were present to hear him.

I would like to invite him, with the permission of the gentleman from Pennsylvania (Mr. DENT) to join the small but, I hope, growing club of protectionists in the House. If I may have that permission from the gentleman from Pennsylvania, I extend the invitation at this time and I hope the gentleman from Arkansas (Mr. MILLS) will soon be heard making protectionist speeches rather than fathering a monstrosity such as this bill, which gives to the shoe manufacturers and the textile manufacturers a little sop, a temporary sop. For the rest of the Nation's producers it is on the order of a plaster of rancid goose grease applied to a malignant cancer.

The point was made yesterday of the modern equipment of foreign textile mills. Of course, the mindless foreign aid spenders in Congress and in the executive branch, have, through the years made that possible with some $200 billion of foreign aid, at the same time giving away the markets of this country.

I recall that a good many years ago, after World War II, a loan was made by this Government to the Japanese of approximately $1,800,000,000.

That loan was settled a few years ago for the munificent sum of $400 million. Believe it or not—a substantial chunk of the $400 million was earmarked for the purpose of teaching the Japanese how and where to market their products.

That is the kind of foolishness the leaders of this Government have engaged in through the years.

Under the Constitution of the United States, the founders of the Republic wisely gave Congress the power to regulate foreign commerce. Yet this bill gives to the Tariff Commission tremendous power to regulate foreign trade, and then greater power than he has ever had to the President—any President—to override the findings of the Tariff Commission.

How long are we going to pass legislation in Congress purporting to regulate Federal trade and then turn over the final determination to the President? Why do we not be honest in this matter?

Why do we not simply abolish the Tariff Commission and turn the regulation of foreign trade over to the President in complete and full violation of the Constitution of the United States? When are we going to start writing legislation with Congress dictating the terms of foreign trade, instead of turning it over to a President, any President. I have served under five Presidents since I have been a Member of Congress, and every one of them has been an internationalist and a free trader, some worse than others, and I do not except the present President of the United States from this category of free traders, for in his campaign speeches in 1968 he said, "I am strongly in favor of free trade." This Nation, with its high production costs, cannot free-trade and survive as an economic unit.

Mr. Chairman, there is only one way, in my opinion, that we can ever get this country back on the track in its trading relations with foreign nations, and that is to adopt a schedule of tariffs on imports, representing the differential in the costs of production of all commodities in adequate or surplus supply in this country. Otherwise we go down to defeat in the business of world trade.

Mr. Chairman, this bill is a continuation of the old so-called reciprocal trade program that is as phoney as a $3 bill for it has operated all too often on a one-way street. Not even the sponsors and promoters of this legislation have the gall to call it recriprocal for that has long been discredited.

I predict that this bill will cause trouble for the agricultural producers of the Nation and it will only serve to put more industrial workers and industries on the relief rolls of the Federal Government at a cost of hundreds of millions if not billions to the taxpayers.

Commonsense demands the defeat of this monstrosity and a return to hard-nosed bargaining and true barter and sale in world trade.

Mr. LANDRUM. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois (Mr. PUCINSKI).

Mr. PUCINSKI. Mr. Chairman, yesterday I raised the question of the crisis that now confronts the electronics industry in this country. My district represents a large segment of that industry, and we are deeply concerned that by April 1 of 1971 there will not be a single small colored television tube produced in the United States. We are deeply concerned that some 30 million radio sets are sold in this country every year, not one of which is manufactured in the United States. So I asked the chairman of the committee what relief the electronic industry might find in this bill, and the chairman said that the committee, in this bill, has liberalized the escape clause. The chairman said:

> Lawyers who represented these industries said that if we did loosen up the rigidity of the escape clause procedure, they could get relief under it and we have given them that opportunity.

I take this time now to establish some legislative intent. I wonder if the distinguished chairman would be good enough to elaborate on that statement. What relief can the industry get through this liberalized escape clause, and what is the nature of the liberalization?

Mr. MILLS. First, if the gentleman will yield, the bill makes a very meaningful change made in the provisions for consideration by the Tariff Commission as to what constitutes injury.

Second, the bill eliminates the connection between the increased imports and a tariff concession that has been made before in a trade agreement. Also other factors too numerous to mention are changed. Actually we have gone further than the administration suggested that we go.

We did not use their terminology. The terminology that was contained in the bill that I had earlier introduced, and some 256 other Members of the House introduced, the administration took exception to and to the position we were taking, saying we were making it much too easy for an industry to show serious injury and win its case. The members of the committee, and certainly I, felt it was incumbent upon us to see to it that any industry that was seriously injured or threatened with serious injury from increased imports has access to relief. Under the present law it is impossible for them to get relief. We were much too rigid in our writing of the escape clause provisions in 1962, and I might say unintentionally so.

There is no question but that certain sections of the great electronics industry in the gentleman's State and in my own State is now being injured, in my opinion, through the uncontrolled excessive increase of the import of certain electronic products.

There is this opportunity for relief. The penetration of the radio and TV markets in the United States has been very high. The industry has the opportunity to go to the Tariff Commission and make their case. Certain criteria are set forth in the bill itself, and I refer to the provision that has been developed by our colleague, the gentleman from Wisconsin (Mr. BYRNES), which is called the triggering provision. The President must put into effect the relief that the Tariff Commission itself suggests, unless he finds that it is contrary to the national interest to do so.

This provision has never been in the law before.

Mr. PUCINSKI. I thank the chairman for that explanation. One of the things that disturbs me, and perhaps does other Members, is that the Commission wears two hats. On the one hand, it establishes the tariffs and the quotas which create the problem in the first place, and then the Commission is expected to admit at some point later in time that, yes, they erred on the quotas and duties, and therefore, they are recommending relief.

When I raised that point yesterday, the chairman said the Tariff Commission will be all right if they get an understanding of the intent of the Congress, and if we correct what we did in 1962. I wonder if in the interest of legislative history we can spell out that intent, so the electronic industry as well as others can get some relief under this act.

Mr. MILLS. If the gentleman will yield, I think earlier the gentleman misspoke himself. The Tariff Commission does not establish the rates of duties in these trade negotiations. That is done by the President through his special representative under certain limitation in the law. The Tariff Commission is called upon from time to time to make determinations for the benefit of the President in his trade negotiations, of rates which can be reduced without causing serious injury—the economic judgment they are asked to develop on occasion.

They are a good fact-finding group. I have great confidence in them if we write the law in such a way as to enable them to do what they think should be done with respect to any case. We have done that, we think, in this bill. The General Counsel of the Tariff Commission worked with us constantly on it. He has a clear understanding of what we are trying to do, not only with respect to the matter the gentleman discusses, but also with respect to countervailing duties and antidumping provisions we have amended because, in the case of the electronics, as my friend, the gentleman from Illinois knows, there have been a number of cases pending which involve antidumping.

It has been utterly impossible to get a decision on that in the past within any reasonable time, and now we have tightened that to the point where the Secretary of the Treasury must report it out within a 4-month period and if dumping action can be taken long before the injury can become so serious as to drive the business to the wall completely.

But the Tariff Commission understands now that we are liberalizing access to relief, because we expect industries that are seriously injured in the future to get relief.

Mr. PUCINSKI. I have another question on a related matter.

There has been a great deal of discussion here on the so-called trade retaliation and trade war. Am I correct in understanding that when we look at the balance of payments in the country today it is true we export some $42 billion worth and import some $40 billion worth, roughly, but what we are exporting, for the most part, are raw materials and scrap metal, and we are importing consumer goods and displacing man-hour work.

Am I correct that most of the material being exported from the United States today and being purchased by the foreign countries is being purchased by those countries because they have no place else to go? Once they develop substitute materials, once they develop synthetics, once they develop their own markets, once they develop markets in other parts of the world where they can buy cheaper than from us, there will not be any great humanitarianism on their part to continue doing business with America because we are their friend.

Am I correct in saying that this "bugaboo" about trade war and retaliation is totally unrealistic? These customers of ours will leave us the moment they do not need our services, products or goods,

or the moment they can get them cheaper somewhere else.

Mr. MILLS. I would not want to associate myself completely with the gentleman's statement, but let me say that the people of the world, when it comes to trade and profit matters and the rest are all more or less alike. Anybody is an unsuccessful trader or an unsuccessful businessman, I take it, if he does not buy what he needs where he can get it the cheapest.

That is quite evident in the dealings with us by some countries. They find our price too high, and buy the same item from some other country because the price is lower.

Japan is a good case in point. With all of the trade we have with Japan, Japan does not buy all of the cotton she consumes in the raw state from us. She will buy cotton from countries like Mexico and Brazil, countries with which she has little or no trade, presumably because she can get the cotton cheaper. Of course, she has been a good trading partner of ours, and we are pleased.

Now, on the question of retaliation, let me give my own thoughts as to how this thing works. This is not something new. It has happened time after time since the Reciprocal Trade Agreements Act went into effect in 1934.

We do something that is in violation of some agreement we have, such as to raise the duty or to reduce the flow of goods——

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. MILLS. Mr. Chairman, I yield the gentleman 5 additional minutes, and ask the gentleman to yield further.

Mr. PUCINSKI. I yield further to the gentleman from Arkansas.

Mr. MILLS. Let us say that we take some action that reduces the export from country A to the United States by $50 million. They figure that up. They go to GATT and they say that we have taken action against them contrary to the rules of GATT and that they have been damaged to the extent of $50 million. GATT decides whether or not that is the fact. If it is the fact, then GATT would ask us to compensate those countries by lowering duties or some other restriction that would permit them to ship to us an equivalent $50 million of something else. And we do that. We have done it historically. I do not know how many times, for there are 14 or 15 cases already where that has happened.

If we refused to lower the duties to where they could get $50 million of exports of something else, they might then be justified in saying, "We have to do something to prevent the United States shipping to us an equivalent $50 million worth of goods."

That would be, probably, retaliation.

My own guess—and this is strictly a guess, but an educated guess, I might say, if Members will pardon me—is that given the flexibility that the President has in the bill the amount of compensation which might possibly be involved in this entire bill would be relatively small. It would be far below what some people have suggested. The point is that we have worked these problems out in the past and we can work this one out.

We have always done it. No, I am not worried about retaliation whatsoever. I have talked to representatives of the Japanese Government and I have talked to representatives of the Japanese textile industry. They would much prefer to enter into an agreement under the provisions of this bill in order to have a larger share of the textile market in the United States than they can get under the bill itself, than they would gain by retaliating against us or by threatening not to buy soybeans or something else. However, always and forever there are these people who have their heads in the clouds, who cling to these cliches, and who are not willing to recognize the fact that any country in the world has the right under GATT to protect its industries and its products from serious injury. They just forget that the situation can develop in the United States where it may be necessary for us to act as all of those others in the past have had to act with our full acquiescence in each instance.

Mr. PUCINSKI. I thank the gentleman for the excellent response.

I now yield to the gentleman from Illinois for a question.

Mr. YATES. I would like to direct a question to the chairman.

Has the chairman discussed at all the question of the duty on minks which appears on page 53?

Mr. MILLS. I have not, but I think the gentleman has in mind——

Mr. YATES. I have received many requests. I want to make my point here that I have received letters and calls from furriers in my district who are very much alarmed about the provision relating to the quota on minks which appears in section 343(a)(1) of the bill.

Mr. MILLS. What they are concerned about, if the gentleman will pardon me, because I know about the matter and have discussed it with the union representatives of the workers as well as with the management—what they are concerned about is, basically, some terminology in the tariff schedules.

Mr. YATES. Mink skins and bits of skins.

Mr. MILLS. Which was written in by law that says that some minute piece of the skin is a skin.

Mr. YATES. That is right.

Mr. MILLS. That was not intended to apply by our committee whatsoever. When we said "skin" we meant skin. We put in the provision in order to prevent avoidance of the tariff quota. We put in the report that if they cut it up and started dicing it up in order to bring them all in other than in a complete skin, we would count that in. However, what you are talking about is the so-called very small scraps and trimmings and things of that sort. They were never intended by the committee to be counted as individual skins. I am sure that all of us would agree it was never intended by the committee that those little, minute pieces were going to constitute a skin for this purpose. You must bear in mind that before the higher rate of duty would go into effect there are 4.6 million skins that are permitted to come into the United States. That is a figure which is much higher than the present importation of skins. So we were placing that figure way above, as my friend from New York (Mr. GILBERT) knows, what was being imported into the United States in order to allow even greater growth before the rate of duty would go into effect.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. MILLS. Mr. Chairman, I yield the gentleman from Illinois 5 additional minutes and ask him to yield further to me.

Mr. PUCINSKI. I yield to the chairman.

Mr. MILLS. However, I do not want to amend the bill here today because I cannot get the committee into session in order to develop a committee amendment.

Mr. YATES. How does the chairman propose to handle the matter, then?

Mr. MILLS. It will require an amendment, in all probability, because of the error in the existing schedules. It requires an amendment to existing law, frankly. That is where we made our mistake. The Senators on the Finance Committee will be made well aware of this problem. It has already been discussed with them, in fact, and it is our understanding that they will correct this matter when the bill gets to the Committee on Finance. We certainly would expect them to do so, because it should be corrected.

Mr. YATES. I thank the gentleman.

Mr. MILLS. So as to make it clear that it is not intended that a small scrap-trimming be counted as a skin.

Mr. GILBERT. Mr. Chairman, will the gentleman yield?

Mr. PUCINSKI. I yield to the gentleman from New York.

Mr. GILBERT. I thank my colleague for yielding. I have worked on this problem since the outset——

Mr. MILLS. I know the gentleman has and he has worked very hard on it.

Mr. GILBERT. It never was the intention of the committee, as my distinguished colleague from Wisconsin knows, to include scraps as being skins. I wanted the chairman to verify the fact that this is not the intention of the committee.

Mr. MILLS. That was not our intention and I thought originally that we might be able to correct the matter by stating what we intended with respect to the language, but it is not possible. We overlooked a provision which is already in existing law.

Mr. PUCINSKI. I thank the gentleman for yielding me this time.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the gentleman from New Jersey (Mr. SANDMAN).

Mr. SANDMAN. Mr. Chairman, I rise in support of this measure. I would like to join in the remarks of the chairman of the committee as well as those remarks previously made by the ranking Republican on the committee, the gentleman from Wisconsin (Mr. BYRNES). I had been hopeful that the objectives of the Kennedy rounds would have had

the result which was originally intended—certainly I share the opinion of all others and would like to see a free trade system throughout the world. However, it is now apparent that such a system, without protective measures, would be disastrous to this country.

I would like to join in the remarks made by the chairman of the Ways and Means Committee, the Honorable WILBUR D. MILLS of Arkansas, and the remarks made by the ranking Republican of that committee, the Honorable JOHN BYRNES of Wisconsin. They have adequately outlined the necessity of this measure. They have likewise given solid reasons why the criticism of this measure is groundless. One of the largest industries in my district is the garment industry. That part of the textile industry especially affecting cotton goods, the manufacturing of shirts, blouses, and dresses, is destined to extinction unless this measure becomes law. With the unfair competition that we have from Taiwan, Japan and other parts of the Far East, it is not possible for this industry to survive anywhere in the United States.

The rest of the world anticipates the United States should become a consumer nation based upon the fact that our people, per capita, make up a large segment that can afford to purchase foreign make goods. This concept, of course, is foolhardy. Japan could very easily become a large and much better consumer nation. It consumes only a very small part of what it produces, mainly because its people cannot afford to purchase because their wages are so low.

If Japan were to adopt only a 75 cents an hour minimum wage law, as suggested by them by Congressman MILLS, a great deal of this could be alleviated. However, we know now that the Japanese Government is not likely to adopt even a 75 cents an hour minimum wage law.

To those that argue that this is an about face in our previous policy for free world trade, I would like them to tell the American people what they intend to do about the 100,000 jobs that have already been lost this year in the garment and textile industry or what they intend to do to retain any part of the manufacturing of cotton goods in the United States. I am in support of this measure because I feel that it is absolutely necessary. It gives the President of the United States those powers that he must have to protect the American industry. If we are at all interested in the working man and his problems, the most precious possession he has is his job. A vote in the affirmative on this measure will not only save an industry, together with other industries that provide millions of jobs, it will also, under these circumstances, be a vote in the best interest of the Nation.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the gentleman from North Carolina (Mr. RUTH).

Mr. RUTH. Mr. Chairman, I rise in support of this bill.

Mr. Chairman, there is not a Member here today who cannot say that the trade bill is one of the most important pieces of legislation to come before the House. We know the worldwide attention of our actions and, that this bill has something to do with the economies and trade policies of many nations. It has been billed as a "showdown" between the United States and Japan.

For my own point of view, we also have approached a subject that deals directly with the economies and futures of two and a half million workers in the textile, apparel, and fiber industries, including several hundred thousand people in my State of North Carolina and my Eighth Congressional District.

Even from my State and congressional district, there has been considerable criticism directed at the President and the administration for failure to have followed directly through with a campaign pledge to do something about the excessive foreign textile imports.

As I see it, this pledge has been followed through as far as it is possible within the framework of free trade policies. Certainly, Japan has realized the seriousness of our problem, but as yet, has not made the voluntary quotas that are necessary to our textile industry.

You should realize that this trade bill is nothing but a scrap of paper to men and women whose weekly wages have been sharply cut because of a slowdown in mill productivity.

For the Members who do not know, a textile mill is the hub of economic and social activity in the smallest of towns in North Carolina. It can be the blood of life for an entire town, from the millworker to the grocer and the doctor. In many small towns it is the single industry, and there are hundreds of thousands of people in North Carolina who survive because of them.

But lately, the activity in the mill has slowed down. Many small town mills have decreased their operating days from 5 and 6 to only 4 days of work each week.

Weekly income for the millworker in these towns has dropped as much as 20 percent, and gentlemen, in the economy of the 1970's, every single penny counts whether it is saved or lost.

These are people who survive by hourly wages, and when their working hours are reduced from 40 or 48 hours a week to something like 30 or 32 hours, they are in trouble.

They are stout people in mind and heart and they have learned to live with fluctuating hours of work over the years. But in the past few years, they have fewer and fewer hours of work at the mills.

Why should they not ask for import quotas? Their livelihoods are at stake.

For the first time, many of these small mills are experiencing their first operation losses, They had to stop paying dividends, and many of the moderate to small-size plants have been forced to use up their equity and borrow money to keep running.

We could let this industry die. It is an old one in America, and one of the earliest of our American businesses.

We gave away an electronics industry, a business tailored for the American consumer. Who can count the number of American jobs that have gone overseas because of this?

The trade war that I see will be one that comes at home, when working men and women can no longer stand inflation and lost wages when these two strains snap together.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from New Jersey (Mr. FRELINGHUYSEN).

Mr. FRELINGHUYSEN. Mr. Chairman, I rise like the gentleman from Pennsylvania (Mr. DENT), but for very different reasons, in opposition to this bill.

I should like to address my remarks today to the Members who have not made up their minds as to how they are going to vote on this bill. In looking around I am not sure how many Members here fall into that category. However, the votes of these individuals could be decisive. The fact that the three rollcall votes yesterday were so close indicates that there is considerable doubt about the package which has been presented to us.

I assume also that many Members must be disappointed that there will be no opportunity to vote on whether or not certain provisions should be deleted from this bill. The mandatory quota on oil imports, for example, is certainly one issue of great importance to many Members.

My belief is that this package, which we must soon accept or reject, should be rejected.

Weighing all of the provisions contained in the bill, I am convinced that on balance the enactment of this legislation would not be in our national interest.

The gentleman from New York (Mr. CONABLE) said that this legislation, if enacted, might well be watershed resolution. I have no doubt that this would be the case if it is enacted.

Mr. Chairman, several Members already have said that they see no reason why there should not be similar protection for steel, glass, television sets, radios, automobiles, and the like. If we give certain industries which are "injured" relief—and that is what it should be called—we certainly should be ready to accept the fact that there are lots of other industries which would like comparable relief.

Of course, it is quite possible that even if the House should approve this bill, the other body will not take any action on it in the few weeks remaining in this year. If they should act it is almost a certainty that they will not simply rubberstamp it, as we here today in the House are required either to rubberstamp or reject this bill. In any event, it might not be easy to get a reconciliation of the differences between the House and Senate bills. Further, there is no assurance, if there should be agreement on Capitol Hill in the few weeks that remain, that we could get a bill that the President would be willing to sign.

So, what we may be going through is simply an exercise, an exercise with respect to an important problem and one which would serve as a guidepost for, perhaps, many years to come.

I believe, on balance, this bill is not in our national interest, as I have stated before.

Since World War II, indeed since the

thirties with the enactment of the reciprocal trade laws, the United States has consistently sought to lower the barriers to international trade on a multilateral basis. Progress has been gradual at best. It has been limited at times by setbacks, but the policy has paid off. We have emerged as the world's leading trading nation by rejecting the protectionist philosophy. We have served our *overall national interests* and we have enjoyed substantial rewards from our enlightened policy.

Mr. Chairman, I believe enactment of this bill would place both our current preeminent position and our future leadership in world trade in serious jeopardy. What may originally have been designed as a warning to other nations could become a threat to our own prosperity.

Let us not deceive ourselves about fundamentals: The question before us concerns every American—not merely those in the textile and footwear industries. We are, in fact, on the verge of crossing a Rubicon—of changing the direction we have been traveling over close to four decades. If this bill is passed it will be a signal to the rest of the world that we are shifting from an outward-looking to a protectionist trade policy. This will have harmful and I fear far-reaching international repercussions. As a member of the Committee on Foreign Affairs I believe silence is equivalent to negligence on a decision of this magnitude.

The bill admittedly contains many desirable features. There is much to be said, for example, for the proposal to set up a domestic international sales corporation. But the heart of this legislation—let us be frank to recognize this—is the imposition of import quotas on the basis of certain statistical criteria. Today the problem involves textiles and shoes. Tomorrow it will be steel, fur products, agricultural commodities, and electronic components. Once the floodgate of protectionism is opened a crack, who among us can prevent a deluge? Many of us, in fact, have industries in our respective districts which can make a good case for inclusion in this bill's provisions. And then the question will inevitably become one of equity.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 1 additional minute to the gentleman from New Jersey.

Mr. FRELINGHUYSEN. Mr. Chairman, I would appreciate very much if I could be given more time, possibly 3 minutes, if it is available.

Mr. BYRNES of Wisconsin. Does the gentleman desire an additional 3 minutes?

Mr. FRELINGHUYSEN. I would appreciate an additional 3 minutes.

Mr. BYRNES of Wisconsin. I yield the gentleman 3 additional minutes.

Mr. FRELINGHUYSEN. Mr. Chairman, I thank the gentleman very much for granting me the additional time.

Mr. Chairman, I do not contend for a moment that certain industries do not have legitimate grievances. Our domestic inflation, with its rising costs and prices, makes our exports harder to sell, and imports more competitive. Moreover, there has been indeed an egregious lack of reciprocity on the part of some of our trading partners—most notably Japan. Indeed, I believe a major reason why we are discussing this bill at all is because Japan has continued quotas on many of our goods beyond reasonable justification.

Legitimate concern has also been expressed over our dwindling trade balance in recent years. This unhappy situation calls, indeed, cries for remedial action both by Congress and the executive branch. The question is not whether action is desirable, the question is what kind of action is in the national interest. Is the cure proposed in this bill in fact worse than the disease? This is the question we must consider most seriously before stepping irrevocably backward into the protectionist camp.

For my own part, I wish to associate myself wholeheartedly with the views expressed so eloquently by the distinguished gentleman from New York (Mr. CONABLE). As he said, there is indeed justification for Congress to take action, but as he put it this particular bill is unquestionably a mixed bag.

Unfortunately, we appear on the verge of taking the wrong action. Personally, I would favor almost any action—including selective tariff increases, or even export subsidies—over the quotas prescribed by this bill.

Let us consider for a moment why this is so.

In the first place, retaliation. We have heard a lot about retaliation. In international commerce every significant action can be expected to produce counterreaction. Many foreign countries find that we are extremely tough competitors, especially in the fields of agriculture and technical products, areas which make up the bulk of our exports. Imposition of quotas will provide them with an excuse to shut off, or sharply curtail, our trade with them.

This would be to our own disadvantage. As the National Chamber of Commerce has pointed out, we cannot afford to ignore the 4 million American jobs attributable to total U.S. exports—far more jobs than are threatened by imports. In a trade war, which may well be the inevitable consequence of the proposed legislation, everyone loses. "Their loss" becomes "our loss" too.

In my State of New Jersey, for instance, total exports of manufactured products on an annual basis—according to the latest available statistics from the Department of Commerce—amounted to $1 billion. Total agricultural exports during the same year came to $21 million for the State of New Jersey. It has been reliably estimated that one out of every four people in the New Jersey and New York metropolitan area earns his livelihood in the field of foreign trade—if not directly, at least indirectly. An effort to assist workers in certain selected industries is certainly no solution for the working population at large.

Inflation: As the gentleman from New York (Mr. CONABLE) has pointed out, quotas are more inflationary than other remedies available to us, such as tariffs, as they restrict supply and lessen competition. The result will be an increase in consumer prices which the Nation can ill afford at this time. Because cheaper goods are generally most affected by quotas, the poor are hit the hardest and, I might add, so are the workers—all workers, not just those in the protected industries. In effect, by imposing quotas we are taxing the consumer in a time of inflationary distress.

Equity: Quotas are notoriously difficult to administer. Also, the bigger firms will be in an advantageous position to buy up the available foreign goods—leaving the small retailers out in the cold. This is what the Chamber of Commerce means when it refers to the progressive cartelization of the U.S. market, inducing stultifying controls which would distort the Nation's economy and debilitate the free enterprise system.

World trade: The global implications of such a move are particularly ominous because we are the world's leading trader. The developing countries will be at a particular disadvantage, at a time when we are spending millions of dollars to encourage economic viability and political stability.

Above all, Mr. Chairman, it should be noted that remedies provided by existing legislation remain untried. Neither the textile industry nor the footwear industry has asked for relief from import competition under the escape clause provisions of the existing law. At least this route should be explored before more radical measures are adopted. If the relief afforded by present "escape clause" provisions proves to be inadequate, it is no problem to change the language in the law.

There are a number of possibilities: Just recently the U.S. Treasury Department announced that it will begin countervailing duty proceedings against subsidized agricultural products from France and allegedly dumped television sets from Japan. This statute has been on the books for the past 25 years, but has been rarely used. There are many examples of such remedies—all of them preferable to the ones before us today.

In conclusion, Mr. Chairman, I ask my colleagues to consider the consequences of a withdrawal of the world's leading competitor from the competition. As the apostle of the free enterprise system, can we or should we abdicate our leadership in international commerce? And what will be the results? Is it in our long-range interest to erect a kind of Berlin wall around America which may serve the short-term goal of keeping others out but which has the ultimate effect of keeping us in?

I think not. I urge my colleagues to oppose H.R. 18970 in its present form.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from New Hampshire (Mr. CLEVELAND).

Mr. CLEVELAND. Mr. Chairman, I would like to take this opportunity to

discuss a somewhat smaller aspect of this bill than has been discussed this afternoon.

On pages 6 and 7 of the bill the Committee on Ways and Means, for which I thank them, adopted two sections that require the Office of Emergency Preparedness to render their decisions on petitions affecting the national security promptly.

This came about because of my interest in an industry in my district, the miniature and precision instrument bearing industry, with companies located principally in Keene and Peterborough, N.H.

I regret I do not have the time to discuss this situation in depth. This is a highly technical industry.

This industry possesses characteristics which would ordinarily protect it from foreign competition. It has a small market, being only about $12 million a year in the United States. It has a high degree of labor skills. It has a high degree of technology. It is capital intensive. It is highly defense oriented, with over 70 percent of its production ending up in defense production.

In fact, it is critical to our whole defense effort, since not a plane can fly without these bearings. They go into every plane, missile, and submarine in our arsenal. They are crucial to all sophisticated guidance systems.

These bearings are built to tolerances as fine as a millionth of an inch. They are manufactured under white-room conditions which are 25 times cleaner than a hospital operating room.

This is the type of industry that one might not suspect would be affected seriously by imports. But the fact of the matter is that while our petition to the OEP has been pending—and it has been pending now for almost 2 years—an incredible dereliction of duty in my opinion.

While this petition has been pending, the number of manufacturers in this country that are left that can produce these bearings has gone from seven to two—just two. Furthermore, in this time the Japanese share of the U.S. market has grown from 25 to over 50 percent.

A little while ago the gentleman from New York (Mr. CONABLE) was speaking about free competition and how he was distressed that there was a lack of the concept of free competition in this bill.

I think we should remember this. These two remaining companies cannot get together to protect themselves against the floodtide of imports from Japan. If they were to do that, then the U.S. Government would say to those two companies, "This is a violation of the Sherman antitrust laws." They cannot even get together to plot a common strategy to meet the flood of imports that is devastating this industry which is so clearly necessary to our national security.

Mr. WYMAN. Mr. Chairman, will the gentleman yield?

Mr. CLEVELAND. I yield to my colleague from New Hampshire.

Mr. WYMAN. Could the companies to which the gentleman refers export those products?

Mr. CLEVELAND. No; that is another aspect of the case. I am glad the gentleman mentioned that point. These bearings are so important to the national security that they cannot be exported, to the only significant market that exists for them outside the United States: Russia and the Iron Curtain countries. However, the Japanese competition, which has been fostered by the American market and by the trading of skills back and forth between America and Japan, and using American machines, can and are supplying these in massive quantities to the Russians.

Only recently the Nippon Miniature Bearing Co. announced that they were selling over 1 million of these miniature bearings to the Russians. That is significant, because why would the Russians need them? One of the reasons they might need them is because there is a Soviet missile buildup of fairly rapid proportions going on. Another possible reason is that Russian manufacturing skills or capability has suddenly deteriorated. Still another possible reason is a recognition that Japanese price or probably quality is better than its own.

The fact is, that some of these bearings might well find themselves in the missiles that are now being put into the Suez Canal area.

But the frightening thing about this case is that apparently the concept of free trade, about which we have heard much discussion today, has totally permeated almost all Government agencies. The Government agencies to which the Office of Emergency Preparedness, sent this petition were the Department of Commerce, the Department of State, the Department of Defense, the Department of Labor, and NASA, the Atomic Energy Commission, the Office of Special Representative for Trade Negotiations, and the Council of Economic Advisers. The OEP sent this petition for relief around to all these agencies, and again and again we have had evidence that the precepts of fair trade, pure and unadulterated, are not being leavened with any sense of fairness to American industry or with any sense of the importance of national security.

It has resulted in a deliberate sabotaging of this particular petition. The members ought to be aware of this type of situation which has come to pass in one of our Government agencies, aided and abetted by other Government agencies, which have fallen tragic victim to some of the myths of free trade.

This situation of miniature bearings involves, as I have said, the national security. Consider for a moment these precise miniature precision bearings. When they are manufactured in the two remaining small plants, which are just about to go out of business, in the United States, the Government is so concerned about the precision of these bearings that go into the atomic bomb and that go into missiles and that go into the guidance system of every submarine and airplane, they add to the cost of manufacture the expense of having in-house Government inspectors. These in-house Government inspectors check on more than 40 of the operations that go into the manufacture of these bearings. This all adds to the cost of the American producer. But the Japanese bearings that are pouring into this country and killing this industry are not inspected. There is no in-house inspection provided for them. They come in on certification.

Now, what is fair about that? What is fair about that type of trade? It obviously is not fair. It is grossly unfair. Yet this is the result of the dominant theory that pervades the Government agencies that I have just mentioned, headed up by the obviously incompetent Office of Emergency Preparedness.

Under the law the Office of Emergency Preparedness is mandated to make an immediate inquiry, to make an appropriate investigation to see whether imports threaten to impair the national security. Two years later we have no such investigation completed. Papers are still being shuffled.

The security of this country is directly threatened by this situation, and it all comes about—there can be only one explanation, only one sensible explanation—by the fact that the Office of Emergency Preparedness, aided and abetted by those other departments I have mentioned, has become totally enslaved to a false concept of free trade coupled with incompetence and redtape.

Mr. Chairman, in the course of my involvement in this important national security case, I have discovered several unspoken, tacitly accepted policies which seem to dominate this area of our national security.

First, the Office of Emergency Preparedness and the Department of Defense seem to feel secure in buying even the most critical components from foreign sources. These agencies seem willing that the United States should be totally dependent on foreign sources for supply of these critical items, and that this total reliance does not jeopardize our national security.

Second, the Department of Defense seems to believe that it has enough money available to buy anything it needs whenever it needs it. This apparently includes even skills and expertise.

Third, the Office of Emergency Preparedness and the Department of Defense seem to accept the idea that highly technical skills in one field are transferable to another field on very short notice, if only enough money is made available.

These are not announced policies, but they do seem to exist. They will lead to disastrous results if they are followed. They are very wrong. These agencies have their heads in the sand on these policies just as they do in their subservience to the concept of free trade, as they understand it.

Mr. Chairman, under general leave, following this statement, I insert two newspaper articles. One comes from the Japan Industrial News in Tokyo, announcing the sale of over a million miniature ball bearings to Russia. Though the Japanese article says the bearings were bought because of their high accuracy, they can only be exempt from

COCOM if they are of low grade. This is a complete contradiction and there is no doubt that this sale is in violation of COCOM.

The other article is of a vastly different nature. It is from the Washington Star and tells a very different story. It reports that the United States is rapidly and dangerously falling into second place in the important area of research and development. This is an urgent problem facing the United States, and should be faced. The relevance here is that the article points out that the Soviet SS–11 missiles would be a threat to our Minuteman missiles if only their accuracy could be improved. The key to guidance, remember, is the quality of the miniature precision ball bearings in them. Does this mean that the United States is becoming dependent on one Japanese company, and that that one company is at the same time, using American technology and American machines, giving the Russians the ability to destroy us? This has been pointed out to the Department of Defense, and Defense does not seem to be concerned. This reveals a disastrous overconfidence.

Another important aspect of this Star article is that U.S. research and development in the field of miniature precision ball bearings has always been done by private industry, financed out of their sales. As these two remaining American producers go under, the U.S. research and development in this critical field is disintegrating and will soon halt.

It seems that as a result of Office of Emergency Preparedness incompetence in this national security investigation, the United States will soon be reliant on Japan for all our miniature bearings and for research and development in this area.

Mr. Chairman, I have gone into some depth on this case because it demonstrates beyond doubt that even our national security is subordinated to free trade.

The news articles referred to follow:

[From the Japan Industrial News, Aug. 25, 1970, Tokyo]

STANKOIMPORT BUYS VAST BEARINGS

Nippon Miniature Bearings Co., Ltd., Miyoda-cho, Kitasakuma-gun, Nagano, a leading Japanese precision bearing company, recently concluded a contract with V/O Stankoimport, Moscow G–200, of the Soviet Union to supply 1,030,000 units of miniature bearings worth some Y150 million (about $416,666) for the first time for the miniature bearing industry here.

According to the company, the vast quantity of miniature bearings are expected to be used on precision measuring instruments for missiles and the like in the space industry in that country. Its outer diameter is 7 mm or less.

Shipment will be made first for 700,000 units worth some Y100 million (about $277,777) by the end of this year and the rest will be completed till around next summer at the latest.

The company said that a strong reason for success in the big deal was following three points that: 1) Being cheaper in price for phenomenal high-grade in accuracy was recognized by the Soviet side. 2) Such precision bearings below 7 mm in outer diameter were exempted from the better known as "Coordinating Committee for Export to Communist Area" (COCOM), and 3) Those products produced by the company are being used in aircraft parts of leading American aircraft makers including Boeing Company.

[From the Washington Sunday Star, Oct. 4, 1970]

POWER OF THE SOVIETS: LAND, SEA AND NUCLEAR

(By Orr Kelly)

In July 1962 the Soviet Navy conducted an ambitious naval exercise in the North Atlantic and Norwegian Sea. Participating were four surface warships, none of them carrying missiles, and about 20 diesel-powered attack submarines.

In April of this year, the Soviet Navy carried out another exercise. This time, there were some 200 vessels involved in global operations coordinated from Moscow.

In 1962, at the time of the Cuban missile crisis, the Soviet Union had only a tenth the number of intercontinental missiles possessed by the United States.

Today, it has surpassed the United States in both number of missile launchers and total megatonnage, and its force appears to be growing rapidly.

In both Czechoslovakia and the Middle East, Soviet military leaders have shown they have the airplanes and the organizational ability to move with great rapidity and without warning. This was true not only of the invasion of Czechoslovakia in 1968 but also of the movement of new types of missiles into the Middle East this spring.

What does it all mean.

Probably even the Kremlin is not sure.

The increasing number of Soviet ships indicates a clear intention to become the world's No. 1 sea power.

In strategic nuclar power, the increase in strength has been equally dramatic. But the purpose is not clear to Western analysts and probably is not clearly agreed upon in Moscow.

RESEARCH GROWING

In conventional land and air power, the apparent effort has been to increase quality of equipment and training—while sacrificing somewhat in numbers.

Although there is some disagreement in this country, the Soviet research and development effort in military equipment and space appears to be growing rapidly, and to many in Washington this is by far the most worrisome aspect of Soviet activity.

Russia's decision to build a "blue water navy" apparently was made as early as the mid-1950s and was reinforced by the successful use of American seapower in the Cuban missile crisis of 1942.

Last April, the global exercise, code-named Okean—the Russian word for ocean—clearly demonstrated that the Soviet navy is fast approaching the U.S. Navy.

Ships involved in the exercise included two new helicopter carriers, the Moskva and the Leningrad, impressive numbers of nuclear-powered submarines, guided missile cruisers of the Kresta and Kynda classes and a large number of modern escort vessels.

During the exercise, long-range bombers flew from the northern Soviet Union nonstop to Cuba. Shortly after the exercise ended, a Kresta class cruiser, a Kanin class destroyer and three submarines, one of them nuclear powered, cruised through the Caribbean and the Gulf of Mexico, within less than 50 miles of the American coast.

Portions of another small Soviet naval task force—the third in a year—have just completed another visit to Cuba and the Caribbean.

But nowhere has the increase in Soviet seapower been more dramatic than in the Mediterranean.

As recently as early 1967, the Soviet presence in what has, since the end of World War II, often seemed like an American lake, normally consisted of a handful of unimpressive vessels.

Since the Arab-Israeli war of June 1967, however, the Soviet fleet has frequently equaled and sometimes exceeded the size of the American Sixth Fleet. Last September there were some 70 Soviet ships in the Mediterranean.

The major difference between the two fleets—and it is a major difference—is that the Sixth Fleet has two carriers and the Soviet fleet has none.

To compensate for its lack of carrier-based air power, the Soviet navy has gone heavily for guided missiles to extend the firing range of its ships. This was a giant step toward catching up.

But a missile-equipped fleet will almost certainly lose in a fight with carrier-based air power. So, to be effective, the fleet equipped only with missiles must strike first, and with devastating force.

The lack of sea-based air power virtually compels the Russians to seek land air bases along the Mediterranean shore of North Africa and on out to the Atlantic. The military necessity to acquire these bases will almost certainly contribute to turmoil around the Mediterranean for years to come, officials here say.

In recent years, Russia has had more submarines than any other nation. But now recently, the subs were designed primarily for defensive purposes in the waters close to the Soviet homeland.

Now, they not only have vastly more submarines than any other nation, but have begun to deploy them far from home—operating for months, for example, in the South Atlantic.

What the world knows about Soviet nuclear power comes almost entirely from the American Defense Department. No other nation has the satellites and other devices for detecting missile tests and installations and for assessing what they mean.

There is every reason to believe that when the Pentagon releases information about Soviet missile tests or deployment it is sure of its facts and tells the truth. There is less certainty that the Pentagon tells all it knows, that it releases enough information to put the facts in perspective or that its interpretation of intelligence is always valid.

The facts made available by the Defense Department support the conclusion that the Soviet Union is pursuing a vigorous program of testing and installing both offensive and defensive missiles.

FOCUS ON SS9

The attention of Pentagon experts has focused for the last five years on the big SS9 missile, which the Russians have been installing at an average rate of about 50 a year and which they are apparently still continuing to install, with the total now approaching 300.

The SS9 was first thought to be a "city killer" because it was capable of carrying a 25 megaton warhead—big enough to destroy a city but too big and expensive for any other purpose.

But the United States doesn't have anything like 300 cities big enough to require such a massive weapon for their destruction.

Why, then, are the Russians willing to pay $30 million each to continue deploying such huge missiles?

One reason may be that they had an SS9 production line and found this the quickest way to catch up with the United States in numbers of missiles.

But another more ominous purpose suggested itself to American experts. If the SS9 were fitted with three five-megaton warheads—a technique the Soviets have been testing for more than two years—then the SS9 might be used in a surprise attack on the American Minuteman missile force. In this sense, it would be a first-strike weapon.

Further confusing the situation, the Russians have recently conducted tests which appear to have perfected a new warhead system for the SS11 missile. Smaller than the SS9, it is a liquid-fueled missile about the same size as the solid-fueled American Minuteman and probably is designed to carry a warhead of about one megaton.

The Russians have about 800 of the smaller missiles, most of them SS11, but also including an increasing number of the solid-fueled SS13, and they might have more than 1,000 within the next two years, according to Defense Secretary Melvin R. Laird.

American officials are now convinced, from what they have seen of Soviet SS–11 tests conducted this summer, that two new warheads have been developed for the missile. One is a single warhead with penetration aids designed to help get through defensive radar. The other is a triple warhead like that on the SS-9, but smaller.

These smaller missiles are relatively inaccurate and are thus not a strong threat to the Minuteman force. But if their accuracy were increased—which is technically feasible—they would be.

If the Soviets continue to build SS9s and equip them with multiple warheads, or if they improve the accuracy of their SS11s, then their missile force could become a serious threat to the American Minuteman deterrent force.

The most convincing indication that these missiles will not become a major threat to Minuteman (aside from the hopes for an agreement in the strategic arms limitation talks) is the expense involved in going back and fitting the existing 225 SS9s with triple warheads and in providing hundreds of SS11s with new guidance systems.

At the same time Russia is expanding its land-based missile force, it is building a missile submarine force patterned very closely after the American Polaris fleet.

The Polaris fleet is considered very much a second strike force—designed to survive any kind of surprise attack and then to strike back with devastating force. But Pentagon experts worry that a Soviet submarine force could also be used as part of a surprise attack by destroying American bombers before they could take off.

Even in the most successful surprise attack, at least some American missiles—especially those on station under the seas—would be expected to survive.

Whether or not the attack was a success would then hinge on how many of the remaining missiles could be intercepted by the Soviet antiballistic missile defense system.

Now installed around Moscow are 64 launchers for the Galosh ABM missile. It is a big missile, like the American Spartan, and is designed to intercept incoming warheads in space, far from the target—thus providing an area defense for the Soviet capital and much of its industrial heartland.

Unlike the American Safeguard system, the Galosh launchers are designed to be reloaded and to fire more than once. American officials have not revealed how many warheads they might attempt to intercept, but the reloading capability indicates it would be at least 128.

The missiles in the Galosh system would be guided by a large phased array radar the Pentagon has nicknamed the Doghouse.

In addition, the Russians have deployed six even larger radar sets facing toward the United States, China and the seas where Polaris submarines are deployed. These radars, given the nickname of Henhouse, would provide early warning of incoming missiles.

The fear of Dr. John S. Foster, Jr., director of defense research and engineering, and other Defense officials is that the numerous SA–5 anti-aircraft missiles already deployed, or some newer form of missile, might be qiuckly hooked up to the Henhouse radar systems to create a vastly expanded ABM capable of destroying hundreds of surviving American missiles after a surprise attack.

Few American experts seriously believe that the Soviets have set themselves a date and are working toward an actual surprise attack on this country. Much more likely is that they hope to use their large nuclear force for political advantage.

By far the most impressive demonstration of Soviet military doctrine—and the ability to carry it out—was the lightning thrust into Czechoslovakia in the summer of 1968. While some western analysts now believe the invasion demonstrated some serious deficiencies in the Soviet forces—deficiencies that would have become apparent if there had been any serious resistance—the possibility that the same kind of thrust could be directed against West Germany, Romania or Yugoslavia worries western military leaders.

The Soviet army now totals about 2 million men, organized in about 148 divisions. In contrast to an American division of about 15,000 men, the Russians have 10,500 men in a mechanized infantry division, 8,500 men in a tank division and 7,000 men in an airborne division.

While there have apparently been some shifts of strength toward the Chinese border, Soviet military strength still leans heavily toward the west.

The size of both the army and the tank force has declined somewhat in recent years, probably as a result of both budget pressures and a desire to emphasize quality. Since 1960 the army strength has declined from 2.25 million men to 2 million, and the number of tanks has dropped from 35,000 to 32,150.

There is no reason to believe that the Russians are planning a surprise attack on Western Europe. But western military planners are increasingly concerned about the political leverage the large Warsaw Pact forces provide in an age of nuclear parity.

The Soviet fighter airplane force now numbers about 3,400 representing a decline in numbers but an improvement in quality. Most of the planes have relatively short range which means they are useful in a defensive role or for close air support of ground troops.

By the best American estimates, the Soviet Union is spending in the neighborhood of $60 billion a year on military and space projects. This is roughly the same as the United States is spending, without including the costs of the war in Vietnam. Since the Soviet gross national product is about half that of the U.S., military expenditures amount to about 15 percent of the GNP, compared with about 7 percent in the United States.

A significant difference between the expenditures in the two nations, however, is that the Russians pay their soldiers less. So, while a third of the U.S. budget goes to the troops, only a sixth of the Soviet budget is used for personnel costs. This means more money is available for research, engineering development and production of new equipment.

Foster, the Pentagon research chief, has estimated that the Russians are now spending 25 percent more than the Defense Department, the space agency and the Atomic Energy Commission on research, and that their effort is growing by 10 to 13 percent a year while the American effort has been shrinking each year. Foster and many other American experts, both in and out of the Defense Department, agree that this is the one area in which Soviet leadership can be clearly decisive. Foster has gone so far as to say that the United States "can't survive" unless its research and development effort is superior to that of the Russians.

This picture of Soviet strength—growing nuclear and seapower, a stable but increasingly important conventional fround force, and a vigorous research and development effort—serves as the backdrop for the current debate in Congress over the 1971 defense budget and the less visible debate within the administration over the 1972 budget and the five-year defense plan that will determine the shape of this nation's defenses into the mid-1970s.

Mr. LANDRUM. I yield the gentleman from South Carolina (Mr. MANN) such time as he may consume.

Mr. MANN. Mr. Chairman, I share the conviction of a substantial majority of the members of the Ways and Means Committee that the passage of this legislation is vital to the national interest. I have had occasion to observe first-hand the devastating effect of rising imports of textile goods and apparel, in particular, because my district probably has the distinction of producing more textile products than any other district in the United States. I will, therefore, address myself primarily to the problem of textile imports, which are now seriously endangering the livelihood and the economy of the people of my district and my State.

There are several positive factors we should consider when we speak of the textile-apparel complex as it exists in the United States today.

First, our domestic textile and apparel industry is the largest single provider of manufacturing jobs in the United States. In 1969, the industry employed almost 2½ million workers while providing one out of eight manufacturing jobs in the country. The industry utilizes a large number of semiskilled people in their first industrial jobs and employs a disproportionately high number of females and a disproportionately high number of disadvantaged members of minority groups. The social and economic implications of this in the national interest are self-evident.

Second, American manufacturing facilities are the most modern in the world and our productivity is higher by a substantial margin than that of any other industrial country in the world. In addition to clean, modern physical facilities, American textile workers earn wages that are unheard of by their foreign counterparts.

Finally, the American textile and apparel market is the largest, richest, and most sought after in the world—exceeding that of the European Common Market or that of Japan.

Given the factors I have mentioned, it might appear, at least superficially, that our domestic textile industry is vibrant and capable of healthy international competition. However, this is simply not the case. Profits in the textile and apparel industry, expressed as a percentage of equity, were only 7.3 percent in 1969, substantially lower than the ratio of 11.7 percent achieved by all manufacturing. Capital investments in the industry have decreased since reaching record levels 4 years ago. Perhaps most tragic of all, the unemployment rate within the industry has been increasing, closely paralleling the dramatic increases in foreign imports.

Earlier I mentioned that the American textile worker earns a higher wage than his foreign counterpart. The disparity in wages is especially pronounced when comparing the United States with oriental nations. Our textile wages are at least six times as great as those of Japan and almost 20 times those of Korea.

The wage disparity is only a partial answer as to why foreign textile manufacturers are able to compete so successfully for a large share of the American market. A more complex answer lies in the very nature of the American market. While other countries give lip service to further expansion of trade, the fact is that our U.S. market is the most open market in the world. In fact, as far as wool, manmade textiles, and apparel are concerned, it is the only open market in the industrialized world. The European Economic Community, Japan, and a host of other countries have designed arrangements which limit the access to their home markets of textile products from abroad. One obvious and direct result of this has been that the United States market has had to take a disproportionate share of the exports from the low-wage producing countries, with devastating effects on many segments of the domestic industry.

In the field of wool textiles, for example, we have seen the ratio of imports to domestic consumption climb from 13 percent to 27 percent in the last decade, and in specific areas of concentration it has been much worse than this. Worsted fabric, which is a very important item as far as defense procurement is concerned, has been penetrated to a point where imports of wool worsted fabrics today represent 50 percent of domestic production. In the face of ever-increasing foreign imports, a number of textile officials have expressed doubt that the industry could provide adequate goods for defense procurement in the event of an all-out emergency. It is my judgment that, without the enactment of H.R. 18970, our domestic capacity will be reduced to a point where future defense planning will have to contemplate oversea procurement with all the hazards which are involved.

Another real possibility faced by our textile industry if legislative quotas are not forthcoming is the movement of operations overseas. A number of textile manufacturers, both large and small, have made definitive statements to that effect while others admit that they will consider moving if relief is not provided.

I reject the notion that the Trade Act of 1970 will jeopardize our negotiations for voluntary cutbacks on imports with the Japanese. In fact, I believe the passage of this legislation will serve to strengthen our bargaining position in that the Japanese must finally accept the fact that we will not tolerate further disruption of one of America's most vital industries. Moreover, I seriously doubt that the Japanese would wish to retaliate economically against their best customer, the United States, on whom they are heavily dependent for their exports.

I join many of my colleagues in support of free trade between nations, but I also realize that free trade must be a two-way street if it is ever to enjoy real meaning in the world. If the scales continue to be weighted in one direction only, we may witness the destruction of millions of jobs and catastrophic repercussions which would be tragic from the standpoint of both our economy and our national security.

I have noted with interest certain allegations to the effect that the passage of this legislation will cost American consumers millions of dollars. I suggest that the loss of jobs that is even now occurring throughout the United States because of the rising imports will cost the American consumer, who is also the American taxpayer, a vastly greater amount of money through loss of earnings, unemployment compensation, welfare benefits, and many other monetary consequences of a crippled economy. It is, therefore, without reservation and without hesitation that I have concluded that the passage of this legislation is in the national interest. I implore my colleagues to join me in support of H.R. 18970.

Mr. LANDRUM. Mr. Chairman, I yield to the gentleman from South Carolina (Mr. TAYLOR) such time as he may consume.

Mr. TAYLOR. Mr. Chairman, I will direct my remarks to the textile provisions of the legislation before us. For the past 22 months we in the Congress have waited patiently while the administration attempted to negotiate agreements controlling imports of textile articles into the United States. Those of us who have a major textile and apparel payroll in our districts have long felt the need for decisive action to bring textile imports under some kind of reasonable control. We have held back moving on legislation in the hope that voluntary agreements could be negotiated. Attempts to negotiate agreements have met with failure, and I believe that action by Congress is now necessary. Such action might strengthen the administration's hand and bring about workable textile trade agreements.

We cannot afford to wait longer while the exporting nations use every device possible to stall for time and build up a bigger and bigger base of operations in this country at the expense of our own textile workers.

In this morning's Washington Post Mr. Stanley Nehmer, Deputy Assistant Commerce Secretary for Resources, sounded a warning, stating that American workers could lose as much as $3 billion a year in wages by 1975 unless Congress acts to stop a flood of cheap textile imports into the United States.

Textile imports have doubled during the last 5 years and have already cost $300,000 American jobs. The impact of this decline is felt particularly in my home State of North Carolina, where one out of every two manufacturing jobs is in textiles. Seventeen textile mills in North Carolina have closed since January 1, 1969.

The textile workers deem it most unfair to suffer from shorter hours and from unemployment, while foreign low-wage competitors are supplying more and more of the American market.

We see example after example of how Japan and the other low-wage countries are expanding their production facilities and increasing shipments, while American mills are cutting back. There can be little enthusiasm to invest in research and new facilities when low-wage imports are permitted to take an increasing share of the American textile market.

Mr. Chairman, we have been most patient and tolerant with the exporting nations, but we must now give consideration to safeguarding the future of our own major job-producing industries.

The legislation before the House will accomplish that in a fair and reasonable way. It will permit foreign nations to sell a reasonable number of their textile products in this country, but it will also prevent them from completely disrupting our market and employment, as they have done.

Mr. LANDRUM. Mr. Chairman, I yield 5 minutes to the gentleman from Florida (Mr. GIBBONS).

Mr. GIBBONS. Mr. Chairman, I will try to be brief and not to ask for any more time. The House has been very generous with me yesterday in granting me plenty of time, and the members of my committee, and specifically the chairman, have been more than generous in listening to my complaints for many months. Also, since there are not too many members here today that I think I am going to sway, I am not going to be repetitious and deliver the whole load of material I have.

Let me say in brief I am opposed to the bill in its present form, and I do state my opposition to it even though I recognize there are some constructive things in here to improve our trade relationships. I think the 1962 act was drawn too strictly, and the enforcement of it and the carrying out of it has not been adequate. I do think our Government has had a sort of lackadaisical attitude, and not only the Republicans were in the White House, but also the Democrats, about enforcing the provisions of some of the trade laws we have, but I think in our haste to reconcile this and to try to get some of the things right that we need to get right, we have gone overboard.

The first provision I am opposed to is the provision about oil, which unnecessarily ties the hands of the President in adjusting the oil import quota problem. The President conscientiously sought the advice of his Cabinet and other people in his administration, and it is his best judgment, I believe, that he should maintain the flexibility that the present law grants him in setting the oil import quotas, and determining whether he should shift to some other type of control. So I oppose this bill because of that.

I think it unjustly will help enrich some of the oil companies. I have compiled some figures which I will put in the RECORD when I get back from Florida next week. These figures show that last year through the graciousness of Congress we gave to 16 oil companies about $1,250,000,000 worth of oil tickets. Who got those? These tickets went to such companies as Standard Oil of New Jersey, Texaco, Commonwealth, Gulf, Standard Oil of California, Phillips, and others.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. GIBBONS. I yield to the gentleman from Illinois.

Mr. YATES. Mr. Chairman, were these not the same companies that have recently raised the price of gasoline?

Mr. GIBBONS. Oh, yes. But the gen-

tleman knows they are not going to pay any taxes anyway. We gave them last year about $1,200,000,000 worth of oil tickets, and I guess they paid some dividends to the stockholders, but the oil companies who got the free oil tickets—an undeserved subsidy worth more than a billion dollars—did not pay their fair share of income taxes to the U.S. Government.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. GIBBONS. I yield to the gentleman from Illinois.

Mr. FINDLEY. Mr. Chairman, I think the gentleman probably feels we reached the high point yesterday in our efforts to defeat this legislation, but I want to compliment the gentleman from Florida for making this effort. The strength of the opposition to this bill surprised me, and I think it surprised the gentleman. Perhaps it reached the point where it will encourage the President to veto the trade bill, if and when this Congress shows the poor judgment of enacting such.

Mr. GIBBONS. Mr. Chairman, I thank the gentleman for his gracious remarks. I hope the President will veto this bill, and I shall certainly support his veto.

That is enough on oil. I will put the tables in the RECORD next week. They will show what the Library of Congress was able to dig up on whc got the oil quota tickets and what they amounted to. I will let the facts speak for what they are.

The second reason I am opposed to this bill is the quota provisions, which I think are a sorry way of handling our economic problems.

I know there are some problems in the textile industry. I know there are some problems in the shoe industry. I know if I represented an area such as South Carolina or Georgia or Alabama, or even the New England States, perhaps I would have a different attitude toward these industries. But I have tried to look at it from the rather detached point of view I can take down in Florida, where I have just a little garment industry.

I look at it on this basis: Here are over 25,000 production units, which is one of the largest in the United States, one of the most diversified, which is following the same pattern almost every industry is following. It is consolidating. It is closing down the small, inefficient plants. It is closing the obsolete plants. It is moving to where the labor cost is cheaper. It is moving out of New England, where we find old three- and four-story buildings, down to the one-story-type buildings in the South. It is moving where the labor laws are less restrictive than they are in New England. It is taking advantage of section 14(b) of the Taft-Hartley Act, such as we have in our State.

The CHAIRMAN. The time of the gentleman from Florida has expired.

Mr. GIBBONS. Will the gentleman yield me an additional 5 minutes?

Mr. LANDRUM. Mr. Chairman, I yield 5 additional minutes to the gentleman from Florida.

Mr. GIBBONS. Mr. Chairman, I look at this textile industry from the detached point of view I can have politically on this problem. Here is what I find. I find that the textile industry is not one of the burdened industries in the United States. In fact, when compared with all other industries in the United States, it is in pretty good shape. Its unemployment rate right now, its unemployment rate today, is half of the unemployment rate of other American manufacturing. I have the figures on that, and I will put them in the RECORD a little later on.

If we look at the number of jobs that came into that industry from 1961 to 1969, or about those years—I am sure 1969 is the last year—we find that the employment in the textile and garment industry did not decrease, as we have often been told here, but actually increased about 300,000 new jobs, while the industry was consolidating and automating.

We find that while some businesses went broke, if we look at the textile and garment industry of the United States, the profits increased from about $300 million in 1961 after taxes to about $800 million in 1969 after taxes. These are the cold facts and figures. You will find them in detail starting on page 4640 of the hearings.

We will find, yes, that in some areas there has been too much of one type product imported and too little of another, but we will find, all told, that the ratio of imports to domestic consumption has increased only 2 percent in the last 10 years. It was 6½ percent in 1961 and it is only about 8½ percent right now, on all textiles and all garments. That is on volume. If we measured it on dollars, the import penetration to domestic consumption is only about 4 percent.

So I do not think that the textile industry has made the case it must make to get the drastic kind of protection it is going to get under this legislation.

I will not belabor the shoe industry. They have a much better case, in my opinion, than does the textile industry for protection, but even the President and his own Cabinet have turned down the shoe industry for protection.

I am not going to belabor the basket of the gentleman from Wisconsin (Mr. BYRNES). I know he worked hard on it. I do not like the quota provisions of it, although I recognize it has its merits.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. GIBBONS. I yield to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. I asked the gentleman to yield because I get disturbed when I hear talk about "quotas" in connection with this provision. There is nothing in it that says anything about quotas. It refers to duties or other import restrictions which the Tariff Commission may recommend, which is the same basic recommendation as is in all affirmative escape clause findings. I get a little sensitive about this, because it is completely misleading.

Mr. GIBBONS. I am sorry I made the gentleman sensitive. I did not want to mislead.

I believe we realize, though, that quotas can be imposed under this provision. They do not have to be. They are optional. But with the type of action we are setting forth here today for textiles and shoes I believe it is reasonable to interpret that quotas will probably be the type of remedy that comes about.

Let us look at the Domestic International Sales Corp.

I do not know how much money it is going to cost the Federal Government and our taxpayers. The administration says it will cost at least $600 million. Our staff—and I have respect for them—say it will possibly cost $1 billion. It is spoken of as not being a tax loophole; it is spoken of as not being a tax forgiveness; it is said to be merely a tax deferral.

If you look at my views, which were placed in the committee report, you will see that I believe that this is actual tax forgiveness here when you talk about the domestic minerals that are exported to foreign markets and when you realize the domestic minerals that are being exported now are primarily owned by the oil companies who have large unused tax credits overseas. This will give these companies an opportunity to use up those unused tax credits that they have overseas, and it will mean a bonanza to them again. Maybe someday we will be able to cure that.

For all of these reasons I am opposed to the bill. I have made my views thoroughly known as I have gone along. I want to say again to my colleagues on the Committee on Ways and Means that I appreciate your listening to me. I am just afraid that on balance we made a mistake and I am afraid the mistake is going to go a long way. I think that I see in this bill the same kind of economic nationalism that infected this country in the 1920's. It led to our depression and to our horrible world situation in the late 1920's and 1930's, and it led to economic nationalism. It led to militaristic nationalism and finally culminated in a war which cost millions of lives and us hundreds of thousands of lives in this country alone.

It is sort of remarkable to hear a nation as great as ours, the greatest trading nation in the world, which is selling today better than $43 billion worth of products to foreign countries and which has a favorable balance of better than $3 billion today, a nation that is the leader in the world, is setting the wrong type of leadership example.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. LANDRUM. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. GIBBONS. Yes. Other countries have done things that are wrong, but because they do whong is no reason why we should do wrong, also. We must not only be the military leaders of the world and the economic leaders but we have to provide the moral leadership to do the right thing in the world. We are not going to do that right thing when we cut ourselves off and try to live in economic nationalism. That is what this bill does.

It is rather a travesty, I find, in the 25 years since World War II that we have used up 100,000 young American lives trying to put forth the idea that we ought to live in freedom and in a

free society and still we are not willing to risk the first potential dollar of profit or the first potential American job to push that idea forward. That is where we stand today. That is the decision we are making.

Mr. Chairman, I yield back the balance of my time.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from New Hampshire (Mr. WYMAN).

Mr. WYMAN. Mr. Chairman, I am troubled that there should be so much public misunderstanding and misrepresentation concerning what the bill now before us is all about. I listened to the remarks of the gentleman about economic nationalism, and I am troubled, because all this bill provides is a leverage to the President of the United States to induce importing nations importing into this country to execute some voluntary agreement with us that are going to provide a base against which American industry can plan in the future.

It is very clear in this bill that the agreements they reach do not have to be within the ceilings that the bill provides. If the agreements are not forthcoming within a reasonable time, the imports from those countries into the United States in certain categories are limited to the high average for the period from 1967 to 1969.

The nuts and bolts of the hard economic truth is that lacking such leverage negotiated agreements limiting foreign imports are unlikely.

Now, this is not unreasonable protectionism. It is not a tariff. It does not invite or trigger retaliation—whatever that may mean.

All it does is guarantee a fair share of the American market to certain critically concerned American industries that face bankruptcy from ever-increasing unrestricted imports into the U.S. market of products manufactured abroad.

Mr. Chairman, we must face another inescapable economic truth, which is, that if unrestricted free trade is to be our policy, products sold in the American marketplace of comparable quality, whose cost to the customer reflects a substantial labor factor, are bound to involve disastrously unfair competition from abroad. The American hourly rates of pay and fringe benefits so enormously exceed the rates of pay abroad that the foreign products are available at a much lower price to the American consumer. Money is not patriotic. Consumers everywhere are going to buy the best product that is available to them in the market at the cheapest price. Try it on for size. The shoe fits.

This is bound to mean bankruptcy for industry after industry in America unless a limitation is placed upon the amounts of goods from foreign sources that can be imported into this country. No amount of improved machinery or technological progress can overcome the huge labor cost disparity, particularly in shoes and textiles.

For years and years we have been considered saps by our foreign friends for not having done this. If this Congress is to be representative of the people it must make its choice here today between abandoning hundreds of thousands of U.S. jobs to foreign workers abroad or taking steps to provide a guaranteed share of the American market to American industry by providing a projectable and ascertainable ceiling to the competition the shoe and textile industry will face from abroad in future years.

Frankly, Mr. Chairman, if we do not do something about this situation in this Congress two things are bound to happen to this country. First, the U.S. unemployment rate may go to 20 percent because the jobs of millions of Americans will be lost to other parts of the world where people are willing to work for only a fraction of the pay required to make both ends meet in this country. This is going to mean a monstrous increase in the unemployment compensation and welfare rolls. It is bound to mean that the American consumer about whom we hear so much in this debate is going to wish he had agreed to a responsible quota limitation on foreign competition from abroad, because what he eventually will have to pay in taxes to keep an American system of so-called free enterprise from going under, will far exceed anything he may have to pay in the way of not being able to buy a $15 pair of shoes at $9.95 in some bargain counter basement.

When the AFL–CIO's COPE rates its next batch of incumbents I suggest it include the votes on this bill today, because a vote against this bill today is a vote against the American working man and woman. The people when they choose their representatives in Congress next time should have this counted in their ultimate evaluation of who is for or against the American working man or woman.

Certain models of the Toyota automobile made in Japan sell for approximately the same or lower price in America as certain models of the Mustang made by Ford. Yet, the Mustang in Japan costs more than three times what it costs in the United States and the Toyota in the United States costs less than comparable American-manufactured products, largely because of the labor factor plus restrictions on American imports by foreign law. Foreign nations provide restrictions on our products yet we leave our markets wide open to their cheaper priced products. This does not make sense.

The President of the United States under this bill can suspend any of its provisions, including oil quotas. He is given the discretion to apply it, to not apply it, or to obviate it by executing trade agreements with foreign importing nations. He will be in a position to tell these nations: "Look, the Congress has acted by law. If we do not negotiate an agreement you will not be able to import more than a designated ceiling into the U.S. markets but if we execute an agreement we can negotiate a higher ceiling, higher even than that provided for the Congress in this legislation, so let us start negotiating in earnest and reach an agreement before this law takes effect."

Mr. Chairman, any American President faced with the hard pressures of economic competition for profit needs to have the leverage this bill provides. It is wholly desirable, long overdue, urgently necessary protection for a huge segment of American industry whose economic position is precarious and which if left unprotected will insure virtual economic chaos at home.

I urge the speedy passage of this legislation as a matter of vital importance.

Mr. LANDRUM. Mr. Chairman, I yield 4 minutes to the gentleman from Hawaii (Mr. MATSUNAGA).

Mr. MATSUNAGA. Mr. Chairman, the proposed Trade Act of 1970 may well be dubbed the biggest folly in American trade policy in 35 years. More than 4,000 professional economists have issued their warning against its dangerous consequences. Experts in foreign policy have pointed to its disastrous potential. The American farmer, who constitutes the backbone of this greatest nation on earth, has asked that we not pass it. The National Chamber of Commerce and its chapters throughout the country have voiced their opposition to it. Leading journalists and respectable newspapers from all sections of the Union have editorialized in opposition to the trade bill. Our own Secretary of State has stated that the measure will start a trade war with some of our most important allies.

Why then are we here about to approve a piece of legislation which portends so much danger to our national future?

According to one observer, it is because all these warnings are drowned out by the clamorous voices of the Pennsylvania mushroom growers, the Hawaii passion fruit producers, the Massachusetts shoe manufacturers, and other businessmen who want protection from low-priced imports. By listening to these voices and turning a deaf ear to those who warn us of the consequences which will likely befall upon us as a nation, are we not placing purely local interests above national interests?

These are times when we must cease to be locally oriented politicians and become nationally minded statesmen. This is the bill on which we must rightfully make that decision.

For some of us that decision would not be at all difficult to make, for national interest will coincide with local interest. For a few of us the decision may even tend to determine our future political life. But for most of us, if we pause to analyze critically what confronts us today, the decision should not be too difficult to make.

There are readily acceptable reasons why we should vote against the trade bill which is before us. In the first place, it is generally agreed that enactment of this bill might well trigger a regressive world trade war. Second, and perhaps more importantly, enactment of the trade bill will most certainly mean higher prices for American consumers who are least able to afford them. H.R. 18970 would penalize the American consumer to such an extent that all other consumer protection legislation would be made meaningless.

Proponents of the legislation say that it would provide the President with authority to waive the imposition of quotas

on nondisruptive imports, even in the absence of negotiated agreements, and furthermore that the President could waive import quotas when he finds it to be in the national interest to do so. In this regard, we should look with scrutiny at the past performance of the Executive in the case of the State of Hawaii, particularly with respect to its experience under the oil import control program.

For years the people of Hawaii have paid for their fuel, notably gasoline, at a price as if it were landed from the Middle East or the Far East first in California and then reshipped to Hawaii, when in fact such fuel has been shipped directly to Hawaii. This business practice, which has cost Hawaii consumers hundreds of thousands of dollars, has been perpetuated by our oil import quota program. While the civilians of Hawaii have been frustrated in their quest for solutions to the ever growing difficulties in procuring economical energy, the large military installations in the State have been receiving all the fuel they need directly from Indonesia or the Middle East without being burdened by the political friction of the oil import quota program. To add insult to injury for the citizens of Hawaii, the Trade Act of 1970 proposes to enshrine into congressional legislation the oil import quota program. From all the current indications, after 10 years of an expensive exercise of controlling the petroleum market of the United States and causing its domestic prices to rise to twice those in the world, the program has failed in its proclaimed goal: Adequate domestic supplies at a fair price. The present scarcity of energy in general and of some petroleum products in particular proves very convincingly that trade protectionism benefits a handful of corporate giants at the expense of the millions who make up the American consuming public.

Mr. Chairman, passage of the proposed Trade Act of 1970 would mean a reversal of a proven and longstanding U.S. trade policy. At a time in our international relations when there is greater need than ever before for a demonstration of sincere friendliness and goodwill, we would be inviting trade disharmony and retaliation. If what is predicted does come to pass, we will not be able to say we were not forewarned. Let us not make the mistake which we can yet avoid. Let us hold foremost in our mind the national interest and vote down this danger-laden trade bill.

Mr. LANDRUM. Mr. Chairman, I yield 5 minutes to the gentleman from Maryland (Mr. LONG).

Mr. LONG of Maryland. Mr. Chairman, as a former professional economist, I have heard many times that if all the economists in the world were stretched end to end they could not reach a conclusion.

The gentleman from Hawaii (Mr. MATSUNAGA) has already pointed out that there are 4,000 economists in the United States who have reached a conclusion—unanimously, conclusive—against this legislation.

First, let me support the gentleman from Arkansas (Mr. MILLS), the chairman of the Committee on Ways and Means in his statement that this bill has some good features. I will not elaborate on them because they have been adequately explained.

But these good features could have been gotten without the import quota restrictions which relate to textiles, footwear, oil, mink skins, glycine, and without opening the door, potentially, to import quotas on hundreds of other products. I have been told that 500 quota bills are waiting in the wings.

The committee claims that the textile and footwear restrictions would be temporary, but temporary quotas, like temporary Government buildings, tend to become permanent.

The import quotas under the Trade Act of 1970 are not needed. The U.S. trade surplus was down several years ago because of the Vietnam war and inflation. But it has made an excellent recovery on its own—from $0.8 billion in 1968 to $3 billion or better in 1970. U.S. exports to all countries increased more than 100 percent during 1960–70. They rose 15 percent during the last year and a half. And to Japan, the terror of the domestic industry of the United States—our exports nevertheless rose 46 percent. Against this our imports have only gone up about 9 percent. Textile and apparel imports from all nations are only 4 percent of the U.S. domestic consumption. Japanese imports of textiles and apparel are only 1 percent. Employment in both textiles and apparel is higher in 1969 and 1970 than 10 years earlier. Textile profits in 1969 were double what they were in 1960; apparel profits in 1969 were over three times what they were 10 years earlier. The sales of the domestic textiles and apparel have risen steadily—from $28 billion in 1961 to $45 billion in 1969. Where in these figures can be found a foundering industry?

In the case of footwear, also subject to import quotas under this bill, the President's Task Force on Footwear failed to find any case for overall import injury. It opposed the import restraints as not being the answer and pointed out that many producers were able to meet import competition. I can point in this connection to the Bata Shoe Co., in my own district, which is expanding its production so rapidly that it cannot find the workers to meet its production needs. Some firms cannot even meet domestic competition but this is due to their own problems of technology, organization, marketing, style development and changes in the wage structure of different parts of the United States.

The cure offered by this bill is no cure. Even if it were a cure, the cure would be worse than the disease. For the trade import restrictions in this bill would have serious economic consequences. One of these would be inflation. Steel prices were fairly stable before the voluntary quotas were instituted in January 1969. These were only voluntary quotas, but in the next year and a half, steel prices rose by 19½ percent in the United States, compared to the general wholesale price increase of 8 percent.

Another consequence of this bill will be the injury to underdeveloped countries from which nearly half of the apparel is imported. Compared with only one-quarter from the Japanese. These countries, if they cannot sell their goods to the United States, are going to want more foreign aid. If they do not get it, there is going to be the threat of a further drive toward communism resulting from unemployment in Latin America and other underdeveloped countries.

But perhaps the most serious economic consequence of this import quota legislation is retaliation. A number of countries have promised retaliation, including the Common Market countries, Britain, Japan, and Canada. Most of these countries can move a lot faster than the U.S. Congress. And it is quite likely that we will get the retaliation before these import quotas are even put into effect.

But even without political retaliation, there would be economic repercussions. When we buy less from the foreigner, he buys fewer of our goods, simply because he has fewer dollars to spend in the United States. When U.S. imports fell from $4.4 to $1.4 billion in the great decline of 1929–33, following the Smoot-Hawley Tariff, the exports fell concomitantly from $5.2 to $1.6 billion. Exports, in other words, fell the same amount as imports—they fell two-thirds of the entire volume. The great tragedy of that time was that we started out with an exports surplus of nearly a billion dollars—but we were not satisfied with that, so we set up a mile-high tariff system, and we ended up with practically no imports or exports.

America has far more to lose than to gain from this legislation. Our exports of goods and services are the world's largest. Our export industry by and large paid the largest wages and profits in the United States. They are and ought to be expanding industries.

My own State of Maryland has far more to lose than to gain from this bill. Maryland employs 155,000 persons directly and indirectly from the Port of Baltimore—selling over $1⅔ billion a year and paying $17 million in State and local taxes, and this does not count, of course, the domestic industries that are selling through the Port of Baltimore.

The port is fourth in the United States in tonnage and cargo, with 5,000 sailings in and out per year and trade with 291 foreign ports. Firms in Baltimore serving the port include: 13 shippers, five banks with foreign department, 12 firms doing cargo weighing and inspecting, five export managers, 18 construction brokers, four export packers and craters, 30 foreign freight forwarders, 16 warehouse operators, 13 stevedoring firms, 13 public marine terminals, 36 steamship agents and operators.

This is the tremendous stake which Maryland has in the handling of both imports and exports, and all this could be jeopardized in order to try to cut down a small amount of imports from countries which cannot even be proved to threaten our domestic industry.

You have all heard of Aesop's fable of the dog who had in his mouth a big juicy bone. As he peered over the bridge into the water at what looked like an even more attractive bone reflected in the water, we all know that Aesop's dog

dropped the bone he had in his mouth to dive in to get the better bone he thought he saw.

We are getting ready to do what the dog did in Aesop's fable. The export bone we already have is the biggest and juiciest in the world. It is growing nearly every year. The bone we are going after in this bill is just as illusory as the bone which Aesop's dog saw reflected in the water.

Now we are told, "Don't be alarmed." This bill will not have a very destructive effect because it will not really cut off trade very much. Well, suppose the man next door invites your wife out for a cocktail. If you have any sense, you do not wait to become alarmed until they both leave town together. You anticipate the possibilities and head them off before the situation gets out of hand. This Trade Act of 1970 has tremendous possibilities for mischief, and we ought to head them off by defeating it here today.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from North Carolina (Mr. JONAS).

The CHAIRMAN. The gentleman from North Carolina is recognized.

Mr. JONAS. Mr. Chairman, I am not going to take the 5 minutes. I think I can gage the mood of the membership on the floor. We are ready to vote on this bill. It has been soundly debated at length today, yesterday, and, indeed, over the last year or two we have had frequent discussions about this bill and this problem right here in this Chamber. I, myself, have frequently made speeches in the well of the House on the general subject of the disruption of our markets by unlimited imports. Most of the arguments that can be advanced in favor of and against this bill have already been made, and whatever is said hereafter is bound to be repetitious. I do not intend to tax the patience of the membership by engaging in repetitious discussion.

I have asked for the time in order to get permission to extend my remarks, because I wish to discuss for the record and to have appear in the RECORD what I consider to be an answer to the argument that this bill will cost the consumers of our country billions of dollars.

Yesterday I put into the RECORD a speech by Deputy Assistant Secretary of Commerce Stanley Nehmer here in Washington, in which he completely, to my way of thinking, demolished the argument advanced recently by a member of the Board of Governors of the Federal Reserve Bank. He characterized the arguments of the governor as being fiction instead of fact, and those who are concerned with this consumer argument I hope will take the opportunity of reading the speech that I put into the RECORD yesterday made by Mr. Nehmer on this very subject.

I also wish to include as a part of my remarks today, and I obtained permission to do so before the House resolved itself into the Committee of the Whole this afternoon, another speech delivered by Mr. Stanley Nehmer before the Charlotte, N.C., Textile Club on November 9, 1970, in which he stated the case for the textile industry in a manner that cannot be disputed and in compelling arguments. Again he dealt in facts and not in fiction. I would invite those who are interested in this subject to read the remarks that Mr. Nehmer made in Charlotte only a few days ago:

TEXTILES TODAY: A STATUS REPORT

I want to thank Representative Jonas for inviting me here today. It is an honor to speak from this rostrum at which so many distinguished speakers have preceded me. And, since one of my main responsibilities at the U.S. Department of Commerce is the import problem faced by the U.S. textile and apparel industry, it is particularly gratifying to be with you here in the heartland of the industry.

I.

Perhaps it would be well to note that while this is the heartland of the textile industry, it is not the whole body. Indeed, a key factor in the importance of the textile and apparel industry to our nation and a key element in the intensive consideration that has been given to the textile import problem is the fact that this industry is located throughout the United States. Of course, there are heavier concentrations in some areas than in others, but every one of the 50 states of the nation has some textile and/or apparel operation within its borders. In addition, the obvious geographic spread of cotton growing, sheep raising and man-made fiber production contributes significantly to the impact on the national economy and on the economies of the several states of progress or decline in the health of the textile and apparel industry.

Other factors also single out the textile industry for the kind of attention it has received through several Administrations over many years. It is worthwhile to review these on occasion so that the entire problem is seen in an appropriate perspective.

An important and essentially unique element in the textile-apparel picture is the high labor intensity of the industry as compared with other manufacturing industries. I know that many in the textile industry justly pride themselves on the growing role of automation and modernization in the industry, pointing out that it is the most efficient in the world in an operating sense.

This can be attributed not only to technological inputs but also to the billions of dollars which the industry has invested over the last decade to make it the most modern and efficient. Without challenging this statement it can also be pointed out that the industry remains the largest employer of labor in manufacturing in our highly industrialized economy.

Few realize that textile and apparel production employs about 2.3 million workers, one out of every eight in manufacturing. This is more than four times the number of workers presently employed by the American steel industry, and more than five times the number employed in our giant automobile industry. Those are important facts; they cannot be overlooked.

Furthermore, the industry is a major employer of minority group workers and of the underskilled. It is an entry point into the work force for many who have few, if any, other work opportunities.

The significance of this industry in the lives of so many people inevitably places the industry and its problems high on anyone's agenda of national priorities. They have always been high on the agenda of this Administration.

Another unique element in the textile picture is the worldwide nature of this industry. Every country, it seems, produces textile products. Every country trades textile products, and each has come to recognize that in international trade terms, there is nothing quite like textiles.

Finally, with so many countries, governments, industries, and people involved in textile products and trade around the world, it is inevitable that international textile trade receives great attention. We import textiles and apparel from some 100 countries. Many countries, like our own, have been in the textile business for many years. They expect to stay in it. Other countries are new-comers to the field and expect to grow rapidly as a means of helping broader economic development needs. These aspirations and intentions occasionally clash, and the most practical result to date has been the growth of an unprecedented number of international agreements designed to deal with trade problems in a particular product. I shall discuss this aspect more fully later but note it here simply as another element in a complicated picture which is essentially unlike other trade and industry situations.

Today, I want to focus on a review of the situation in the industry and the trade as we in the government see it, to comment on the situation as it has been viewed by those in other countries, and to comment briefly on some of the issues that lie ahead.

II.

As we come to the end of 1970, we see a sorely pressed textile industry. The buoyance of recent years has been subdued by the pressures of rising costs, declining profits, and sharply increasing import competition. Here are the salient facts:

Capital expenditures for new plant and equipment have dropped 8 percent this year from 1969, and are down almost $250 million since the 1966 level.

Total employment in the textile and apparel industry has dropped 100,000 in the first nine months of this year to the lowest level since 1966.

Profits in the textile industry declined 44 percent as a percentage of sales from the second quarter of 1969 to the second quarter of this year; and fell 46 percent as a percentage of equity in the same period.

Profits in the apparel industry slipped 32 percent as a percentage of sales from the second quarter of 1969 to the current second quarter and were down 37 percent as a percentage of equity.

The Federal Reserve Board's production index in August 1970 dropped 5 percent below the previous year to the lowest level since 1967.

The FRB's production index for apparel products in July dropped 7 percent from the 1969 level. Its average index for the May–July 1970 period was the lowest since October 1964.

Unfilled orders for cotton, wool and man-made fiber woven gray goods at the end of August 1970 were 19 percent less than August 1969.

Inventories of cotton, wool and man-made fiber woven gray goods were 23 percent higher at the end of August 1970 than August 1969.

The average hourly earnings for the textile and apparel industry of $2.45 in September of 1970 were 2 and 5 percent, respectively, higher than a year earlier. (Although this hourly rate is still well below the national average hourly rate for manufacturing industries, it is still far above what competing foreign textile and apparel manufacturers pay their employees.)

Undeterred by the frequently voiced belief that a slow domestic market will produce lower imports, imports have risen sharply during this period.

In the first nine months of 1970, we have witnessed a continued growth of textile and apparel imports made from cotton, wool and man-made fibers. Our trade deficit in these products, which had jumped from $500 million in 1966 and 1967 was just under $1 billion in 1969 will, at its present rate, exceed $1.2 billion in 1970. Yet in 1961 we were net exporters of these textile and apparel products!

In terms of yardage equivalents, the situation is no better. We imported 3.6 billion yards of goods last year. This year, we are running at a rate of 4.4 billion yards. The heaviest influx has been, as most of you know, in the area of man-made fiber products. In 1968 we imported 1.5 billion yards; in 1969 1.8 billion, and this year we can expect almost 2.7 billion yards.

These dramatic increases in imports cannot fail to depress this industry. They cannot fail to disrupt markets and cause dislocation for companies, workers and communities. They explain why we are concerned about the textile import problem.

Where does this trade originate?

Japan, as everyone must know by now, is the largest single foreign supplier of manmade fiber textiles in our market. In 1969 we imported 585 million yards of these products from Japan, and in 1970 imports are running at an annual rate of 760 million yards.

But how many realize that imports of man-mades from Taiwan and Korea together virtually equalled Japan's in 1969, 549 million yards as against 585 million? How many realize that imports from Hong Kong have gone from 99 million yards in 1968 to 145 million in 1969, to an annual rate of 190 million yards in 1970? Many countries already ship heavily to us; many more have the capacity to do so; still more would like to move heavily into this market.

III.

We, of course, are not alone in the textile world. The import figures I have just noted bear ample witness to that. As producers and traders of textiles, we have many rivals and many colleagues. Neither are we alone with a textile import problem. Other countries have also confronted the issues raised by rising textile imports on one hand and domestic production which must be maintained in the interest of their own national economic well being on the other. The reactions to these problems have differed in some respect from country to country, but there is a singular thread that runs throughout—restraints on imports.

While many countries have publicly protested the United States proposals for international textile agreements, not to mention the proposals for legislative textile quotas, the same countries have long operated their industries behind doors which have been closed to all but a small quantity of imports. For example, eight European countries and Canada have had agreements with Japan, and some with Korea, Taiwan, and Hong Kong, restricting imports of wool and/or man-made fiber textiles and apparel from these countries.

Many countries have also resorted to quotas and administrative devices. In some cases their markets have been protected by industry restraint arrangements not officially enforced by the governments concerned. The cumulative impact of these devices is quite clear. As Secretary Stans pointed out in his testimony before the House Ways and Means Committee,

"United Nations figures, in addition to our own import figures . . . show that in 1968 while the United States took 20 percent of Japan's textile mill products exports, the EEC imported only 3 percent. We imported 51 percent of Japan's apparel exports and the EEC took only 5 percent.

"A large portion of Japan's textile mill product exports goes to Hong Kong where it is made into apparel. We imported 30 percent of Hong Kong's apparel exports in 1968 (first half only) while the EEC took 14 percent. In the mill products sector, we imported 32 percent of Hong Kong's exports as against 2 percent for the EEC.

"The disparity was equally pronounced for our other major suppliers.

"In short, our market has been open while others have been closed and the impact has been considerable."

The extent of this response by foreign governments and industries to their textile import problems is nowhere more clearly shown than in the two volumes in the record of the Ways and Means Committee hearings which show in considerable detail the restraints other countries maintain on their textile imports.

The Long-Term Cotton Textile Arrangement which has recently been extended through September 1973 is perhaps the clearest example of the world-wide recognition that textile trade is in need of some regulation if chaos is to be avoided. First negotiated in 1961 when cotton was the main fiber in use, it represented a comprehensive approach to the textile trade problem of the day. In our conversations with exporting country officials during a recent series of cotton textile negotiations which led to the extension of the Long-Term Arrangement, we were frequently advised that the arrangement had in fact benefitted exporting countries as well as importing countries. While no one is totally satisfied, almost everyone recognized that the arrangement represented a reasonable compromise and should be continued. All but two governments have agreed to participate in the protocol extending the Long-Term Arrangement.

Under the Long-Term Arrangement, we have concluded 26 bilateral agreements with export countries. We have been working actively to renew these agreements, most of which terminate the end of this year.

The record here is a good one. In my view it reflects well on the textile trading community which has seen in cotton textiles the need for a practical solution to difficult problems faced by many countries with essentially different purposes and needs.

In recent days, there have been indications that in recognition of the need and desirability of a solution to the textile problems we face with Japan, some other countries may be willing to adopt some kind of a standstill with respect to the institution of new restrictions on textiles and perhaps would consider accepting additional imports of textiles from the primary exporting countries of the Far East.

While any sign of cooperative interest in the resolution of the difficult textile problem we have confronted over many months is welcome, we must note our view that much of our textile problem originates as a result of the restrictions already in effect in other importing markets. Thus, a freeze of the *status quo* with regard to those other markets leaves much to be desired.

Few can debate that the developing countries need to expand their exports and few can debate that trade from some countries has been extraordinarily concentrated on the United States market. While we can accept substantial volumes of imports and can allow imports to grow in the future, we cannot accept a situation in which all growth of this trade is directed at the United States. The burden as well as the benefits of assisting the developing countries must be shared. Markets which have been rigidly closed must be opened.

IV.

The Administration recognizes the factors I have outlined which point to the need for a prompt solution to the textile import problem. We are well aware of the economic pressure on this industry, and of the need for the introduction of an orderly pattern of imports so that the industry can continue to grow in the interests of a growing national economy. We have supported quota legislation for textiles, emphasizing clearly our preference for a negotiated international solution to this problem. Indeed, we have made clear that even with quota legislation we would never cease in our effort to negotiate reasonable international textile agreements.

With this recognition by this Administration of the need for a solution to the textile problem, I am confident that we shall have such a solution.

(Mr. DUNCAN (at the request of Mr. BYRNES of Wisconsin) asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. DUNCAN. Mr. Chairman, I rise in support of the Trade Act of 1970.

This legislation would provide, among other things, temporary limitations on imports of certain textiles and footwear, and authority to negotiate international agreements in order to insure nondestructive marketing of textiles and footwear imported into the United States.

May I say that I realize the importance of imports to our economy, to our everyday lives—but I also realize the threat they impose on our U.S. industries and workers if they are not controlled or regulated in an orderly manner.

I represent an area where textile manufacturing provides much income. Textiles, in fact, is one of the largest industries in Knoxville, and has been for a number of years. Yet I see a decline in this type of industry, and hundreds of workers could be laid off from work unless we can turn back the tide of imports. It has been estimated that if the present factors continue for the next few years the annual loss in wages will be in excess of $3 billion in the United States.

In the Southeast alone, some 75,000 less employees are working in the textile industry than were working at this time last year. Most of these textile workers lost their jobs because of imports produced in Japan, where exporting industries get a helping hand from the Japanese Government, and where production workers last year earned an estimated 76 cents an hour contrasted to $3.19 per hour for their American counterparts. I think it is proper to point out that Japan has strict quotas and licensing restrictions on imports coming into their own country.

We have tried negotiations with Japan, but months of talks have resulted in no volunteer compromise on the import problem. Apparently because of this pending legislation negotiations have resumed with Japan, but unless this bill is passed we can expect nothing.

If we pass H.R. 18970, and I believe we will, then it might just be the nudge Japan needs to take us seriously and settle down to some productive talks.

It is imperative that H.R. 18970 be enacted into law. If this bill is defeated it will encourage foreign manufacturers to flood our markets, not only with textile products, but with every type of cheaply produced product. Jobs in many of our great industries will then be further jeopardized.

Mr. REID of New York. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, I rise in opposition to H.R. 18970, the Trade Act of 1970. This legislation should not be considered by a lame-duck Congress. It should not be acted on during the pendancy of critical trade negotiations with Japan concerned with voluntary restraints.

The bill is not only bad legislation but it is dangerous legislation.

It turns back the clock 40 years to the Smoot-Hawley Tariff Act. It is highly protectionist and could signal to the world a major turn backward to economic isolationism and away from free trade.

The Trade Act of 1970 would violate the General Agreement on Tariffs and Trade. It flies in the face of progress made in the Kennedy round of negotiations.

Domestically, this legislation could seriously affect consumers and farmers. It may well also lead to a trade war, drastically affecting other major areas of domestic industry, including those which it was particularly designed to help.

Beyond a trade war, this legislation could lead to a contraction of world trade itself. Yet the major consequences of this bill in terms of agriculture and our foreign policy have not been examined at all by the Agriculture or Foreign Affairs Committee of this House which held no hearings on this sweeping bill. Surely this is precisely not the way to enact major legislation.

Specifically, with regard to the domestic impact of the bill, it has been estimated by Federal Reserve Board Governor Andrew Brimmer that it will cost the American consumer $3.7 billion a year by 1975. This would include a nearly 4-percent inflation of the cost of apparel, a nearly 30-percent inflation of the cost of shoes, a continuation of the already artificially inflated cost of fuel oil, and an overall increase of the Consumer Price Index of nearly 1 percent. In the case of oil it would freeze current import quotas and preclude a shift to tariffs—all of which would harm the consumer by maintaining high costs and the environment by emitting into our air the waste of high-sulphur-content fuel oil currently being imported.

Further, this bill could lead to economic retaliation by Europe and Japan in their purchases of soybeans and wheat. Obviously it would not be difficult for Japan to shift her wheat purchases from the United States to Australia and for Europe to purchase more wheat from Canada. Both of these commodities are central to our trade surplus and to our overall trade posture.

This legislation not only imposes quotas on synthetic textiles, woolens, glycine and furskins but it contains two clearly dangerous provisions. First, the liberalized escape clause makes a finding of injury to domestic industry contingent only on a determination that foreign imports contribute substantially to causing or threatening serious injury to the industry. This standard, weaker than the present standard of the major factor, is an obvious invitation to special interest group pressure upon the Tariff Commission to make such a determination.

Second, the trigger mechanism clause requires the President to impose quotas, duties, or other import restrictions over a potential wide range of products pursuant to a mechanical formula, after a finding of injury by the Tariff Commission, unless the President finds that such action would not be in the national interest. The opportunties for political pressure upon the President are all too clear.

As Members of Congress we also cannot ignore the impact of this legislation on other nations of the free world. Several countries have already given our Department of State confidential aide-memoires indicating the serious consequences their governments attach to this legislation and implying the possibilities of dangerous retaliation. Secretary Rogers has stated unequivocally that this measure would result in extensive retaliation by other countries and would cause "serious harm" to the United States. To cite just one example, the imposition of quotas on shoes could seriously affect Italy, leading to the communization of certain areas of Tuscany.

While certain elements of the domestic textile industry have fared well in recent years, there is no question that many medium-sized and smaller firms have been seriously affected by foreign competition, especially those companies which are not large enough to diversify their product lines quickly or easily. In many cases, this has meant a loss of jobs or reduction in the work week. In my own district in Westchester, there are dress lofts where the shop is working only 2 or 3 days a week. Many of these shops have been hurt by competition from Japan or Taiwan where lower wages and the use of child labor enable importers to undersell domestic products.

However, rather than enact a sweeping piece of legislation which is designed to trigger mandatory trade restrictions in broad areas of the market, we must negotiate mutual restraints of a precise nature with countries such as Japan and Taiwan. Right now, high-level negotiations of this character are taking place, covering such areas as the extent of coverage, the items and categories to be included under voluntary restraints, and formulas structured on certain base year and growth factors.

The problem facing our own textile industry, in short, is a very real one, particularly at a time of inflation and some recession generally in the economy. This calls for the most urgent action by our Government on a firm and specific basis and at the highest levels. Such an approach would not only curb the inflow of certain foreign textiles, but it would prevent a potentially disastrous trade war and avoid a policy of American economic isolationism.

The problems of unemployment and underemployment are tragically real in some areas of the economy and they need redress—but massive protectionism is the wrong remedy. It would be a mistake of historic proportions.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from Alabama (Mr. DICKINSON).

Mr. DICKINSON. Mr. Chairman, I sincerely appreciate the opportunity of speaking on this bill and being yielded this time. I shall be brief.

Yesterday and today we have heard a great deal about tariffs, reprisals, quotas, and reciprocity and a number of things, but what does it really boil down to? What is the bill all about?

Mr. Chairman, this bill is about jobs—j-o-b-s, just as the ad that appeared in most of the larger papers of the Nation points out—jobs. That is what this tariff bill is about.

We can talk about theory and the economy, and we can project as to what might be the effect if we do or do not pass it, but the fact is, Mr. Chairman, that jobs are going out of existence today. Yes, just the day before yesterday, we passed a manpower training bill. It is going to cost the taxpayers of this country more than $9 billion. What does it do? It is to train people and to equip them to be self-sufficient and to earn a livelihood and get off welfare rolls.

But what are we doing with our own economy and the people who have jobs now if we do not protect them by the legislation which is being brought before the House today?

There was a little mill, owned by Handley Manufacturing Corp. I have stood outside its gate and given my political brochures. It is the largest employer in the city of Roanoke, Ala., which is not in my district at this time, but I am quite familiar with it. It closed last week and over 800 jobs went out of existence.

We heard the gentleman from Florida say that this industry is not on the brink of disaster. Tell that to those 800 people. Tell them they are not on the brink of disaster.

There are over 13,000 jobs in my district alone which are dependent on the textile and apparel industry. They are running at less than 80 percent of capacity. Some of them work only 3 days a week. Tell that to those people, who do not get a full pay check. Tell them this is not urgent and necessary legislation and that we are not on the brink of disaster.

We talk about the Japanese and the others who are affected by this bill. As has been amply pointed out, this is no more than a utensil, a tool, a weapon that the President may use if he sees fit, but, Mr. Chairman, we tried to get a voluntary quota system with the Japanese and they would not even talk with us. It was not until legislation was introduced and started to move that they even agreed to meet and talk with us. They are now making progress because of what we are doing on the floor today. If this bill fails, then mark by words, they will close up their little briefcases and get on the big iron bird and go back to Japan, and we will not have any trade quota—voluntary or otherwise.

Mr. WATSON. Mr. Chairman, will the gentleman yield?

Mr. DICKINSON. I yield to the gentleman from South Carolina.

Mr. WATSON. Mr. Chairman, I commend the gentleman from Alabama for his statement, and not only for his present statement but also for the work he has put into this over the years and into this legislation.

I wish especially to underscore the point the gentleman made, that only 2 days ago this House passed the comprehensive manpower bill which will require an expenditure of billions of dollars in order to try to give employment or make jobs for the unemployed. I would hope that today we would overwhelmingly pass this bill, which will not require one dime

of the taxpayers' funds, but will help to save jobs. That is the way to get it done.

Mr. DICKINSON. The gentleman is eminently correct. Not only that, but also early this year we passed a guaranteed income bill, which was supposed to cost $9 billion and which was supposed to take people off the welfare rolls. Yet, if we do not protect our laboring people—and many of these are unskilled black people in our part of the country—we are just defeating our own purpose and throwing away the taxpayers' money. I hope the House will show the courage and good sense to enact this legislation today.

Mr. LANDRUM. Mr. Chairman, I yield the gentleman from California (Mr. HANNA) 2 minutes.

Mr. HANNA. Mr. Chairman, I would like to make two points in those 2 minutes. First of all, I think this legislation is predicated upon some very understandable and strong feelings, those feelings about jobs in parochial areas that will obviously be affected and those feelings against the Japanese in particular as the intruders.

Let me say that in regard to both of these I have some sympathy. I would not like to represent an area which is losing jobs in textiles. I know it would be very difficult. I do not sympathize with the approach of the Japanese, which has caused them to be characterized as the economic animal of the Pacific.

I believe the Japanese are facing not only the ire of America but also the ire of countries all over the world, where they have, with their singular export mindedness, combining both government and industry, gone in and taken markets all over the world. I believe that within 5 years they will have to come to a very shattering decision in Japan, and they are going to be faced with closing doors of trade all over.

But do not lose sight of the fact that this affects the whole United States. I suggest that you gentlemen will find me in the well of the House asking for your help for jobs, because I represent Hughes Aircraft, and they have sold the whole system of radar to Japan, and that represented more money than all of the Japanese textile imports.

We have within our area the aircraft factories. We sell aircraft to Japan, to Taiwan, to Korea, and that represents more money than all the textiles we are talking about.

Whose jobs do you want to hurt? Mine, in my district? I can assure you that if those countries do not have dollars they will not be buying these other articles.

You are starting a circle here, to see whose turn it is in the well. Next time it will be my turn in the well. It will not be based upon the feelings I have against Japan or any other place. It will be because jobs, as the gentleman has said, is the question. The question is, Whose jobs are we talking about?

Mr. LANDRUM. Mr. Chairman, I yield 2 minutes to the gentleman from New York (Mr. SCHEUER).

Mr. SCHEUER. Mr. Chairman, if I were speaking today as a distinguished but unnamed member of the executive branch I would lacerate this Congress for its lack of faith in the vitality and strength of our free enterprise system. I would criticize all the Members here who support this bill for their overly permissive attitude in subsidizing and in weakening the moral fiber of our corporations by making them the beneficiaries of a tax, and a very inflationary tax, on all middle America.

That is exactly what this bill does. This bill departs from every lesson or tradition and economic history that we have learned from examining the last 150 years of explosive economic growth based on the principle of free private enterprise and competition that has made this country great.

When I talk to our British friends, to our Canadian friends, to our French friends, to our Italian friends, the thing which worries them and the countries of Europe is our economic penetration and domination of their economies. For us to worry about the 3 or 4 percent financial penetration by foreign producers into some few sectors of our economy to me is the height of economic nonsense.

In a very brilliant and professional presentation of the facts, my distinguished colleague from New York, Mr. BARBER CONABLE, mentioned that if one approved of the paternalism of our Government in helping the farmers one would approve of the paternalism of our Government in helping industry.

I suggest to him that there is a difference. When this Congress passes an agricultural subsidy, whether or not one approves of it, at least we know what we are appropriating down to the last dollar and cent. And if we wished, we could easily change the dollar appropriation any year.

But the multibillion dollar cost of the subsidy we are proposing to give American industry is not a dollar amount certain which we control annually by the appropriation process; it is a crutch, a subsidy, a form of debilitating corporate handholding which is a direct consumer tax levied by dint of reduced competition by arbitrarily and administratively effected price increases, difficult to measure and more difficult to control.

If there is unemployment in this country, it is because the administration has insufficient sophistication and professionalism to manage our fiscal, monetary, and tax policies so as to produce economic health and vitality along with reasonable price stability.

The answer to unemployment caused by foreign competition lies in educating and training displaced workers so that, with relocation assistance, they can "go hunting where the ducks are"—that is, find the jobs in expanding industries where they exist. The answer is not to spoon feed industry by crutch and subsidy in the clear and unmistakable form of an inflationary consumer tax that will hurt every American housewife every day of the week.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. COLLIER. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois (Mr. RAILSBACK).

Mr. RAILSBACK. Mr. Chairman, I appreciate, first of all, the opportunity to have some time. I want to say at the outset that, as our distinguished chairman of the Committee on Ways and Means knows, I have only the greatest respect for him and I have only the greatest repect for his committee and the ranking Republican member, the gentleman from Wisconsin (Mr. BYRNES).

Mr. Chairman, it is sometimes necessary to look back and see where you have been in order to tell where you are going. I would like my colleagues to go back with me to the days following the Declaration of Independence in 1776. The Continental Congress of the 13 original States finally was able to agree on a form of confederation embodied in the Articles of Confederation. These closely alined States were now part of a single governmental entity. They could be expected to get along harmoniously, particularly having just declared their joint independence. And yet there was a fatal weakness in the Articles of Confederation, Congress had no authority to regulate foreign or interstate commerce. Legislation in this field was left to the States.

I am sure you are all ahead of me. Yes, discriminatory State laws and regulations on trade and commerce were met with reprisals by sister States. The Commonwealth of Virginia advocated a convention of States "to take into consideration the trade of the United States; to examine the relative situations and trade of the said States; to consider how far a uniform system in their commercial regulations may be necessary to their common interest and their permanent harmony; and to report to the several States, such an act relative to this great object, as when unanimously ratified by them, will enable the United States in Congress, effectually to provide for the same."

The proposal for a trade convention met with general approval and the Continental Congress approved a convention in Philadelphia "for the sole and express purpose of revising the Articles of Confederation and reporting to Congress and the several legislatures such alterations and provisions therein as shall when agreed to in Congress and confirmed by the States render the Federal Constitution adequate to the exigencies of Government and the preservation of the Union."

As we all know, this convention, which started out to be intended to handle the urgent problem of trade relations between the States, ended up by instead reporting an entire new Constitution. We should, I think, recall what the Founding Fathers did when faced with the crumbling of the precious and newly formed confederation of 13 States who were engaging in trade discrimination and reprisals among each other.

Article I, section 8, clause 3 gave Congress the power "to regulate Commerce with foreign Nations, and among the several States." In article I, section 9, clause 5, the Constitution provides that:

> No tax or Duty shall be laid on Articles exported from any State.

And in article I, section 10, clause 2, States were prohibited, without the consent of Congress, from laying any imposts or duties on imports or exports except in certain instances. There is no doubt in my mind that these were in-

serted "to insure domestic tranquility" among the States and to preserve the Union. If there were no longer any trade discrimination by the States then there would likewise no longer be any retaliation by the States.

The patriots who participated in drafting this great document had just witnessed at closet range the unfortunate results of trade discrimination and resultant retaliation. And I should like to say that in my opinion, any artificial trade barrier is indeed an open invitation to retaliation.

Accordingly, I would urge my colleagues to weigh very seriously the likely adverse effects of retaliation against whatever beneficial effects are anticipated from protectionist barriers. Admittedly, the lack of common borders distinguishes our foreign trading partners from the situation as it existed among the original 13 States, and yet that distinction should not be permitted to obscure the lessons of history.

Reports from Japan, Britain, and Europe warn that if the United States imposes quota restrictions on their exports, they will retaliate. I include an article from the Wall Street Journal of October 14, 1970, captioned "Trade War Threat—Retaliation Is Feared if United States Should Enact Protectionist Measure" at this point in my remarks:

TRADE WAR THREAT—RETALIATION IS FEARED IF UNITED STATES SHOULD ENACT PROTECTIONIST MEASURE—MACHINERY, METALS, AIRCRAFT AND GRAIN ARE AMERICAN PRODUCTS THAT MAY SUFFER—TROUBLE FOR SOYBEAN FARMERS

(By Ray Vicker)

BRUSSELS.—American soybean farmers may not know it, but they have a big stake in the protectionist trade bill now before Congress.

If the bill becomes law, soybean producers are apt to be among the economic casualties of a world-wide trade war. Britain, the six-nation Common Market, and Japan all aver that their trade with the U.S. would be hard hit by the protectionist measure.

A trade war would thus pit the U.S. against most of Western Europe and Japan. It could also push these nations toward greater trade with the USSR and with the Communist-bloc countries of Eastern Europe.

Interviews with trade experts here in this "capital" of the Common Market indicate that soybeans and vegetable oils rank high on the list of U.S. products facing possible retaliation. Other targets include U.S. aircraft manufacturers, feed grain and citrus growers, and computer makers. If Europe and Japan boycott these industries, it could mean the loss of a substantial number of jobs—an ironic development indeed since a prime goal of the trade bill before Congress is to protect U.S. workers.

SOME HOPE LEFT

There's still some hope that a trade war can somehow be headed off. If the trade bill, which is sponsored by influential Congressman Wilbur Mills, is watered down, the injury to foreign sales in the U.S. might be minimized—and retaliatory moves tabled. But that hope is steadily diminishing. And months of behind-the-scenes negotiating among American, British, Japanese and Common Market trade experts have failed to ease the growing tension.

Tomorrow and Friday Common Market officials will meet with U.S. officials in Washington to discuss trade policies. While the meeting was set up long ago as a routine affair, it now appears that it's developing into a last-ditch attempt by the Common Market to stress the seriousness of the impasse. Attempts are also being made to arrange a late October meeting between representatives of the Common Market, Britain, Japan and the U.S.

The problem is that the power to head off a trade dispute lies mainly with Congress rather than the Nixon Administration. Trade officials here fear Congress is listening to the pleas of protectionists in various industries for barriers against the wave of foreign imports. Congress apparently is paying far less attention to the plight of American exporters of soybeans and other products that would suffer possible retaliatory action.

TILES AND TENNIS BALLS

The Mills bill is extremely complex, but, among other things, it would establish quotas on American imports of textiles and shoes. Last year the Common Market countries—France, Italy, Belgium, Luxembourg, West Germany and the Netherlands—shipped $550 million worth of these goods to the U.S. In addition a "trigger" mechanism could bring import restrictions on 120 other items ranging from ceramic tile to bicycles and from automobiles to tennis balls. The trigger would be activated if imports attained more than 15% of the total U.S. market.

All told, the U.S. exports about $7 billion worth of goods annually to the Common Market nations alone. Applications for Common Market membership are pending from Britain, Ireland, Denmark and Norway. Another six European countries are seeking some sort of tie with the Common Market. Hence there's a strong possibility that nearly all of Western Europe would be aligned in the anti-American camp in any trade war.

The New York-based British-American Chamber of Commerce, which has more than 1,200 U.S. and British concerns as members, warns that the Mills bill could adversely affect U.S. exports to Britain, which totaled nearly $3 billion last year. "Faced with new restrictions of this magnitude, it smacks of more than a little naivete to dismiss the virtual inevitability of massive foreign reaction of like magnitude," a spokesman for the group says.

A SETBACK FOR FREE TRADE?

As often happens in any war, both sides aver that justice is on their side. European nations and Japan insist that the Mills bill represents a setback for the free trade trend under way since World War II. They see the U.S. as deliberately adopting a protectionism that could lead to retaliation overseas and counter-retaliation at home that could damage the trade of all nations.

American trade negotiators reply that the Common Market, not the U.S., has been leading the way toward protectionism. These Administration aides claim the Common Market has adopted an agricultural program that restricts American sales to Europe. Moreover, the Common Market recently drew up preferential trade agreements with Mediterranean nations placing the U.S. at a disadvantage, these sources say.

Nevertheless, it's Congress, not the Nixon Administration, that is pushing the new trade bill. This week Secretary of State Rogers told the Senate Finance Committee that the bill is dangerous He declared that if the bill were passed in its present form, "there would be grave damage to the sales of hundreds of American firms and to the jobs of hundreds of thousands of American workers."

Some Nixon Administration officials disagree. In testimony before the same Senate committee Secretary of Commerce Stans said he doubted the U.S. would lose any exports should the Mills bill be enacted.

Perhaps not, but within the British government there's considerable research under way to determine which American products should be targets for retaliation. Explains one bureaucrat: "There's no point in selecting an obscure item if you are retaliating. You want to select a product that will provide the maximum hurt for the other side."

American goods that fall into that category include transport equipment such as aircraft, electric machinery, tobacco, wheat and other grains, various types of industrial equipment and nonferrous metals, trade experts say.

Naturally, when a reprisal target is picked, it must be one that won't hurt the importing nation when barriers are erected. Britain's tobacco imports from the U.S., for instance can't be switched to some other nation very easily, now that it gets none from Rhodesia, once a major supplier. But other goods could be procured elsewhere.

Certain American farm products will doubtless be on most retaliatory lists. And soybeans are mentioned by nearly everybody.

Soybeans and meal were shipped overseas in record quantities by the U.S. in the year ended June 30. Total exports amounted to $1.5 billion, with the Common Market buying more than $600 million of that total. Substitutes for American soybeans and vegetable oils would be easy to find, say Common Market sources.

Even before the current fracas developed, the Common Market was considering application of a border tax on soya imports. Currently these products enter the Common Market duty free. Not long ago, Sicco Mansholt, the Common Market commissioner responsible for agriculture, declared that soya imports "are causing a distortion of the feedstuffs market within the community." He also charged that the rise in U.S. sales of vegetable oils in the Common Market has come partly at the expense of exports from underdeveloped countries such as the Ivory Coast and Senegal, producers of peanut oil.

American feed grain could also be hit hard. Cereal output has been steadily climbing around the world; Common Market nations could also increase their own production without much difficulty. Japan, another big importer of U.S. feed grains, could find other sources declares a Japanese trade expert in London.

Soybeans and vegetable oils will be affected first. Other projected targets include U.S. aircraft manufacturers, feed grain and citrus growers, and the computer industries.

The threat of retaliation is credible. This year the European Economic Community spent almost a half billion dollars on the soybean trade. Japan bought more than $220 million in soybeans, a $6 million increase over last year. Soybean exports from this country reached 431 million bushels, a jump of 50 percent above the prior year. For the first time exports of soybeans and soybean products such as meal and oil exceeded 50 percent of the season's total production. USDA Assistant Secretary Clarence Palmby summarized the soybean situation as follows:

In the new marketing year, the total use of U.S. soybeans is likely to account for more acreage than the total use of wheat.

The enactment of H.R. 18970, Common Market officials say, will affect $500 million of its trade with the United States in textiles and shoes alone. I include an article from the October 28, 1970, Washington Post in my remarks at this point:

COMMART OFFERS TEXTILES COMPROMISE

The European Common Market, in a gesture to head off passage of a protectionist American trade bill that could touch off a transatlantic trade war, indicated willingness today to absorb more Japanese textiles if renewed U.S.-Japanese negotiations on voluntary bilateral limits succeeded.

The proferred compromise was contained in an otherwise tough, yet flexible note approved by the six-nation organization's foreign ministers and delivered to the Brussels-based U.S. mission to the Common Market.

A communique issued by the foreign ministers meeting here said the Common Market was "ready to make its contribution to finding constructive solutions to concrete problems which exist in certain industrial sectors."

In another passage clearly hostile to the trade bill sponsored by Rep. Wilbur D. Mills (D-Ark.), the communique expressed hopes that "each of the big partners of the world trade will abstain from taking actions likely to compromise progress achieved in the field of freeing trade and endanger efforts undertaken to allow developing countries to increase their export revenues."

But the note warned that the Common Market is "ready to take the necessary measures to safeguard its interests" if the U.S.-Japanese talks—expected to resume this week in Washington—failed or if Congress voted the Mills bill into law after reconvening Nov. 16.

Common Market officials have complained that the bill would affect $500 million worth of its trade with the United States in shoes and textiles alone. The bill was drafted initially to protect U.S. textile manufacturers from low-cost Japanese textiles and other imports.

The compromise followed the broad lines for a settlement that were suggested last month by Nathaniel Samuels, deputy under secretary of state for economic affairs as a way to avoid a full-scale trade war.

Rolf Dahrendorf, the Common Market commissioner for foreign trade, discussed the compromise last week during a visit to Washington that followed strong official British and West German government warnings to the United States of automatic reprisal should the Mills bill pass.

In a more optimistic note, Dahrendorf today told the foreign ministers that be believed chances of enacting the bill were only "50–50," but he warned that the new Congress probably would not be less protectionist-minded than the old one.

Like so many Europeans before him, Dahrendorf noted that the American government appeared to be speaking with several minds and mouths these days, indicating a lack of strong U.S. policy on European problems.

He noted specifically that Secretary of State William P. Rogers was rather "liberal" on trade matters but that Commerce Secretary Maurice Stans seemed to hold more protectionist views.

Informed sources said Common Market officials had been working on plans to accept more Japanese textiles in a special trade committee. No details of their contingency plans were immediately available. But informed sources suggested that quota increases for textiles ranging up to 20 per cent annually were under discussion.

The Common Market's discretion on this score reflects growing opposition from European textile manufacturers. They are urging exclusion of textile imports from the United Nations-backed plan for abolition of duties on industrial goods from developing countries—much less those of an industrial rival such as Japan.

To lose our export market in soybeans alone would be an economic disaster. But the retaliation will not be limited to soybeans; it will be applied to almost all U.S. agricultural produce. The costs in money, jobs, and production are incalculable. It will take years for farmers to recover from such a dislocation of the export market.

That quotas and retaliation may trigger an international trade war, which we can ill afford at this time, seems almost certain. Pitting the United States against most of Western Europe and Japan, it may very well push these nations towards greater trade with the Soviet Union and other Communist bloc countries in Eastern Europe. The political ramifications of such a trade realignment are frightening.

Trade is a two-way street. We cannot reduce imports without finding our export market also reduced. If a nation cannot sell abroad, its purchasing power contracts. This means that it has fewer funds with which to buy goods abroad. Neither Japan, the Common Market countries, nor the United Kingdom will have the resources to continue importing from the United States if there is a contraction in their own export market.

A perceptive and interesting statement was given to the Ways and Means Committee by the distinguished Governor of the State of Illinois, Richard B. Ogilvie discussing the need for delicate balance in trade relations. I include his statement at this point in my remarks:

STATEMENT OF HON. RICHARD B. OGILVIE, GOVERNOR, STATE OF ILLINOIS

Mr. Chairman: I welcome the opportunity to submit my remarks in support of the Trade Act of 1969 (H.R. 14870). We in Illinois have a deep interest in this legislation; the direction this committee takes today in setting policy concerning international trade will likely affect both industry and labor in our state for the next several years.

Illinois leads the nation in export shipments of both agricultural and manufactured products. One fifth of Illinois agricultural products are sold abroad. Thousands of Illinois jobs are dependent in whole or in part on international trade. Illinois businessmen and farmers are well acquainted with world markets, and consequently they are vitally concerned with government policies which directly affect the climate under which their trade either flourishes or diminishes.

As Governor of the State of Illinois, I know firsthand the important role which international trade plays in our state's economy. Therefore, I would like to submit to the committee our evaluation of the Trade Act of 1969 and point out some of the aspects of this legislation which are of particular importance to our state.

Let me say first that Illinois is well aware of the two-way aspect of international trade and investment. As an international transportation hub, we in Illinois know how important it is to have our ships, trains, and airplanes as fully loaded upon arrival as at the time of their departure. Likewise, we realize the important role of foreign investments in Illinois. Foreign capital and technical know-how have made a significant contribution to the economic growth of our state during the past decade. Foreign imports feed both our manufacturing and consumer markets. Import quotas by the U.S. which would lead to retaliation by other nations would, in the long run, reduce the sale abroad of products of Illinois and other states.

Nevertheless, we have known specific cases where imports have cut deeply into the local production and disrupted local business. We welcome, therefore, that portion of the legislation which liberalizes the criteria by which U.S. firms can receive adjustment assistance. We in Illinois believe that if provided timely and effective assistance, these firms will be able to cope with changing market conditions and continue to prosper in our growing economy. In addition, those workers who have been forced out of jobs as a result of rising imports must be assisted in finding new positions and aided in their effort to upgrade their skills to meet new opportunities.

We view additional federal adjustment assistance as the necessary input which will make possible a continuing relaxation of barriers to international trade. The tax relief, modernizing loans, and technical assistance which are provided for in this legislation must be made available to local businessmen on a timely basis or they lose their usefulness. Delays and uncertainties in the past have been detrimental to companies in Illinois who have needed such assistance. The State is prepared to fully cooperate with the federal government in administering these assistance programs. Up to this point it has fallen largely upon the state to assist local companies in making the necessary adjustments. Therefore, we welcome the new federal initiative which comes at a time when limited state resources are already being stretched to the breaking point.

The state's effort to assist companies in upgrading their technology is not limited to those firms which have suffered from import competition. We have attempted through a number of programs to help Illinois industry maintain its pre-eminent technological position in national and world markets. May I suggest, Mr. Chairman, based on our State's experience in this area, that the federal adjustment assistance programs referred to in the Trade Act of 1969 be structured to enable firms to react to changing market conditions before their markets are already gone. Our effort in Illinois is not to sustain outdated operations but to build new and dynamic industries which will contribute to the over-all economy of the state and the nation.

Another important aspect of this legislation which we support wholeheartedly is the provision which strengthens the Administration's attempt to eliminate discriminating nontariff trade barriers which prevent U.S. products from competing on an equal basis in foreign markets. We applaud Secretary Stans' action in this area to date, and we sincerely hope that the Congress will provide the President with the power he has requested to continue seeking the elimination of these barriers to freer international trade. In this regard we find that there is no alternative to the elimination of the discriminatory American Selling Price (A.S.P.) system if we are to expect future concessions from our trading partners abroad.

An important aspect of this bill is the proposed amendment to the escape clause mechanism in U.S. trade legislation which would permit the President to increase tariffs or otherwise impose restrictions if it is found that increased imports are causing or threatening to cause serious injury to a domestic industry. The proposed amendment, which we support, will liberalize the eligibility requirements for firms by reducing the test for import injury from "major" factor to "preliminary cause" and would also eliminate the need to establish a causal link between an increase in imports and previous tariff concessions.

In testimony before this Committee on May 13 the Treasury Department proposed changes in the tax law which would permit U.S. firms to form Domestic International Sales Corporations (DISC) for the purpose of deferring export income as is currently the practice for foreign subsidiaries of U.S. companies. I would like to add my endorsement

to this proposal which introduces an exciting new element into the export promotion effort. Illinois firms feel that, if implemented, this proposal will encourage them to seek new export opportunities.

I would also like to take this opportunity to express my support for the Trade Simplification Bill (S. 3142) which has been submitted to Congress by the President. This legislation, which endorses the use of a through *Bill of Lading*, is of vital concern to Illinois where truck and train, supply ship and airplane with cargo destined for every country in the world. The consolidation of as many as a dozen of the most troublesome forms through one comprehensive document will permit rapid through shipments of goods for items leaving from Illinois airports and waterways. While this legislation is not before the Committee at this time, it bears close relationship to the effort of this committee to develop a rational and comprehensive approach to international trade policy, and I would hope that Congress would take action on this legislation as soon as possible.

Mr. Chairman, the emerging trade patterns of the 1970's are sure to offer a challenge to our business, farm and labor communities, but I am confident that they are equal to the task. It remains the important function of the Federal Government to help build the international trade climate which will best serve this growth.

At the same time it is the task of both the State and Federal Governments to encourage greater export activity on the part of its businessmen and farmers, and in this regard the State of Illinois can point with pride to a number of programs which are contributing to this effort.

Through our Department of Business and Economic Development, which has representatives in Springfield, Chicago, and Marion in Illinois and in Brussels, Belgium overseas as well as in Washington, D.C., Illinois companies are being introduced to export markets throughout the world. By sponsoring trade missions, supplying trade leads, and providing export counseling both here and abroad, this State agency is contributing significantly to the capabilities of Illinois firms to compete successfully in world markets.

We are seeking to cooperate closely with both the U.S. Departments of Commerce and Agriculture in our promotional effort, and we welcome the new attention which these agencies have been giving to the problem of federal-state relations in this field where we share important common objectives. A newly-created Mid-American International Agri-Business Trade Council combines the efforts of twelve midwest states and the U.S. Department of Agriculture in a joint program to increase exports of agricultural products from mid-America. We encourage these new initiatives and anticipate even closer cooperation with the Federal agencies in the future.

According to USDA figures, the State of Illinois export trade in soybeans in 1970 was valued at over $200 million. A brief comparison of figures for recent years is as follows:

[In millions of dollars]

Illinois Exports	1966	1968	1970
Soybeans	$152.0	$142.6	$211.5
Corn and feed grain	279.7	222.7	232.5
Total exports	666.0	585.6	650.0

The USDA in its latest report shows the following comparison of 1970 with 1969 July–September exports of agricultural products:

U.S. AGRICULTURAL EXPORTS, VALUE BY COMMODITY

[Dollars in millions]

Commodity	July–September 1969	July–September 1970	Change from previous period (percent)
Animals and animal products:			
Dairy products	$24	$38	+58
Fats, oils, and greases	42	58	+38
Hides and skins	39	32	−18
Meats and meat products	34	33	−3
Poultry products	15	15	
Other	22	23	+4
Total	176	199	+13
Grains and preparations:			
Feed grains, excluding products	278	295	+6
Rice, milled	78	63	−19
Wheat and flour	202	258	+28
Other	20	26	+30
Total	578	642	+11
Oilseeds and products:			
Cottonseed and soybean oils	27	66	+144
Soybeans	118	235	+99
Protein meal	61	90	+48
Other	17	20	+18
Total	223	411	+84
Other products and preparations:			
Cotton, excluding linters	70	46	−34
Tobacco, unmanufactured	134	107	−20
Fruits and preparations	101	99	−2
Vegetables and preparations	38	42	+11
Other	90	102	+13
Total	433	396	−10
Total exports	1,410	1,643	+17

More than one-fifth of all Illinois production, agricultural and manufacturing, is exported. And more than a million jobs in Illinois alone depend directly or indirectly upon our international trade. Illinois is the leading exporting State in the Union in both agricultural and industrial categories. In 1968 its exports were nearly $3 billion. One expert witness estimated that this means directly a total of as much as 400,000 jobs just in Illinois—page 2565 hearings. According to testimony of the Caterpillar Tractor Co., a total of 17,000 jobs within that company alone are the result of export business. Page 1203 hearings. That company also estimates that one-third of the payroll of its employees is attributable to exports.

I do not imagine that anyone would suggest that we should pursue a policy of totally free trade without regard to trade policies of other nations, national security, foreign dumping or the like. In fact, all of these factors and more are recognized by the policies, programs and laws under which we are already operating. For the first time in nearly 20 years, we see in this country a growth of isolationism, both political and economic and a tragic and growing loss of confidence in the capacity and productivity of the American economy. Smaller countries have for years both feared and hated our economic supremacy and yet we have led the way in keeping trade relatively free among nations despite the reluctance of these smaller countries to engage in open competition with the United States. We have impressive economic commitments throughout the free world and no doubt these are largely responsible for keeping the world as free as it is from Communist economic domination.

At least 4 million American jobs are directly involved in American export trade. This is a great help toward achieving full employment and a growing economy. There can be little long-range growth or benefit from isolationism and retrenchment. But the promise of a bright future can be turned into reality through an aggressive expansion of exports. We are the leading exporting nation in the world and our exports are nearly $40 billion per year. A policy of brinkmanship and the likelihood of a trade war are dangerous stepchildren of protectionism. A devaluation of the U.S. dollar and the resultant severe impact on the domestic economy and the consumer's pocketbook are likely to result from the shortsighted politically expedient provisions of the pending legislation.

In recent weeks there has been a great deal of discussion about the shift in our balance of trade. Increased imports during the past decade have reduced our trade surplus. Of this there is no doubt. Nevertheless, our exports in finished manufacturing equipment still exceed imports by $3.7 billion, and exports in machinery still exceed imports by $5.5 billion. The decline in our trade surplus, moreover, has been offset by an increase in other monetary receipts, particularly from foreign investments. The net direct investment creditor position of the United States jumped, for example, from $8.4 billion in 1950 to $53.1 billion in 1968. And if we consider the flows of capital and flows of earnings together, we find a net capital gain of $2 billion between 1960 and 1968. In short, the international trade position of the United States is very strong despite the increase in imports.

Title II of the bill would institute quantitative restrictions upon the import of basic consumer goods. If the bill is passed in its present form, manmade fiber imports next year will be 40 percent lower than the 1970 import level and nonrubber footwear imports reduced by 39 percent. A rollback in textile imports would decrease Japan's textile trade with the United States by 33 percent; textile trade with Korea by 40 percent; with Taiwan by 48 percent; Hong Kong by 39 percent; the Philippines, 42 percent; Israel, 63 percent; Ireland, 55 percent; the United Kingdom, 68 percent; and Costa Rica, 80 percent. Obviously, quotas will hit many of our trading partners hard—partners who are also important allies.

Although the quotas are aimed specifically at textiles and footwear, quotas may soon be applied to at least 120 other items, or to more than 15 percent of the total U.S. import market. This means that the import of everything from automobiles to bicycles, ceramic tiles to tennis balls, would be restricted regardless of the market demand.

There is a very real danger than once the floodgate is opened, the situation will get out of hand. As soon as quotas are approved from some products, it will become very difficult to justify not extending equal protection to other industries even though competition from foreign imports in no way affects their viability.

Drastic cuts in the supply of consumer goods will inevitably lead to a sharp increase in domestic prices. Over and over again economists have shown that quotas increase inflationary pressure upon a nation's economy. To establish quotas at a time when the country is struggling so hard to curb inflation seems to be the height of folly. It will create economic hardships not only for the consumer, but also for industries not protected by quotas.

This year the U.S. share in the Japanese wheat market increased significantly. Wheat sales between April and August were up 50 percent over the same period last year. Whereas world trade in feed grains increased by 4½ percent this year, the U.S. share in feed grain exports increased by 20 percent.

Certainly steps should be taken to mitigate the hardships created for domestic industries by foreign imports. American businesses must be protected from unfair competition and dumping. But testimony presented at the recent hearings did not conclusively demonstrate that the current economic slump in the textile and footwear industries is directly attributable to increased imports, unfair competition, or dumping.

Last fall, Japan eliminated import quotas on a number of items including potato powder, meal, flakes, margarine, and shortening. They promised to remove the soybean meal quota next year. This, of course, would expand the U.S. soybean export market considerably. Japan has also recently offered to resume discussions regarding voluntary restraints on textiles obviating the need for quota restrictions.

Removal of the Japanese soybean quota and further tariff concessions from other countries on agricultural produce will not be possible if the United States imposes restrictions upon their exports. As President Nixon indicated in his message to Congress last fall, quotas will "jeopardize our competitiveness in world markets at the very time when tougher competition throughout the world requires us to improve our competitive capabilities in every way possible."

I think that those of us from the Midwest, Mr. Chairman, are very much concerned about this topic that some people have said we should not discuss, which is retaliation. I think the reason why we are so concerned is we know that our American farmers are in trouble, those that produce the feed grains and those that produce the soybeans, and we are concerned about what effect this trade bill possibly would have.

Mr. Chairman, I want to mention that we know, too, that for some time there has already been on the table for consideration by the Common Market countries a proposal for a tax that would be imposed upon vegetable oil and meal. We are concerned that our soybean exports have been one of the few bright spots in an otherwise dismal economic agricultural picture. We know, if we enact this legislation, there has already been comment and talk about the fact that there would be retaliation. In my opinion, the very first thing to be retaliated against would be our soybeans, our feed grains, and other agricultural products. This being the case, rather than taking the time of the House with a lengthy speech, I would like to refer the chairman to his report; that is, to the report of the committee, which indicates there is some kind of adjustment assistance for industries and employees of industries that would be adversely affected by any kind of economic trade barriers. May I ask the chairman what, if any, consideration was given to providing some kind of adjustment assistance for soybean farmers, for instance, or corn producers or other kinds of agricultural producers in the Midwest? If there is retaliation, what would likely happen?

Mr. MILLS. Will the gentleman yield?

Mr. RAILSBACK. I am glad to yield to the gentleman.

Mr. MILLS. I share the gentleman's deep concern about the possibility for continued exports of soybeans. The gentleman's State is our largest producing State. I understand my State is next to yours but not in a tie with it. It is right behind you. So I have that same interest and concern as you do. I would not be for this bill if I thought for 1 minute it would have any serious impact on our shipments of soybeans.

We thought some time ago, as you will remember, that we had hit the limit on the sale of soybeans abroad because of the development of the export of sunflower oil from Eastern Europe. We were very blue at that. It turned out that the Europeans preferred the soybean oil and the beancake and continued to increase their purchases of our soybeans.

This retaliation that the gentleman is talking about is being voiced by American citizens, primarily.

Mr. RAILSBACK. Mr. Chairman, let me mention to you I just had a conversation with my colleague from Illinois (Mr. FINDLEY) who indicates that not only was there a proposal which was on the table and under consideration by the Common Market countries but that it is back on the table for consideration as of 4 days ago. This is a real problem and it is one which exists now, with probable retaliation against agricultural products.

Mr. MILLS. Actually, here is how the matter works if there should be a problem. If they should cut down on their purchases of soybeans or do something that makes it impossible for us to ship $100 million of soybeans, let us say, to Germany, then Germany would be required to compensate us in some other way just as we have to compensate if we do something that cuts back on their trade with us. We go to GATT and figure out the cost of it. That is not retaliation, but compensation for what you have to do in order to protect American industry. Of course, foreign nations, realizing they would have to compensate, would think twice before cutting back on purchases such as in the example I gave.

Mr. RAILSBACK. What you say is true, but it does not provide any kind of assurance for the soybean producers such as the kind of assistance that is assured for people in other affected industries.

Mr. MILLS. I will tell you that there is not anything in here that protects anybody from anything except imports. It is not a question of injury to the soybean industry from the importation of soybeans in this country. What you are talking about is an injury that would develop from our failure to protect our export interest and our rights under the GATT should other countries take action to reduce the amount of soybeans they buy from us. We did address ourselves to that side of the coin by reemphasizing the need for the President to act when others take action to negate the trade agreement concessions granted to us.

Let me tell you, though, I have thought a great deal about the matter of soybeans. It is a very needy crop in my district. My people and I have talked about it. Apparently they have enough confidence in me and in my study of this matter that they have not said, not even one of them, that they are going to oppose this legislation.

The CHAIRMAN. The time of the gentleman has expired.

Mr. COLLIER. Mr. Chairman, I yield such time as he may consume to the gentleman from California (Mr. PETTIS).

Mr. PETTIS. Mr. Chairman, on balance, this is a bad bill, and the fact that it is sponsored, supported, or acquiesced in by legislators of brillance, unquestioned patriotism, and otherwise sparkling record does not diminish the calamity it represents. There is ample justification for concern about the symmetry and reciprocity of our trade arrangements. For the most part, our U.S. traders have not been treated as well abroad as those from abroad who wish to sell their products here in the greatest market of the free world. Both in Europe and the Orient there are many restrictions on American investment and American exports.

But this bill fails to make the leap from the justification for action against those who have not treated us fairly to the appropriate remedy for dealing with them. Many remedies are available to us and yet in going the quota route we have chosen the remedy most likely of all to harm our national and commercial interests. We cannot open other doors by closing our own. Our goal abroad should not be to punish others but to advance American trading interests. One who believes in the effectiveness of our system of free enterprise must believe also in our ability to compete, not necessarily with respect to every article produced, but with respect to the aggregate value of production. If America has lost the ingenuity that made our competitive system a boon to Americans, no amount of protection can save us. In commerce, protection leads to rigidity, and rigidity to moribundity.

Even if it is assumed that protection is an appropriate short-term device to ease adjustment problems—and none of the proponents of this bill so limit their view of it—quota legislation is still the least appropriate type of protection for an economic system like ours. Increasing tariffs would permit a degree of competi-

tion to save us from commercial hardening of the arteries and would permit some control of the resulting increases in price level. Quantitative restriction of imports excludes the efficient foreign producer as well as the inefficient, while reducing the supply of goods available to the American consumer. The resulting domestic price rise is indeterminate, even though inevitable.

I oppose this bill primarily for these philosophical and economic reasons. Statistical, technical, and tactical reasons further influencing our opposition are summarized below:

First. I believe that our present law, given an aggressive executive branch, can be effective to protect our people against dumping and other unfair trade practices. The fact that present law has not been effectively used in the past does not mean that it cannot be effectively used. President Nixon has signaled by his actions in this area that he intends to use these existing powers more effectively to advance American trading interests abroad.

Second. The protection of American employment is the usual rationale given for this legislation. Although employment has been soft lately, there are many reasons in addition to the intrusion of imports. Nobody enjoys even the statistics of unemployment, much less its human impact. But more jobs are involved in our export trade and production for export than are now threatened by imports. Export jobs are usually high pay, high technology jobs; import jobs are usually comparatively less significant in national economic terms. Export jobs will almost certainly be affected by import restrictions, through the inevitable retaliatory reaction abroad. We should not put ourselves in the position of relying on the restraint of our trading partners to avoid a trade war, and all the damage that will do to sales of American products abroad.

Third. With inflation still our major economic woe, this is a bad time to be limiting the supply of those necessities which are cheapest and most likely to be bought in the Nation's bargain basements. Regardless of claims to the contrary, neither the supply of goods nor the most effective part of business competition can be reduced without causing prices to rise. Domestic inflation is one of the causes of the deterioration of our trade balance. We should strike at the causes of inflation rather than try to compensate for it with protective devices which will themselves become part of the inflationary spiral.

Fourth. Quotas, whether voluntary or involuntary, are going to be difficult to administer fairly. A domestic chain retailer with large purchasing power will have an advantage with respect to foreign supply once that supply is limited. There is no plan to license imports, and in all probability the small retailer, lacking bargaining power, will have to deal exclusively in the higher priced domestic goods.

Fifth. By this bill we are giving long-term legislative quota protection to several large industries. In effect, we are making a legislative finding that they have been injured by imports. The so-called basket and escape clauses leave with the President substantial discretion as to whether or what types of protective relief will be given to injured industries and employees. As a result, this bill, with its splendid opportunities for legislative back-scratching will be difficult to keep under control as it moves through Congress. Of total textile consumption in this country in 1969, about 8½ percent was represented by imports. Of total footwear consumption, about 13 percent were imports. Many a smaller industry, lacking the political clout that comes with a large labor force, can make a statistical case equivalent to these giants; and this invites expansion of the bill rather than its containment.

Sixth. This type of quota legislation provides protection for other industries than the American industries affected. In fact, the Japanese are guaranteed their historical share of our textile market, a portion otherwise bound to decline as new lower cost industries in South Korea and Taiwan increase their textile production. Japan has a favorable balance of trade with us, despite her rising costs, while Korea and Taiwan need our trade badly. Japan is also benefited relative to these same countries by the bill's failure to remove American selling price protection from rubber-soled footwear. As we have said previously, we do not advocate punishing any country or favoring any country. We should not be closing doors to trade, but opening doors which previously have been closed.

Seventh. Agricultural produce, a major factor in our favor in balance of trade, is peculiarly subject to the foreign retaliation this bill will trigger. Japan is our best purchaser of our agricultural produce, and can easily shift large amounts of its purchases to Australia and Canada. The European Economic Community would like an excuse, in light of its butter surpluses, to shut off the better than $500 million annual trade in American soybeans which are used for margarine. One in five cultivated American farm acres produces for overseas consumption. It is of particular irony to American farmers that they were not aggressively represented in the trade liberalization negotiations of the Kennedy round, and that they will, on the other hand, be peculiarly vulnerable to the repercussions of our move away from trade liberalization.

Eighth. We are the leading trading Nation in the world. This bill, if enacted into law, will signal that the United States is abandoning a leadership role, and a contraction of world trade is likely to result. Markets of the developing world will expand at a faster rate than our own already highly developed domestic markets, and this is the wrong time to be looking inward.

Ninth. Although DISC is a scheme of tax deferment with a potential revenue impact of close to $1 billion when fully implemented, I do not oppose it. At least DISC puts the emphasis where it should be—on expanding exports rather than restricting imports. I think the DISC proposal will be of benefit primarily to small- and middle-sized producers not already in the export market, since larger producers tend already to be represented in foreign markts through foreign subsidiaries; the domestic tax benefits of these are greater than DISC will be able to provide. In some marginal cases, DISC may actually provide an alternative to the relocation of American plants abroad. In short, though DISC is a tax loophole, I believe it to be a modest one which will have the desirable effect of stimulating exports at this time.

Mr. COLLIER. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. COUGHLIN).

Mr. COUGHLIN. Mr. Chairman, as a sponsor of a bill to provide for orderly trade in textile articles and articles of leather footwear, I look upon the present trade measure with grave misgivings. I am reminded of the ancient story of how the Chinese discovered the delights of feasting on roast pig, only having to burn down the house to roast the hog.

In our efforts to resolve certain grievances, I am afraid we will inflict a grievous injustice upon the American public and the workers we have sought to protect. The present bill goes far beyond the rectification of inequities in the form of discrimination and government subsidies by foreign countries. It, indeed, opens up chapters in protectionism and tariff-setting that we all ought to consign to the dust bin of disproven economic and business theories.

The trade bill, as it stands, certainly will be detrimental to the American consumer by reducing his market options, tending to keep prices artificially high, inhibiting the growth of world trade, and promoting retaliation by other countries.

In the fields of textiles and footwear, there is an unfortunate pattern of discriminating against American products and a patently unfair and disproportionate advantage fostered by Japan against our products. I regret, for instance, that the lobbying efforts of the Japanese exporters and their American importers could not have been better turned toward convincing the Japanese Government to agree to reasonable, voluntary arrangements. Perhaps, we then would not be at the stage we are now—where good and honest men stand divided on how best to protect the interests of American consumers and workers.

When I testified for my bill on textile and footwear articles, I noted this failure of voluntary agreement as the base for my actions in sponsoring the measure. Even at this late hour in Japanese-American talks, I find there still are valid reasons for a limited degree of protection for American textiles and footwear.

But, in all good conscience, I cannot see any valid reasons for adoption of so wide-ranging and unselective a measure as has been reported to the House. As usual, we are now in a take-it-or-leave-it situation. This is something I have come to expect in the House, but I have not learned to like it.

I think the long-range implications of this bill are harmful, not only to the general American public, but to the very people and workers it is supposed to pro-

tect. I regret that, in these circumstances, I must vote against it.

Mr. COLLIER. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois (Mr. FINDLEY).

Mr. FINDLEY. Mr. Chairman, I have previously secured permission to insert extraneous material in these remarks.

I would like to pursue the very helpful dialog that my colleague from Illinois (Mr. RAILSBACK) initiated a moment ago. I recall earlier in the debate that the Common Market was described as a protectionist bloc, that it is a protected market. This certainly is true. But if you exclude agricultural products, the Common Market is less protected than the U.S. market.

It could become more protected. That is the important point.

Japan has been described as a highly protected market. There is no question about that whatever. But the point can be made soundly that Japan can become even more protective than it is today. This has, in my opinion, a very important meaning to those of us who have farmers in our district. Japan just completed a year in which it became the first billion-dollar-a-year customer for farm products the United States has ever had in its history. Japan can go elsewhere for these farm products. Japan does not have to buy our soybeans. It can go elsewhere for oil seeds. It can go elsewhere for raw cotton. It can go elsewhere for feed grains and rice and hides.

The Common Market has become a tremendous market for our soybeans. That has been said over and over again. Soybeans enter the Common Market without any duty whatever, totally unrestricted. Yet, as my colleague from Illinois (Mr. RAILSBACK) mentioned, just a short time ago the Common Market Commission tabled a proposal which would have imposed a very heavy duty on imported vegetable oil. There is no question but what they had a very valid reason to consider this action. They needed revenue in order to finance transition in their agricultural program. They also needed to spur the use of dairy fats of which they have a very heavy surplus in the Common Market.

They were dissuaded from this by resolutions that the chairman of the Ways and Means Committee and many others introduced. The resolutions had an impact. So the Common Market was faced with retaliation if they went ahead. They were impressed with those resolutions. The tax proposal was taken off the table and it was not under active consideration for about 2 years, until just a few days ago.

But, Mr. Chairman, if we go ahead with this bill today what leverage is left for us to persuade them to effect still further this tax? I might mention to the chairman of the committee that soybeans are tremendously important to the State of Illinois, but I think in a sense they are more important to the State of Arkansas. I am told that more acres are planted to soybeans in Arkansas than all other crops combined. So it has indeed become a crop of tremendous importance.

I have talked with officials of the Common Market countries and of the Commission each time that I have gone to the NATO Parliamentarians Conference for the past 3 or 4 years.

I have talked to them about the importance of keeping trade channels open, and I am convinced from this experience that they will move against our soybeans if we go ahead with this bill, and that is going to be a mighty bad thing for American farmers.

We need new leadership in trade policy, worldwide, there is no question about it, but the type of leadership we need is leadership toward freer trade, toward less obstacles to trade, and it ill behooves the world's leading trading nation to take this step backward. We should be setting a good example, not a bad example. We should be taking the lead today perhaps for another round in Geneva, perhaps for an expansion of the European free trade area idea to include our country and all industrialized nations in the world, but in any case some forward movement to expand world trade, not contract it.

If this bill goes through we will have taken a bad step, a step in the wrong direction, and one that is going to hurt the American farmers, that is to be sure, and one that is going to hurt our consumers, and that is to be sure, and one which is going to hurt the broad interests of the American people in many, many ways.

Mr. Chairman, I urge my colleagues to join me in the move to recommit the bill, and on final passage, if that moment ever comes, to defeat it.

Mr. Chairman, with a deep sense of regret, made all the deeper because of my admiration otherwise for trade objectives of the Nixon administration, I must state that concern in high places for textile protectionist interests in this country is getting completely out of hand. I hope the President will quickly intervene personally and get his lieutenants under control. For example, Stanley Nehmer, Deputy Assistant Secretary of Commerce for Resources, made an outrageous forecast concerning the impact of the trade bill on American jobs in a speech last night, a speech so skillfully timed that it leaves little chance for correction before the final vote on the trade bill now before this body. He responded to a responsible statement by Dr. Andrew F. Brimmer, a Governor of the Federal Reserve Board.

Mr. Nehmer qualifies his statement by saying "obviously not all of the jobs were lost to import competition," but unfortunately—and I fear intentionally—the qualification gets lost in the mass of statistics which follows. From a job loss figure of 100,000, Mr. Nehmer builds a shaky inverted pyramid of logic which concludes that $2.5 to $3 billion of income will be lost over the next 5 years to wage earners "in the absence of meaningful restraints on imports." Mr. Nehmer proves once again that if you make the right assumptions to start with, you can conclude almost anything you wish. Obviously, Mr. Nehmer wanted to conclude that the pending trade bill should be passed, and he used his figures accordingly.

What Mr. Nehmer did not explain was the significance of his qualification. Job loss in the textile industry this year has totaled 100,000. However, according to Deputy Assistant Secretary of Labor Herbert Blackman, most of the jobs lost were not attributable to competition from imports, but instead to a sluggish economy which has caused unemployment in all industries across the board. Mr. Nehmer's inverted pyramid of logic crumbles before the fact that jobs lost due to a sluggish economy would not be saved by passage of the trade bill.

The statement from the Labor Department takes on added significance when one remembers that the administration is officially on record as "reluctantly" supporting quotas for textiles. Thus, Mr. Blackman's statement that at least half the jobs lost were due to economic conditions unrelated to imports raises serious questions about the authenticity of the rest of Mr. Nehmer's figures. What is clear is that, being very conservative, you can at least cut Mr. Nehmer's figures for lost income in half, and probably you could cut them in half again before they would make any sense whatsoever. What is clear is that nothing like $3 billion in income will be lost in the years ahead if this bill is not passed, and probably the figure would never approach $1 billion. Such scare tactics engaged in by an administration spokesman on the eve of a crucial vote in the House are a disservice to the public interest and show evident disrespect for the intelligence of the Congress.

In addition to the questions I raised with the Labor Department, I also today asked the President's Council of Economic Advisers for an assessment of Mr. Nehmer's attack on Dr. Brimmer's statement. Here is the answer I received:

COUNCIL OF ECONOMIC ADVISERS,
Washington, November 19, 1970.

HON. PAUL FINDLEY,
House of Representatives,
Washington, D.C.

DEAR MR. FINDLEY: To begin with let me congratulate you on your efforts to prevent passage of the trade bill in its present form. I am sure you have the support of all who are interested in a free domestic and international economy.

The assertion has been made that the economic impact of textile industry job losses because of imports are measurable in tens of billions of dollars over a five year period. This estimate is without foundation. The textile industry is suffering some damage from imports, which is why the Administration is trying to negotiate a voluntary export agreement with other countries. Far more people, however, leave the textile industry voluntarily each year than are displaced by imports. In fact, imports of textiles account for only 5½ percent of the total supply.

We were discussing Dr. Brimmer's estimates of the cost of import quotas to consumers. Without going into the details of these calculations I should like to say that Dr. Brimmer's study represents a competent and careful attempt to answer a complex and urgent question. It deserves careful consideration.

The question has also been raised about whether imposition of import quotas by us would lead to retaliation. Our Ambassador to the European Economic Community, Mr. Robert Schaetzel, has said that "anybody who believes that there will be no retaliation is living in a fool's paradise." In this connection it should be mentioned that within the last few days the European Commission has

again put the soybean tax on its agenda, but a decision has been postponed until after the fate of the trade bill is clear. British officials also have left no doubt about the repercussions of passage. Even more serious is the encouragement which this bill gives to protectionists in other countries. Our exports provide jobs for 2½ million people and have been a factor of strength in the economy.

In its present form the trade bill puts into jeopardy the interests of consumers, farmers and other exporters. The President has frequently and strongly stated his support for freer trade.

Yours sincerely,

HENDRIK S. HOUTHAKKER.

The point made by Dr. Houthakker in regard to retaliation is absolutely sound. Over a period of 6 years' attendance at conferences in Western Europe and discussions with leaders of those countries and our own representatives in that area, I am convinced that we are asking for trouble by passing this bill. The immediate reaction will be to respond by establishing the same type quota rollback that is written into this bill, but beyond that we must all take to heart the grim warning of the European Economic Community which has put once more the soybean tax on its agenda. If this tax is imposed, it will cut sharply into the exports of soybeans from all over the United States, a product which is produced widely, not only in my home State of Illinois, but in the State of Arkansas. The distinguished chairman of the Ways and Means Committee is undoubtedly thoroughly aware of the impact of soybeans on the economy of his home State. The acreage planted to soybeans in Arkansas exceeds the acreage planted to all other crops.

This bill seriously threatens soybeans exports and for that reason alone should be defeated.

Mr. BYRNES of Wisconsin. Mr. Chairman, may I inquire of the distinguished chairman of the Committee on Ways and Means whether the gentleman intends to secure permission for the general membership to extend their remarks on this legislation when we go back into the House?

Mr. MILLS. If the gentleman will yield, it is my intention to do so.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from Iowa (Mr. SCHWENGEL).

Mr. GUDE. Mr. Chairman, will the gentleman yield?

Mr. SCHWENGEL. I yield to the gentleman from Maryland.

Mr. GUDE. Mr. Chairman, I thank the gentleman for yielding.

I rise in opposition to the legislation.

Mr. Chairman, I rise in opposition to the trade bill. I am certainly prepared to support legislation to provide relief to companies and workers faced with severe injury from imports, but surely this assistance can be provided without a sweeping reversal of American trade policy.

By resorting to quotas, we are choosing the most restrictive alternative in limiting imports. The consumer and taxpayer will lose three ways: through higher prices for goods, through higher taxes to support the bureaucracy to administer quotas, and through loss of the revenue to the Government that would be earned by a tariff approach. I agree with the President that "such a policy of trade restriction would add to domestic inflation and jeopardize our competitiveness in world markets at the very time when tougher competition throughout the world requires us to improve our competitive capabilities in every way possible."

Let us not ignore the lessons of the 1930's, when nations tried to improve depressed economies by going it alone. There are problems to be worked out with other nations which restrict American imports which call for firm negotiation, but this is no reason to enact legislation that will invite retaliation from all our trading partners. This legislation promises a short cut to economic security in a few segments of the economy, at the price of diminished growth and strength in the American economy as a whole. I urge its defeat.

Mr. SCHWENGEL. Mr. Chairman, I hope I will not use the entire 5 minutes. I do want to say at the outset that I have been impressed with the type and the quality of the debate here, both yesterday and today, on both sides of this question. I shall dwell momentarily only on principle, and enlarge a little bit on how this affects the State of Iowa, and the farming community, and then to reflect upon a little history that leads to this, and state that I think we are violating the principle and the administration as established in the policy of reciprocal trade much earlier.

Mr. Chairman, in my prepared remarks I call attention to the fact that we need to discuss this matter, and we have been doing this very well, I believe. We have been at our best today. But I should like to examine this question in the light of what I think is a very important American principle, and that is the principle of freedom of movement of men and goods. It is because we have recognized this principle within the continental limits of the United States that we have produced more prosperity for more people, and that we have enhanced the wonderful idea that we call free enterprise more than we could have done in any other way.

The principle applied here should be gradually extended on a worldwide basis. The gentleman from Illinois has called attention to the fact that we ought to be finding ways and means to extend our worldwide trade, and not with this kind of legislation which is apparently restricting trade.

So much in that vein. Very briefly, on how this affects the State of Iowa and the farming community:

Recent statistics show—and this has been called to our attention already a number of times—10 percent of all goods produced in the United States are exported. This activity is the source of income, as has been pointed out, and I want to underscore this, for it makes possible 3 million American jobs, people who are engaged in export production, in transportation, in service industries, and in other industries—a $20 billion business in 1968.

Now, in the farming community—and this has been touched on also, but I want to stress the importance of it—the export of farm products reached $6.5 billion last year—and this is a very significant figure to note.

That represents the production from one of every four, or almost every four crop acres that is exported.

My friends, if we with some unwise policy, as I believe this is, further restrict or cut back on farm products, you will damage the farm economy even more. When you damage the farm economy, you are damaging an industrial activity and the kind of prosperity that comes from farmers buying machines. Today, percentagewise, they buy more manufactured products than any other sector of our economy.

Finally, the reciprocal trade idea that this would put in jeopardy began in a Republican administration. A farsighted Chief Executive economic policy unfortunately here is being neglected.

I call attention to the fact that William McKinley when he was a Congressman was truly a protectionist. But before he left the Chief Executive's office, he called attention to the importance of international trade in an eloquent speech he made on the day before he was shot in Buffalo, N.Y. I quote him—and this underscores the principle I am talking about on the world front:

The period of exclusiveness is past. The expansion of our trade and commerce is the pressing problem. Commercial wars are unprofitable. A policy of good will and friendly trade relations will prevent reprisals.

That will enhance the well-being of the people of the world while we enhance the well-being of the people of the United States of America.

Mr. Chairman, the trade bill recently reported from the Ways and Means Committee must be carefully considered prior to any vote. Its provisions are being and should be examined in light of a domestic American heritage reflecting the principle of freedom of movement—of men and goods—this principle is essential to the well-being of our country; a heritage which, applied through the years on an international basis, has resulted in mutually increasing benefits to all. I believe that the trade bill violates this important principle. I certainly support the President's decision to veto apparently a mandatory quota legislation.

Included in the trade bill are some good provisions. I refer in particular to the section providing machinery for repeal of the American selling price method—ASP—of valuing imports. This was designed almost 50 years ago to protect the infant benzenoid chemical industry. This system has long been an obstacle to credible negotiations for removal of other nontariff trade barriers blocking the path to freer trade. It sets import value for duty purposes, not on the foreign export value, but on the basis of a price set by an American manufacturer of a competitive product. Economists have long felt that ASP protection for a now multibillion-dollar industry is no longer logical or necessary. The repeal of ASP would be a proper step in convincing our trading partners, who have been erecting similar barriers, that it is in the best

interest of all parties to begin the business of tearing them down.

Another valuable provision concerns the grant of executive power to reduce U.S. tariffs by as much as 20 percent—a necessity in light of our escape clause procedures. Grants of escape clause relief, temporarily imposing restrictions on imports to provide a reasonable time period for affected domestic producers to competitively improve their operations, must be balanced by U.S. concessions in other areas. Otherwise, countries whose exports are adversely affected may be expected to exercise legal retaliatory GATT rights—with possibly dire consequences. Though, in my judgment any grant of relief through the escape clause must be based on stringent requirements and clearly labeled a "temporary measure," such relief is a necessary departure from the doctrine of free trade. Agriculture and industry should, of course, be given a fair chance to compete. Wielded as an instrument effecting a policy of compensation, the tariff-reducing authority provides the President with ample means to hold the trading system in balance, while allowing a reorganative respite for business.

I am also in accord with Domestic International Sales Corp. proposals. At a time when our trade balance is severely threatened, it is of the utmost importance that we not discourage business from seeking out and developing larger foreign markets. At present, our tax laws discriminate against U.S.-based exporting firms. In contrast to foreign domiciled U.S. concerns whose export income is regarded as "foreign source" income, and thus not subject to U.S. tax until the income is distributed to shareholders; and the tax rules of other developed countries, where tax is either deferred on export income or not attached at all, American-based export firms are currently and fully taxed on income from any export sale. Due to such deferral limitations, the only way most U.S. manufacturers can escape from full U.S. tax is to form a foreign corporation to manufacture abroad. This situation naturally favors large corporations with existing foreign structures and extensive foreign tax credits.

The Treasury's proposal would, by recognizing that export income is by definition partly foreign-source income and deferring U.S. tax on designated DISC's, remove legal impediments in our tax law which now inhibit the growth of U.S. trade. A DISC, among other things, would have to gross at least 95 percent of receipts from export sales activities and from investments in export-related assets and Eximport paper.

Though this tax deferment program would initially entail a significant revenue loss, its long-range influence on effective export competition will, I believe, more than compensate for the loss of tax revenue. In fact, Treasury estimates point to exports in excess of $1 billion over that which would be realized under the present system. The DISC provision is a positive move toward a competitive balance of trade.

Undercutting and at odds with these provisions, however, are the volatile threats of mandatory quotas in the areas of textiles, leather shoes, and oil. For the reasons set down below—I will set down—I urge defeat of this measure.

The impact of protectionist legislation on the U.S. economy, while initially shielding some harried industries, could easily produce long-run negative results. For instance, by preventing the President from shifting to an oil tariff system, and freezing import quotas at their present levels, the bill could lead to inflationary consumer expense of as much as $7 billion a year by holding domestic prices at an artificially high rate. Though I am fully aware of the need to protect our national security, I must question the efficacy of legislation achieving that end at such exorbitant cost to the public. The wholesale price of domestic petroleum for the past several years, for example, has exceeded the average cost of imported petroleum by almost 50 percent. Surely, a larger though limited, element of free market competition, stimulating domestic industry to produce more efficiently and at a lower cost, would not damage America's security. This bill would revoke that possibility.

Our trading partners, too, must be respectfully considered. It is folly to think that they would stand idly by as their foreign markets dry up. Consider our own response, for example, should Japan cancel a significant amount of our more than billion dollar agriculture trade with them. Certainly, we would be under great pressure to retaliate by striking in an equally lucrative market. The two market areas most affected by this legislation, the European Economic Community—including Belgium, the Netherlands, Luxembourg, France, Germany, and Italy—and Japan, are already under considerable economic and political pressure to diminish U.S. economic presence within their respective spheres. Quotas hastily enacted to cut out some of their most profitable U.S. markets could provide the excuse to exercise a legal right under GATT and severely limit U.S. sales abroad, probably opening the first round in an international trade war.

The give-and-take of foreign trade is central to American economic health. Recent statistics show that 10 percent of all goods produced in the United States are exported. This activity is a source of income for almost 3 million Americans engaged in export production, transport, and servicing. Industry, which exported more than $20 billion in 1968, has a large stake in the foreign market. Coal, machine tools, construction and mining machinery, steel, and aircraft are all sold in quantity. Exports of farm products, reaching $6.5 billion last year, are also very significant. Over a billion dollars a year with Japan. Almost one of every four cropland acres is exported. Iowa, for example, received 14 percent of its total cash farm receipts, or $426.1 million, from exports in 1966, $530 million from exports in 1969. Since 1966 the State was the leading exporter of lard and tallow, meat products, and hides and skins; foreign sales were valued at $29 million, $17.9 million and $15.5 million, respectively. The export value of her feed grains was $152.7 million, of soybeans $108 million, of protein meal $30.4 million, and of soybean oil $23.5 million. Certainly, Iowa's economy would be injured should her farm exports be even partially lost. Combined with losses of industrial exports, the crippling effect in Iowa, and across the Nation, would be compounded.

Imports are an equally integral part of the economy. They furnish essential raw materials for both civilian and military sectors. The availability of competing goods from abroad restrains inflationary pressure and promotes efficiency by U.S. concerns. And, most important, the dollars spent for these goods increase the ability of foreign states to purchase U.S. products. Without this reciprocal buying and selling, our large volume of trade would, of course, decline, carrying along with it numerous jobs and our economic well-being.

Viewed from the past, international trade takes on a better perspective. In the late 1800's, the McKinley administration successfully negotiated some of the first reciprocal trade agreements with foreign states. That farsighted Chief Executive's economic philosophy, unfortunately neglected in following years, was I think best phrased in a speech delivered at Buffalo, N.Y., the day before his assassination. He stated:

> The period of exclusiveness is past. The expansion of our trade and commerce is the pressing problem. Commercial wars are unprofitable. A policy of good will and friendly trade relations will prevent reprisals.

The Tariff Act of 1930 is an example of the kind of trade law McKinley warned against. Establishing restrictive tariffs in hopes of reviving falling domestic prices, it resulted in trade stagnation with losses measured in billions of dollars and man-hours. Total U.S. imports did fall from $4,399 million in 1929 to $1,449 million in 1933. But, U.S. exports correspondingly dropped from $5,241 million in 1929 to $1,675 million in 1933—that is, roughly, from $5¼ billion of exports to $1⅔ billion. Historically, it is clear that trade restrictions should be approached with a great deal of caution.

Economic experts have also scored the negative effects of a U.S. retreat from its 35-year-old liberal trade stance. Their comments are probably best summed up by the President in his statement to Ways and Means on May 11, when he declared:

> I reject this argument (that we must set arbitrary limits on free competition) not only because I believe in the principle of freer trade, but also for a very simple and pragmatic reason: any reduction in our imports produced by U.S. restrictions not accepted by our trading partners would invite foreign reaction against our own exports—all quite legally. Reduced imports would thus be offset by reduced exports, and both sides would lose. In the longer term, such a policy of trade restriction would add to domestic inflation and jeopardize our competitiveness in world markets at the very time when tougher competition throughout the world requires us to improve our competitive capabilities in every way possible.
>
> In fact, the need to restore our trade surplus heightens the need for further movement toward freer trade. It requires us to persuade other nations to lower barriers which deny us fair access to their markets. An en-

vironment of freer trade will permit the widest possible scope for the genius of American industry and agriculture to respond to the competitive challenge of the 1970's.

Turning to the textile industry in particular, study reveals the impropriety of broad import legislation in one area now targeted for protection. Textile imports have tripled recently, rising from $744 million in 1959 to $2.1 billion in 1969 under a relatively loose tariff system. However, imports now make up only 8.5 percent of the total textile market, a slight gain from the 1960 holding of 6.3 percent; and, U.S. production within the same 10-year period has increased some 50 percent.

A textile imbalance of $1.4 billion has resulted from the influx of foreign goods. But, compensation for this deficit lies in the fact that foreign states must have such excess funds if they are to purchase U.S. exports. For instance, even though textile imports from the EEC totaled $340 million in 1969, that market imported nearly $1,249 million worth of American agricultural products in the same period. Similar figures are available for Japan, the United Kingdom, and Spain.

In terms of profit, the industry is not faring badly. Apparel-finished goods manufacturers reported net gains of 11.9 percent of stockholders' equity in 1969, a profit .4 percent above the average of all manufacturers. Textile manufacturers reported a lesser, but still substantial gain of 7.9 percent.

Unemployment in the industry, however, remains a problem. The jobless rate for textile workers was 4.8 percent in March of 1970. For apparel-finished goods workers, unemployment reached 8.3 percent. Unemployment is presently a problem faced by a number of industries due to the economic downturn and is a difficulty that I know cannot be simply solved through legislation cutting down on imports, hobbling competition, and stifling its corallary, technological advance. Although more jobs may be available in an industry not challenged by stern competitors, a worker employed in a capacity better filled by advanced machinery can only lower efficiency and unavoidably raise the cost of goods. I urge that more thought be given to programs of job reorientation and training—with adequate support during that training—so that, provided with the tools to pursue another career, the wage-earner's talents may be profitably applied, and greater benefits accrue to both him and the consumer.

Certainly, Government does have a limited role in the market area. Allowance must be made for strategically important U.S. industries. They cannot be driven from the market by lower cost, though undependable imports, yet they must remain efficient and progressive enterprises. There is a need to remedy serious injury, or threat of such, to those involved in any industrial or agricultural operation due to foreign imports. And, protection against proven illegal behavior, such as dumping, must be forthcoming. However, should the legislative remedies to our original trade problems prove gravely detrimental to our national interest, some alternative cures must be sought. There are answers to our modern trade difficulties, but the trade bill of 1970 is an ill-prescribed remedy.

Preparing the ground for economic warfare, the bill threatens markets worth more than $30 billion for U.S. industry and agriculture. By arbitrarily protecting various industries from foreign competition, it curbs incentives to continually upgrade efficiency and gain lower unit cost. It fails to establish viable programs relating to those facing economic hardship in competitive modern industry. It threatens the jobs of nearly 3 million Americans and, by limiting foreign sources of supply, heightens the pressure of inflation.

I urge the House to defer any such action in this potentially explosive area. Recently, in Geneva, the United States and other major Western commercial nations, including Japan, agreed to negotiate trade differences—differences which will only be exacerbated if we use the threat of imminent quota establishment to force our trading partners into bargaining position. Avenues of discussion and negotiation are open. Each should be thoroughly, and realistically, explored. The administration is actively pursuing such a course.

Some of our important industries are presently at a disadvantage when competing with foreign-made goods. While protecting our economy, however, it is essential to consider the consequences of every action. We have the means at our disposal of resolving many of these issues in a much less risky manner. We must remember that legislation which is self-defeating is not good law. In attempting to combat economic injury, the trade bill courts with widespread retaliation and economic disaster. Such potentially damaging legislation should either be amended drastically or defeated.

Mr. MILLS. Mr. Chairman, I yield to the gentleman from South Carolina (Mr. DORN) such time as he may desire.

Mr. DORN. Mr. Chairman, I am happy to associate myself with the distinguished chairman of the Committee on Ways and Means and the distinguished and able gentleman from Wisconsin (Mr. BYRNES) on the outstanding arguments they have made and on the great bill they and the other members of their great committee have presented. No other two men have had a greater influence on the trade policy of this country for the past quarter of a century. And I might add, Mr. Chairman, that I am particularly proud and grateful that Chairman MILLS less than a month ago spoke in my congressional district at Anderson, S.C., in behalf of this outstanding legislation. We are all appreciative for his efforts toward a fair and orderly trade arrangement.

Mr. Chairman, as an organizer and currently secretary of the Informal House Textile Committee, I have closely followed the problem that we are dealing with today. We have today during debate heard various estimates—some so mistakenly low as to be astounding—concerning the effect on the American textile industry of the flood of cheap, low-wage imports. Some of our colleagues would seem to dismiss the consequences as unimportant. Others perhaps have been misled by the unprecedented volume of misleading propaganda that has been circulated by some of the opponents of the Mills Trade Act. But the fact is clear, Mr. Chairman, that the jobs of the 2½ million people of the textile, apparel, and fiber industries are in grave danger. Since 1960 textile imports have risen 145 percent, going from $880 million to $2.13 billion in 1969. Since 1965, imports of manmade fiber textiles have trebled from 79 million to 257 million pounds. This torrent of imports has led to distressing unemployment in the textile and apparel industries. Since 1966, textile industry employment has fallen 3 percent, while for the rest of the economy the total number of employees is up 10 percent. The textile industry employs many women, older persons, and minority group individuals who find it particularly hard to find employment outside the textile industry.

Mr. Chairman, some of the history of this textile problem is instructive as to what course we in the House should follow today. We on the Informal House Textile Committee worked closely with President Kennedy in obtaining the adoption of his seven-point program for the textile industry. This program included the successful negotiation of the long-term arrangement on trade in cotton. It is most relevant to our discussion today, Mr. Chairman, to point out to my colleagues and to the American people, that this long-term arrangement did not cause unemployment and did not lead to higher consumer prices. Quite the contrary. Unfortunately, Mr. Chairman, it has not been possible to extend this cotton arrangement to cover trade of textiles of manmade fibers and of wool. That is the reason we are here today. We have seen that all our efforts to reach a reasonable international agreement have failed.

Mr. Chairman, the Mills Trade Act is a liberal trade bill. It is a reciprocal trade bill designed to encourage agreements with our trading partners. It is a reasonable and flexible solution to a serious dilemma. Our area of the country has long favored reciprocal trade as advocated by the late Cordell Hull. But we have become disillusioned with reciprocal trade as administered in Washington, and Members from our area will this time vote almost solidly for the Mills Trade Act.

I enthusiastically support this bill, Mr. Chairman, as it is legislation toward which we have been working for 20 years. And I strongly urge my colleagues to vote for the Mills Trade Act.

Mr. MILLS. Mr. Chairman, I yield to the distinguished gentleman from Kentucky (Mr. WATTS), a member of the Committee on Ways and Means, 5 minutes to close general debate.

Mr. WATTS. Mr. Chairman and members of the Committee, there has been, as my good friend, the gentleman from Wisconsin (Mr. BYRNES) has said, more misinformation peddled around about this bill than nearly any bill that

has been before the Congress in recent years.

I am not a so-called protectionist. Our committee is not a protectionist committee. This Congress is not a protectionist Congress. Nor is the administration.

We believe in free trade and open trade between countries. We feel that is the only way we can have a successful economy in this country and other countries.

But let me say to you, free trade must not be a one-way street. We have set the pace in the world for free trade. We have for years opened our doors to everybody, unrestricted you might say, except for tariffs and what is sometimes known as the American selling price system of valuation.

But what have our trading partners done while we were taking all these steps to open our markets to them? They have erected practically every nontariff trade barrier that you can imagine. For instance, in Japan there are at least 250 items that cannot move in trade from this country to their country, yet we permit them to sell any of those items in this country.

Moreover, anything else we ship over there we have to get permission to ship it. In contrast, we have no embargoes, no restrictions on anything they want to ship to us. German has border taxes; France has safety taxes. They have all come around every time we have had a tariff meeting to reduce our tariffs, along with reducing theirs, they have turned around and done something internally within their country, such as adopting a value-added tax, this kind of tax, or that kind of tax, which has more than eaten up the benefit that we have realized by a reduction in tariffs.

Yet again in this bill we provide authority for reduction of tariffs, and all we are seeking to do by this bill is call the attention of the other trading partners of ours and of the world that we realize what you are doing to us. We want free trade, but we want it to be a two-way street for both of us, and in this bill, if you have read it, there is a provision, or a number of provisions, that state that any country whose industry wants to come to an agreement with the President on what can be shipped into this country, the President can do away with any quota restrictions that are in this bill and allow much more to be shipped into this country than even the bill provides for. In other words, there are no quotas if our trading partners and the President want to get rid of them.

Of course, what has happened to us and what is happening to our industry in this country is that if we do not take some steps similar to the ones we are trying to take today to call the attention of those countries to the fact that some equilibrium must be established in trade, we are going to wind up a consumer nation without any industry left in this country. It is bad that our industries have moved abroad, but why have they moved abroad? They have moved abroad because the labor is so cheap over there that the foreign producer is able to flood this market with products that are sold cheap, because he gets his labor for 12, 15, and not over 30 cents an hour, whereas we are paying decent wages in this country so human beings can live in decency and comfort.

Of course industries have moved over there. Why? Because they wanted to get advantage of the cheap labor so they could offset the effect of what the foreign producer was sending into this country at a cheap price.

If you want this country to wind up merely as a consumer nation—that is what it looks like we are headed for—then do nothing about correcting this situation. If you had sat through the hearings on the Committee on Ways and Means, you would have heard such things as this: For instance, a country will say to the producer of a particular product, "We are going to put a border tax on which will protect your product in this country, because the fellow who tries to ship it in has a tremendous tax to pay. Now, you can raise the price to your home people. But there is a great big market over there in the United States. You sell to them real cheap, and we will supplement you."

So I say this bill should be passed. It is not going to cause any trade war, because we are in one now, and they are doing all the warring, and all we are trying to do is to strike a balance.

Mr. PREYER of North Carolina. Mr. Chairman, what should the trade policy of the United States be in the 1970's?

It is to that important question that the Trade Act of 1970 is addressed. You would never guess this from much of the discussion on the bill. Much of the discussion would imply that this is a purely "special interest" bill for the textile industry, or that it is a selfish and retrogressive return to the days of the Smoot-Hawley tariff bill of 1930. In fact, the bill continues the tradition of our major trade bills—the Reciprocal Trade Agreement Act of 1934, President Roosevelt's extension of this act in 1945, the creation in 1947 of the General Agreement on Tariffs and Trade—GATT—President Kennedy's Trade Expansion Act of 1962—and represents a modernizing of our trade policy for the 1970's. It is based on the recommendations of President Nixon's trade message to Congress and embodies the four principal recommendations of that message although not in the exact form requested by the President.

The President's message endorsed the principle of free trade but recognized that this was an ideal and not a reality. This bill is in that spirit. It contains provisions to encourage and foster world trade—such as permitting the elimination of the American selling price—ASP—restrictions, the authorization for the first time of U.S. payment of a share of GATT operating expenses, and according the same tax treatment to U.S. export industries as is now accorded to export industries in other nations.

But the bill also recognizes the realities of world trade in the 1970's. It recognizes the alarming and growing gap between the rates of import and export increase in this country. During the 1960–69 period, the value of imports rose 143 percent while the value of exports increased only 85 percent. We have had increasing difficulty in the last 10 years in maintaining a favorable international balance of trade. Specifically, our trade with Japan has shown increasingly large deficits, as shown in the attached table which I obtained from the Library of Congress.

The bill recognizes that the United States, as the freest trading Nation in the world, is taken advantage of by other nations which talk free trade while maintaining illegal quotas on commodities—Japan has more than any other developed nation—or by border taxes, or establishing stringent technical standards, or invoking equalization duties and mixing requirements. By contrast, the U.S. market is the most open in the world—and will remain so under this bill.

The bill recognizes that we are no longer peerless in international trade, that there are other powerful countries that have reached a stage in development where it creates serious problems for us rather than our only creating problems for others. Japan is exhibit A, with its single-minded pursuit of capturing foreign markets while firmly shielding its own markets from foreign competition. Ofter using cutthroat export prices, or "dumping," to penetrate a market—with its government backing its corporations with all kinds of preferential help—forming cartels of exporters to fix prices and share markets—illegal in this country—Japan's traders can overwhelm the average free enterprise trader. The American trader, who cannot do any of the above, also pays a minimum wage—in contrast to the inhuman wages of the Far East countries—and often pays for pollution regulating devices, retirement benefits, health insurance and other aspects of good corporate citizenship which are unknown to most of our foreign cheap labor competition. Once a market has been captured, the prices tend to go up. For example, the silk price today is twice what it was when we had both a domestic silk industry and silk imports. The domestic silk industry has now been destroyed. Furthermore, while our Government accepts the responsibility of giving massive economic assistance to South Vietnam, Japan is busy reaping substantial economic benefits through the sale of motorized vehicles, et cetera, to South Vietnam, consolidating its future trading position, while furnishing very little in economic assistance.

The bill recognizes that the textile and apparel industry in particular has suffered from this kind of competition. Employment has fallen 3 percent in the textile and apparel industries since 1966, while for the rest of the economy the total number is up 10 percent. The social cost of this unemployment is heavy since the textile industry has been one of the best employers of minority groups, older persons and women. When unemployed, they encounter great difficulty finding work outside the textile industry. It is estimated that if this bill is not passed there will not be a shirt factory in the United States in 5 years, and no printed goods.

Finally, the bill recognizes that a reasonable trade policy for the 1970's must recognize that we are a nation of workers as well as a nation of consumers. Over 75 percent of our people work. A balanced trade policy must offer reasonable protection for workers' jobs, as well as considering consumers. We could do as Japan does—pay our workers 50 cents an hour, but their workers then can buy so little of what is produced in Japan that Japan in order to carry out its economic program of expansion has to continually increase exports. We want to increase our exports—but not under these conditions. If we are not going to destroy our workers' gains and our way of life, reasonable regulation of world trade as contemplated in this bill is essential. Those who oppose this bill have an obligation to do more than raise the cry of "trade war," or "abandonment of free trade." They have the obligation to state what our trade policy for the 1970's should be. I doubt that they will improve on this bill.

U.S. IMPORTS AND EXPORTS TO JAPAN, 1960-69

[In thousands of dollars f.o.b.]

Year	Exports	Imports	Balance
1960	1,335,083	1,126,529	+208,554
1961	1,730,395	1,075,936	+654,459
1962	1,408,440	1,353,190	+55,250
1963	1,686,919	1,494,387	+192,532
1964	1,893,705	1,763,416	+130,289
1965	2,041,728	2,401,018	−359,290
1966	2,311,688	2,948,331	−636,643
1967	2,635,422	2,998,663	−363,241
1968	2,915,468	4,056,627	−1,041,159
1969	3,426,642	4,848,897	−1,422,255

Note: Compiled by United States-Japan Trade Council from Department of Commerce statistics.

Mr. ASHLEY. Mr. Chairman, I rise in opposition to the bill. The proposed Trade Act has several provisions which would be detrimental to the American economy, to the consumer, and to our relations with many other nations. The bill would severely regress from a trade policy which has fostered trade patterns beneficial to this country and expressive of our confidence in the competitive, free-enterprise system. It would establish procedures too complicated and confusing to administer in a reasoned fashion. And for the sound, historical tests of injury to domestic producers as a result of increased imports, it would substitute political clout as the basis for increased protection.

The many protectionist features of the proposed Trade Act would be disastrous, among other reasons, because:

Europe and Japan would retaliate against U.S. products legally, raising tariffs or quotas or both on U.S. exports to equalize their own export losses resulting from implementation of the act.

Constant uncertainty would be reintroduced into international trade because the loose trigger mechanism proposed for the establishment of additional quotas—or higher tariffs—would mean that U.S. policy regarding imports would become permanently unpredictable and that each new quota created will in turn cause further retaliation.

Retaliation could be prevented only by reducing tariffs on other goods, which means that the industries that are not seeking protection may have to suffer in some measure for the protection accorded to the less efficient industries; discrimination against U.S.-owned companies in Europe and Japan would increase sharply; and the forces in Europe seeking greater discrimination against U.S.-based firms operating there would be tremendously strengthened by protectionist trade legislation.

The genesis of the multiple regressive features in the trade bill lies in President Nixon's endorsement of mandatory quotas for the entire textile industry apart from any Tariff Commission findings of injury. By doing this, the President fostered the addition of a host of regressive features now contained in the bill.

It was either extremely naive, or a poor risk which should never have been taken, to have insisted upon textile quotas and to have expected other industries to remain passive. The President and his advisers were repeatedly warned that insistence upon textile quotas would open the "Pandora's box" to other industries, some of which have had a better case than textiles for import relief. And so this bill attempts to grant preferred status to the jobs and profits, in the absence of any historic test of injury, of a few select industries at the expense of so many other workers and businessmen, and invites the creation of a "Christmas tree" of protectionism in the other body, as has been pointed out by a number of my colleagues in their earlier remarks. The President cannot escape his responsibility by shifting the blame to the Congress and playing politics on both sides of the street.

The textile deal is obviously part of a southern strategy which was calculated to win votes in North and South Carolina. Let me quote to you from an extensive article, "What the U.S. Textile Industry Really Needs," which appeared in the October issue of Fortune magazine:

(In the Spring of 1968) Roger Milliken, an ardent conservative whose heavy contributions to local Republicans have inspired South Carolina Democrats to dub him "Daddy Warbucks," was busy reminding his Republican Senator, Strom Thurmond, that this was another election year and textiles needed help. Richard Nixon was campaigning hard for southern support, and on May 31 and June 1, 1968, he met with several groups of southern Republican leaders in Atlanta. At some of the sessions, the Southerners questioned Nixon about his views on such things as Supreme Court appointments, school desegregation, busing, and textile protection. Thurmond came down for one of the June 1 meetings, and afterward he and Nixon rode out to the airport in Nixon's car. Thurmond was in a position to cut a good deal, because Ronald Reagan was threatening to capture a goodly number of southern convention votes, and Nixon badly needed Thurmond's support. On that ride Nixon made it plain that he and Thurmond could easily reach a meeting of minds. Thurmond says Nixon promised him that the South would be treated equally with other parts of the country—most notably on school desegregation and voting rights—and that the southern textile industry would get help in its fight on imports. Three weeks later, Thurmond led the South Carolina delegation into the Nixon camp. . . . Soon after that Nixon sent a telegram to Thurmond and the textile leaders, pledging in writing his support for protection.

The President is still apparently of the opinion that this political debt should be paid by the Japanese and other exporting countries and by the American consumer.

There is no economic case for textile quotas. Viewed by any measure, profits, sales, employment and production, the textile and apparel industries as a whole have withstood import competition, have shown substantial growth, and in many instances have out-performed the economy as a whole.

The downturns of recent months are clearly related to the general economic situation and appear to be short-term in nature. What is surprising is that an industry which is so sensitive to general economic conditions as the textile industry has stood up so well in recent months.

Overall, imports have shown a relatively shallow penetration in this market, 8.5 percent in 1969, which is only slightly above the previous peak year of 1966 when the ratio was 8.2 percent. For man-made fibers, over which most of the fuss is being made the import-consumption ratio was at only 4.5 percent.

The textile and apparel industries have never demonstrated a case of overall injury. Indeed, textile producers have never even submitted a single application for relief under the escape clause provisions of the Trade Expansion Act of 1962. On the contrary, the most recent investigation by the Tariff Commission in 1968 revealed a healthy, prosperous and growing industry well able to withstand import competition. Yet the present bill would write into law mandatory quotas without a Tariff Commission finding of injury.

From 1951 to 1962 textile producers sought escape clause relief in 17 cases on products amounting to less than 3 percent of total industry shipments. Of these cases, three were dismissed at the request of the applicant, two were terminated without formal findings, "no injury" was found in six cases, and in six other cases the Tariff Commission found "injury" and relief was obtained. Thus I see no reason to scrap worthwhile, proven Tariff Commission procedures for the protection of not 3 percent, but all the products of an entire industry. What is more, textile producers have been faced with imports valued at a far lower percentage—8.5—of domestic consumption than is set forth in the very same bill as a criterion for relief of other American industries—15 percent.

President Nixon has stated that he does not like mandatory quotas because of the risk of retaliation by other countries which could affect our exports and because of the inflationary effect of quotas. Certainly both of these effects would be present in the case of textile legislation. What could be more important to the American consumer than the price of clothing for himself and his family and his household furnishings? Would the President have us believe that we can

get along with noninflated prices for shoes and inflated prices for wearing apparel?

The retaliation involved in textiles is staggering, on the order of hundreds of millions of dollars. I for one have little doubt that other countries will choose to exercise the rights that are theirs under international agreements and insist upon payment for their economic loss due to textile quotas.

I also suspect that the President's opposition to quotas on shoes and oil before they were written into the bill was lukewarm at best. The President came up with a sensible program for shoes based on a thorough investigation by his own task force, which found no justification for across-the-board quotas on footwear. But with his support for textile quotas the President has found himself so compromised that the mandatory shoe quota legislation in the Ways and Means Committee could not be prevented.

Oil quotas smack of sheer politics. Although the President's task force recommended a change from the present quota system to a tariff system, the President put this plan on the shelf. The President's objection to mandatory quotas on oil would appear, in this light, to be hypocritical.

Estimates vary on the cost of oil quotas to the American consumer from between $3 and $4 billion a year. This is quite a price for the American consumer to be paying for the President's political benefit.

Couple this with special protection for the glycine production of the Chattem Drug & Chemical Co., of Chattanooga, Tenn., and for mink ranchers and the debacle would seem almost complete. Not quite. To compensate the export community for the foreign retaliation that would follow from the many protectionist provisions of the bill, there are provisions for tax exemptions ranging from 50 to 100 percent of the total export-related profits of both U.S. manufacturers and their export sales subsidiaries. By the Treasury Department's own estimate, annual exports would increase by about $1 billion at a cost to the Government of $600 million—an extraordinarily bad bargain compared to other export incentives for which expenditures of such proportions could be used.

The textile-oil cabal may have served to fill the Republican treasury in the recent election, but pandering to these special interests certainly does not serve the public or the national interest. In short, there has been no overall injury found in the case of textiles, shoes, or oil. Enactment of these measures will cost the American public billions of dollars, will disturb our international relations, and will invite retaliation on hundreds of millions of dollars in job-producing American agricultural and industrial exports, many of which came from Ohio and from the Ninth District which I represent.

Ohio is the fourth largest exporter among the 50 States. The Federal Reserve Board of Cleveland has estimated that employment in 1969 in Ohio's manufacturing industries attributable solely to exports amounted to more than 54,000 jobs.

No less than 38 Ninth District manufacturing facilities employing more than 100 persons benefited from export sales in 1969. These 38 plants employed as many as 30,138 persons last year. Add to this the grain terminals thriving on export trade in my district and the shipping activities at the port of Toledo, and you realize as I do that virtually every family in the Ninth District benefits either directly or indirectly from an expanding world economy.

I call upon the President to repudiate his political commitment to the textile industry and to solve these problems in accordance with established law. If he really wants to avoid inflation and retaliation and the horrors of a trade war, let him demonstrate the courage of these apparent convictions and speak out on this legislation before it is too late.

The President should immediately adopt the recommendations of the task force on oil, implement his task force recommendations on footwear, withdraw his "reluctant" support for textile quotas, and immediately institute escape clause proceedings on textile and apparel products. It is in this way that President Nixon can demonstrate that he is not an economic neo-isolationist.

Mr. Chairman, in my view, U.S. foreign trade policy should be designed to make America more, not less, competitive and to strengthen, not weaken, the multilateral institutions concerned with international trade.

With respect to the textile industry in particular, the Fortune magazine article to which I referred earlier points out that—

> The industry's best hope lies not in protection but in its own extensive effort to modernize its plant, develop new products, and improve its merchandising skills.

Indeed, it is this approach to business which is the heart and the genius of the American business system, and to revert to an anachronistic mercantilism would only insure the abandonment of our preeminent standard of living among the nations of the world.

To be more competitive with growing European and Japanese industrial capabilities, we must reduce domestic inflation in particular, because it has contributed—more than any other single factor—to the deterioraion in our trade balance by pricing us out of competition. I have sponsored and supported legislation, including standby controls enacted into law, but which the President has not used, to curb the rate of inflation. The bill before us would, if enacted, literally foster the inflation this Congress has worked so vigorously to impede.

Our national economic interest would be strengthened if we were to forthrightly exercise our right to retaliate against barriers imposed by our trading partners in violation of the General Agreement on Tariffs and Trade—GATT. Secretary of Commerce Maurice Stans, in testimony before the House Ways and Means Committee on June 25, reported that Japan is in clear violation of her commitments under the GATT in maintaining quotas on 98 categories of goods. Because of the strong interest in trade legislation shown by this Congress, the Japanese have already published a schedule indicating the elimination of about half these quotas within the next few months. It should also be noted that a number of the Members of this body, including myself, have actively encouraged and supported the actions of the administration to insure against the dumping of goods such as television sets into this country in violation of our statutes. Retalliation could be taken by the United States against Japanese exports competing with goods made here by U.S. industries for which findings of injury might very well be made in accordance with Tariff Commission procedures.

To the contrary, however, the bill before us follows thc example of the very policies of foreign countries which the bill's authors criticize for acting in violation of the GATT. This, then, is legislation which I cannot support.

Mr. TIERNAN. Mr. Chairman, today we are called on to consider one of the most important and far-reaching bills of our times. Some experts say the Trade Act of 1970 will help to revitalize many of our industries which are being hurt by increased foreign imports, and some say that this bill, like the Smoot-Hawley Act of 1930, will precipitate a major worldwide protectionist trade war.

While I personally have reservations about H.R. 18970, I am going to support it. I do this for several reasons. A combination of increased productive capacity abroad, the establishment of trade areas, such as the Common Market, which have led to more intra-regional trade, and an increased living standard in this country have all greatly affected many U.S. industries. In particular, the textile and footwear industries urgently need assistance if they are to remain viable industries in this country.

In the decade of the 1960's, textile imports gained 2.2 percent in their share of the domestic market, increasing from 6.3 to 8.5 percent. Employment in textile and apparel industries has fallen 3 percent since 1966, while in the rest of the economy the total number of employees is up 10 percent. Let me also point out at this time that textile industry employees are, unfortunately, generally low paid and semiskilled, with high concentrations of older persons, women, and minority group individuals. When these people become unemployed, they encounter great difficulty in finding work outside the textile industry.

With regard to the footwear industry, imports have increased from 3.5 percent of the U.S. shoe market in 1958 to 37.5 percent in 1969. In the first 4 months of 1970, imports accounted for one-third of the domestic footwear consumption.

What we are really talking about here are jobs. There are 2.4 million textile workers in this country, and 230,000 footwear workers. With unemployment rising at a steady rate, we cannot afford to have another few million added to the unemployment rolls. In my own State of Rhode Island, there are 22,000 persons unemployed. In other areas in New England, the unemployment figure is as high as 10 percent.

Mr. Chairman, it is my belief that it is justifiable to protect U.S. commerce from unreasonable import practices or other policies which discriminate against U.S. trade. We cannot alone accept all surplus production stemming from increased productivity abroad. U.S. duties are now at the lowest average level of any major industrialized country.

Let me make it clear that in no way am I advocating a permanent protectionist policy. I am a firm supporter of free trade. The Trade Act of 1970 is designed to be a temporary measure, one which will give some of our failing industries time to revitalize and improve their competitive abilities. The bill is not meant as a "free carry" for these industries. If I see that this is what happens, I will be the first to object and I will move to repeal this Act.

I would at this time like to comment briefly on two other sections of this bill. Under title I, industries would be assisted by the use of quotas or tariffs whenever the Tariff Commission finds that imports are "contributing substantially" to causing or threatening serious injury to that industry, unless the President determines that to do so would be contrary to the national interest. It is my hope that this feature will not be made a strong lobbying point, whereby, one by one, every major industry, whether it needs assistance or not, will try to be included. I urge the President to use this measure with discretion, for we must not allow ourselves to completely envelope the country with a protective shield.

Let me also express my opposition to that section of title I which prohibits the President from changing the present system regulating oil imports from quotas to tariffs, as his own Task Force on Oil Import Control recommended. For those of us in New England especially, this guarantees continued high prices of petroleum. Currently the consumer is paying $5 billion annually due to oil quotas, and it is estimated that the cost might rise to $8.4 billion by 1980. This is discriminatory and unjust, and I truly hope that this section will be dropped from the bill.

In conclusion, this bill is designed to provide temporary measures to allow some of our failing industries to revitalize themselves. It is in this light that I will support the Trade Act.

Mr. THOMPSON of New Jersey. Mr. Chairman, I am not unmindful of the persuasive arguments put forth by the textile industry as to the industry's interest in the Trade Act of 1970. I can well understand the desire of the industry to obtain some measure of relief against recent increases in textile imports from abroad. And, certainly, all of us sympathize with the desire of the textile unions to protect the job security of their members. In fact, it was my concern for the interests of these employees that led me earlier this year to cosponsor the original trade bill.

But Mr. Chairman, we do not have the original trade bill before us. We have instead a bill that goes far beyond the rather limited area of textiles and footwear. We have, in effect, a bill that would make it possible for the President of the United States at his discretion to change the entire concept of our trade policy from a multilateral to a bilateral system. I am informed that this situation could arise by virtue of the fact that the President is given discretion where he deems it necessary in the interest of national security to abate quotas set for textiles, footwear or other products.

Mr. Chairman, one need not exercise too much imagination to envision the results which could arise from such a broad grant of authority. Let us suppose, for instance, that country A is dissatisfied with the quota established by the United States on the importation of shoes from that country and chooses to bring to the attention of the President that a leasehold on one of our overseas bases located in that country is about to expire. Would not the question then arise as a point of national security as to whether it would be well to continue the shoe quota for country A or, perhaps, increase the quota? In short, would we not in effect place ourselves in the position of mortgaging our trade policy to our defense policy and, in particular, to the Pentagon's conception of what it needs abroad in the way of overseas bases.

Quite aside from the potential effect on our overall trade policy which this bill would have, there is another and immediate reason why enactment of this bill would work to the disadvantage of my constituency. I have in mind the language which removes from the President the power to shift the present oil import quota system to the jurisdiction of the Tariff Commission. The original bill which I co-sponsored had no such language in it. This language was added on the committee level without benefit of hearings. It has been estimated that at present levels the oil quota system imposes a penalty of $5 to $7 billion a year upon the residents of the eastern seaboard. This penalty is paid in the form of higher retail prices for domestic fuels, gasoline and other oil products. Obviously, we cannot at this juncture guarantee that a system of tariffs on oil imports would ease the burden which we in the East now pay by virtue of the import quota system. But, Mr. Chairman, the possibility certainly exists that measurable relief from the quota system could be rendered if the President and the Tariff Commission at some future date saw fit to extend it.

Mr. Chairman, there is yet another reason for the House to draw back from this trade bill. As we prepare to vote we do not have before us a clear view of the administration's position. We hear on one hand that the bill is supported by the Department of Commerce but opposed by the Department of State. What we should have before us and what the people of the United States are entitled to have is the position of the President of the United States on this bill. The President is the only person who can speak for all the people and who can lay before this House that position which is in the best interests of all the people of the United States. The President's failure to clarify the position of the Administration on this bill leaves each of us in the position of having to judge for ourselves as to what is the best interests of our respective constituencies and in the best interest of the Nation. I am convinced that the best interests of my constituents and the national interest alike require me to vote against this bill.

Mr. ST GERMAIN. Mr. Chairman, this bill must be passed. It holds the key to the future development—or the ultimate liquidation—of some of our most basic job-producing industries.

For some 35 years, the United States has been the world leader in encouraging free reciprocal trade. We have lowered our tariffs, we have helped underdeveloped countries build manufacturing industries. We have freely opened our markets to their goods.

Free trade and reciprocal trade are high ideals and laudatory goals. But, unfortunately, the ideal has never been converted into a reality. As we have opened our markets to other countries, they have carefully sheltered their own domestic industries and felt free to ship as many goods as possible into the United States.

There is no industry where this is more apparent than in textiles. Today, with the exception of some very low tariffs on some items, we have a completely open market for man-made fiber and wool textiles. As a result, we have seen textile imports quadruple in the past decade.

In terms of dollars, the United States has not had a trade surplus in textiles since 1957. Since then, we have developed a staggering trade gap of $1.4 billion. It can hardly be said there is any element of reciprocity or free trade in textile trade.

During the past few months, we have heard anguished cries from the "free traders" that the Trade Act of 1970 will reverse our 35-year-old trade policies and result in all sorts of dire consequences for our country. True, the Trade Act will change our trade policies. It will improve them. The fact they are 35 years old means that it is high time we took a hard look at them to see if they are serving the best interests of the American public and the American workingman.

The textile-apparel-footwear section of this bill gives the President broad discretion to negotiate agreements which will safeguard the future growth of three of our most basic industries. This bill is essential to withstand the projected flood of imports in the next 5 years.

In these three industries we are talking about a payroll of more than 2½ million people and another million who supply materials and services.

In my State of Rhode Island our textile payroll is the economic backbone of many communities. Some 23,000 people are employed directly in textile manufacturing, another 4,000 are employed in the garment industry. One of the most important aspects of our textile-apparel payroll is that it provides jobs at all levels of skill and to a large percentage of women.

The Trade Act of 1970 is designed to help preserve this payroll and permit it

to expand as our market for textiles and apparel expands. At the present time, the bulk of the expansion of our market is going to imports.

It is estimated that textile sales in 1970 will be about the same level as last year, yet imports during the first 9 months of this year are 19 percent higher than they were during the comparable period of 1969. In the area of man-made fiber textiles, imports are running 47 percent higher than last year at this time.

This continuing relentless rise in imports is taking a heavy toll in our domestic industry. Rhode Island has lost about 2,000 textile-apparel jobs, and it is my understanding that nationally textile and apparel employment is down 100,000 from last year. Admittedly, the entire economy is in the midst of a downturn, but textile employment has been dropping longer and more rapidly than employment overall. It also is dropping at a rate much sharper than the decline in textile and apparel sales. The bulk of this sharp drop in employment, therefore, must be attributed directly to imports. Why should we allow our own people to be thrown out of work so that foreign manufacturers, who pay wages of 11 cents to 45 cents an hour, can rake in the profits?

Domestic consumption of textile products has soared in the past decade. Right now jobs should be increasing steadily. There should be many thousands of new jobs in American textile mills this year; instead jobs are being lost. The new jobs—and some of the old ones too—are going to foreign workers in foreign mills. Some studies estimate that imports have taken away 250,000 jobs that otherwise would have been created in American firms for American workers. There would not be so many men standing idle today on American streetcorners if the import limitations, which I and other members of the informal House Textile Committee have long favored, had been in effect.

Although not as dramatic as a plant closing, but almost as devastating to a community's economy is the short workweek. Imports are forcing many textile mills to cut back on the hours and days of operations, thus whittling away the take-home pay of the country's textile employees.

Those who oppose this bill say the problem of the textile industry can be solved by adjustment assistance, the Federal aid program under which employees of import-injured companies or industries can be retrained to go into other jobs. Adjustment assistance may work in certain isolated cases, but it certainly is not the answer in an industry which has such a large labor force as does textiles.

The cost in terms of dollars would be staggering, but the cost in human terms would be even greater. Most textile mills are located in small cities and towns. The textile workers and their families have lived there for generations. They like their homes and would like to stay there. Many of them are not mobile and cannot move to another town to be retrained.

Shall we ask our workers to be retrained and to move to another town in order to fatten the economy of Japan, which since World War II has risen to the second wealthiest nation in the free world? Shall we ask these people to leave their friends behind and go seek another job because somebody in Washington thinks this is in the national interest.

Instead, let us put reasonable controls on the flood of low-wage textile imports pouring into this country, so our domestic workers can share in the future growth of this basic and essential industry. Passage of the Trade Act of 1970 will give a long overdue break to our American textile workers.

Mr. McDADE. Mr. Chairman, I have a more than passing interest in the legislation which is before the House today because I have been deeply concerned for many years over the effect of imports on the economy of this Nation. I am hopeful that the passage of this bill today will cause the nations of the world to immediately begin discussions on the issue of orderly international marketing. I am not against using as a cutting edge this bill which emphasized leather and textiles. I am astonished, however, to see that the tie fabric industry is not included in the bill which is before the House. I urge vehemently that this industry be given the same consideration as the rest of the textile industry because the tie fabric industry faces a crisis.

Over the period from 1967 to 1969, imports in tie fabrics increased by 300 percent. By 1969 these imports represented 40 percent of the tie fabrics being used in America. In 1970, we estimate that it has already climbed to 50 percent. In those same 5 years, 14 manufacturers went out of business. And although the American tie fabric industry is committed to a capital expansion program totaling $20 million over the next 2 years, its productive capacity today is idled to a current level of only 30 percent. This is clearly a tragic situation.

The basic materials of the imported tie fabrics are exactly the same as the domestic materials. But the use of cheap labor abroad is threatening the livelihood of the American worker in the tie fabric industry where 70 percent of the cost comes from labor.

It has been claimed that the tie fabric imports are necessary to insure an adequate supply of tie fabric material to meet domestic demands. This is not true. There is more than enough tie fabric material produced domestically to supply the needs of the industry.

In my own State of Pennsylvania, the effect of these imports has been tragic. And that same tragedy is spread across New Jersey, Rhode Island, and New York where the plants that produce the tie fabrics are located.

It seems to me that justice demands that we give the same equitable treatment to the tie fabric industry which we are proposing to give to the rest of the textile industries. It is my hope that the exclusion of the tie fabric industry from this bill will be corrected.

Seventy percent of the cost in the tie fabric industry is labor.

Estimate that in period 1967–69 import of tie fabric increased by 300 percent. Represented 40 percent of total U.S. tie fabrics in 1969. Estimate 50 percent in 1970. Fourteen tie manufacturers went out of business in past 5 years.

American tie fabric industry is committed to expansion totalling $20 million over next 2 years. Productive capacity is today idled to a current level of 30 percent.

Claims have been made that tie fabric imports are necessary to insure adequate supply of tie fabric material to meet domestic demands. This is not true. The domestic materials are exactly the same as the imported materials. The tremendous cost difference comes in the price of labor. There is more than enough tie fabric material produced domestically to supply the needs of the industry.

The reduction in tie fabric industrial work in America has caused a great burden in Pennsylvania, New Jersey, Rhode Island, and New York, where these plants are principally located.

Mr. SIKES. Mr. Chairman, I am very pleased that the House is giving consideration to H.R. 18970, although I am concerned with the lateness of the date. This is very important legislation and action on it should be completed before the final adjournment of this session of Congress. I am one of those who has introduced legislation time and again in an effort to bring about needed action to insure more equitable consideration for America's industries and American workingmen in international trade negotiations. They are confronted with a rapidly worsening picture of foreign competition. Producers of chemical fibers, of cotton, of wool, and America's textile industry generally, are approaching a crisis situation. Yet they have not received adequate support from American negotiators who should know that these industries are national assets far too valuable for their interests to be neglected or for them to be traded off to foreign producers in the name of free trade. Only American ingenuity has made it possible for them to survive thus far. They have been plagued for years by low wage imports which are pouring into the United States at constantly growing rates. Government efforts to gain the cooperation of foreign countries in exercising reasonable restraints on their shipments to America have, to all intents and purposes, been ignored. Without legislation such as H.R. 18970, these industries face a very uncertain future. Some workable way must be found to limit the inflow. The Congress has waited and waited and waited and nothing has been done.

Now we must accept our responsibility to take action.

We have before us a measure which calls for reasonable restraints on imports so that foreign producers and domestic industries alike may have equitable access to the U.S. market. It is aimed at no particular nation. It does not require that imports be shut off or that fixed limits be imposed.

The legislation places emphasis on encouraging negotiated agreements, by not imposing specific limitations on those nations that enter into agreements with the United States. Present agreements

and any negotiated before or after the bill is enacted will be honored.

Only those countries which refuse to negotiate agreements would be subject to specific limitations. These limitations would be set, by category, during 1970 *to equal* the average amounts of textiles, apparel, and footwear that entered the United States in 1967–68; after 1970, the permissible level of imports would be adjusted up or down annually to reflect increases or decreases in domestic consumption.

The bill also includes adjustment assistance provisions which would make it easier for other injured industries and employees to achieve more effective relief than now available. It provides a framework for a long-range solution of the years-old import problem of textile, apparel, and footwear industries, as well as the deteriorating U.S. balance of trade. By leading to more evenly distributed international commerce, its effects would accrue to the long-term best interests of all nations.

Mr. Chairman, I respectfully but strongly urge that favorable consideration be accorded this legislation without further delay.

Mr. GAYDOS. Mr. Chairman, I am one in the House who believes American industry is threatened and, in some cases, already severely hurt by unrestricted imports of foreign products flowing into our domestic markets. The situation has reached a critical stage where positive action must be taken to pull those industries already severely crippled back from the brink of disaster and, at the same time, protect those being threatened by uncontrolled imports.

I support H.R. 18970, but I do so with certain reluctance. While I agree with the main thrust of the legislation, I do not believe it goes far enough in protecting American industries. However, *because of the gag* rule imposed on the House by the Rules Committee, we are compelled to accept or reject the bill as it stands with no opportunity to offer amendments. I am gravely concerned about the textile and leather industries. I am concerned about a lot of others, too, including steel, glass, heavy electrical equipment and machinery.

I am aware of the controversy over this piece of legislation. I am aware there are colleagues here who feel the passage of H.R. 18970 will ignite a trade war. Foreign nations, they fear, will retaliate against any mandated quotas and, in the end, American industry will be the worse off for it.

I respect their opinions though I do not share them. I do, however, share their fears over what is in store for American industry. We have been in a trade war for the past decade, and we have been the target of economic guns from abroad. They have bombarded practically every segment of American industry. The leather and textile industries are just two examples of how badly some of our industries have been riddled by their barrage.

I am hopeful we will not have to wait so long in the future to protect other industries. I hope H.R. 18970 will open the door for legislation which will protect steel, glass, and the heavy machinery industries before they, too, are reeling under the battering of foreign competitors able to undersell us through a combination of modern technology and equipment, governmental subsidies and low labor costs.

The whole import problem reminds me of an iceberg. What H.R. 18970 does is relate to the small section of the iceberg which shows above the murky waters of foreign trade. It calls attention to the danger threatening shoes and textiles and it seeks to avoid that danger. But the real threat from any iceberg comes from that section, the greatest portion of an iceberg, which is hidden below the waterline. It is here where the greatest danger lies. It is here where the threat to steel, electrical transmission equipment and heavy machinery lurks, deadly and undetected.

Mr. Chairman, I am greatly concerned over that iceberg and what is beneath the waterline. I am convinced it hides a terrible threat to our steel industry which provides the bread and butter for my 20th Congressional District in Pennsylvania.

Steel provides jobs for more than 500,000 people in mills and offices. But there are hundreds of thousands more throughout the Nation who depend on steel products for employment.

For those of my colleagues who feel steel already is protected by voluntary arrangements with certain foreign producers, I urge you to read again the documents of this arrangement negotiated by our State Department. There are no government-to-government agreements or commitments. There are just letters of intent from certain manufacturers to an arm of our Government. There is no real protection—just weak promises.

Whatever protection you may find in those letters is not offered by the Government of the United States. It is the foreign manufacturer who will decide whether or not to abide by the terms of the letter. It is the foreign manufacturer who decides the degree of protection given our steel industry. The economic health of this Nation's most vital single industry depends on the whim and fancy of a foreign competitor. Just a few short years ago the United States was the greatest exporter of steel in the world. Today we are the greatest importer.

In its latest report, Mr. Speaker, American Iron and Steel Institute reported U.S. exports, which have been declining since May, totaled 398,000 tons in September. This figure is 169,000 tons less than the August exports and 519,000 tons below the total for May.

In the face of this gloomy report, steel mill product imports for the month of September hit a 1970 peak of 1,277,000 tons.

A 9-month comparison of imports versus exports for 1970 finds the United States running behind in dollar value by approximately $500 million. Foreign producers sent 8.969 million tons of steel products here with a value of $1.345 billion. We exported 6.019 million tons valued at $842 million.

The largest single import product in September was cold rolled sheet steel. Nearly 281,000 tons of it came into the country. Cold and hot rolled sheet steel, along with pipe, are vital items to the steelmaking facility of my 20th District. Yet, these three products accounted for approximately half of September's import total.

Furthermore, it has become increasingly evident foreign manufacturers, particularly Japan, are taking dead aim on our specialty steel market, despite the fact the voluntary control arrangement stipulated they would try not to change the product mix of Japanese imports too greatly. Figures belie the promise.

In 1969, the first year of the voluntary agreement, Japan shipped 86,235 net tons of stainless steel to the United States, 3,000 tons more than what she shipped in 1968 when the loud cry for quotas rang out in Congress. Japan now has 20 percent of our stainless steel market. In just 13 short years steel imports have grown from 1.1 million net tons in 1957 to 14 million tons in 1969. The 1969 figure, of course, is below the record high total of 18 million tons for 1968.

The trend in imports is alarming. Alarming enough to have the State Department step in 2 years ago and negotiate the voluntary steel arrangement rather than risk Congress mandating quotas. It is no coincidence that Japan, after 18 fruitless months of talks on the textile problem suddenly decided to take another look at the proposition when the present trade bill cleared the Ways and Means Committee.

But there is more to this problem of steel imports and voluntary controls. The so-called voluntary agreement with Japan and European countries expires at the end of 1971. American Iron and Steel Institute, leaders in both management and labor, have sounded ominous warnings about what may happen if there is not a continuation and a strengthening of that agreement. If the arrangement is continued under its present status with the same graduated increases in quotas now allowed, foreign imports by 1975 will total more than the record high of 18 million tons reached in 1968.

Past history has shown imports of steel spurt ahead when the Nation encounters a labor dispute in the industry. And, when the dispute is settled, the import total does not recede but maintains its new level. There are numerous reports the Nation faces trouble in the steel industry next summer, and I have a gnawing fear foreign producers will stall on any voluntary control extension until they know what the labor picture will be in the steel industry. If it is to their advantage, they will ship steel into this country in any quantity, no matter what the voluntary arrangement may provide. Our industry will be subjected to an assault the like of which it has not seen since 1959 when imports, stimulated by a 116-day strike, more than doubled the 1958 total, going from 1.7 million tons to 4.3 million tons.

Mr. Chairman, the steel industry and the steelworker face a competent and dangerous adversary in their foreign counterparts, the effects of which are felt by every American industry and worker utilizing domestic steel products.

I urge the passage of H.R. 18970, the Trade Act of 1970, and I will continue to

seek enlargement of its protective umbrella to cover other American industries threatened with destruction by foreign competition.

Mr. GILBERT. Mr. Chairman, I rise today to state my support for the trade bill before us. I congratulate my chairman, Mr. MILLS of Arkansas, for his patience in the long preparation of this legislation and for bringing to the floor a bill which has achieved the difficult task of bringing so many diverse elements under one bill.

It is, of course, a controversial bill that when enacted will have a profound effect upon this Nation and the world family of nations.

In a sense, I would have preferred that our Nation's economy be in such a state that a bill of this kind was not needed.

Historically, I have always been an advocate of free trade. Yet I do not believe my endorsement of this bill at this time is support of protectionism. It is, in my opinion, an issue of basic economic survival facing us today.

No one knows better than those of us on the Ways and Means Committee of the importance of a healthy and competitive trade between nations. But it is a time for us to be realistic as to the needs of our people, the prospects of our businessmen, and the precarious state of the Nation's working force. Other nations, because of their ability to produce goods more cheaply, have driven many of our industries to the verge of bankruptcy. Unless we act quickly and positively many of our industries here in the United States will be pushed off the edge. I need not remind you that the effect of a plant's closing is monumental to a community in so many basic ways. It is not only the entrepreneur who suffers; it is the workman, his children and his family; the people from whom he purchases his products and those businesses which sell to the retail markets. One single closing leads to many separate personal disasters. In the last few years we have seen not isolated business reverses but hundreds of companies faced with a diminution of profits because of the competition from abroad, or even worse, the inability to remain competitive in today's market.

The plight of industry in America today, as well as the labor force, is desperate enough because of internal pressures. To let international trading force a further deterioration of that situation would be a travesty.

Now we are talking about a bill that is highly complex and greatly variated. Probably none of us is completely happy with the whole bill. We each have our special areas of interest and particular knowledge where we may disagree with the quotas, the figures, or perhaps even the assessment of the industry's position in the world market today. Nevertheless, as a whole, this bill is necessary to protect our working force. It will save jobs. And it is not as insensitive to the needs of other nations as one might be led to believe from published accounts.

Let us stress briefly three specific aspects of the bill which have not received the attention they deserve.

In this bill, the President will receive an extension of his authority to enter into foreign trade agreements through June 30, 1973. And the bill will grant the President new authority to reduce duties if he desires.

This authority, incidentally, authorizes him to reduce duties not below existing levels but what the duties will be on January 1, 1972, when the final stage of the Kennedy reductions go into effect.

The bill further will amend the tariff adjustment and adjustment assistance provisions of the 1962 Trade Expansion Act. It also provides temporary limitations on imports of selected textiles and footwear, along with authority to negotiate international agreements to insure nondisruptive marketing of imported textiles and footwear. Those last two points were specifically asked for by the Nixon administration, particularly adjustment of the 1962 act which was drawn, we now know, too rigidly.

The bill, to a degree misunderstood by those who have not actively participated in the hearings and preparation of the legislation, provides the administration and the Congress new tools in which to cope with a changing worldwide economic situation. It provides the President latitude to respond to new situations and to ease inequities that might become apparent later.

Though this bill is not drawn exactly as the President had asked, it allows him the ability to do what he said he wanted to do when he asked for the legislation.

It is perhaps possible that consumer prices will jump slightly as a result of passage of this bill. I frankly do not know if that is true or not. But the consumer is no isolated group. We are all consumers. And if a consumer would see his job lost because his company can no longer compete equally, if his taxes must rise to offset increased national unemployment, he is hurt as badly—or worse—than he will be by a possible increase in the cost of foreign products.

As I see it, we have very little choice left. We face the possibility of massive unemployment if we do not act.

In almost every industry we investigate, there are ominous trouble signs. In my own city, the garment industry, the entire textile industry, the shoe industry, the handbag manufacturers, and numerous other fields are suffering serious depressions. We cannot sit by and watch those industries employing thousands of skilled workers wither away and disappear forever.

The compelling reason for our committee's approval of the bill and the reason it is here before you today is that after all the arguments are over, after each provision has been examined, the basic fact remains that our Nation today needs the protection for its businesses and its workingmen that this bill will provide. I would hope that we will not pass this legislation and forget about our tariff problems. I would hope that the administration and the Congress continue to keep a close watch on the serious problems we have today. If a point is reached where these quotas can be rolled back, even if it is only in small amounts at first, then that should be done as quickly as possible.

But as we sit here today and look at our present economic position, we have no alternative but to pass this bill as quickly as possible.

Mr. BRINKLEY. Mr. Chairman, having earlier today listened intently to the words of our distinguished colleague, the gentleman from Wisconsin (Mr. BYRNES), I am completely convinced as to the "rightness" of the Trade Act of 1970.

All of us are concerned that only sound legislation be passed by this body and it is only proper that we question the wisdom of any bill which might jeopardize or impair our system of trade in the long-run. I carefully examined my own motivations, questioning whether the rationale of this bill had been adjudged by me to be good because of the textile area I represent and the hardship which I have seen, and presently see, being inflicted upon this giant industry. The eloquent speech given by the gentleman from Wisconsin, documented as it was, reassures me of the definite need for this legislation on a national basis.

This, together with my firsthand knowledge of the plight of the textile industry in my district, permits me to say in good conscience and with complete sincerity that this is a good bill, one that is desperately needed and in the very best interest of the entire country and I urge its adoption.

Mr. BROOMFIELD. Mr. Chairman, in 1930 the Congress of the United States passed the Smoot-Hawley tariff over the objections of a wide segment of the American public. The Congress was warned that such shortsighted protectionism would lead to foreign retaliation, a sharp drop in U.S. exports, injury to American consumers, and loss of jobs. The Congress ignored this warning, and the result of its action is well known: the American depression deepened and spread worldwide, contributing at least partially to the fall of the Weimar Republic and the rise of the Third Reich.

Under American leadership, international trade has been substantially relieved of the artificial restraints of the 1930's. Since World War II we have adopted and practiced a policy of free trade, and in those 25 years we have witnessed the longest period of sustained income growth in history.

Now, 40 years after the passage of the Smoot-Hawley tariff, the 91st Congress is faced with another trade bill with an equally protectionist intent. And again, we are urged to reject this policy by thousands of top economists, consumer spokesmen, industrial and farm exporters, and most of the Nation's newspapers. Both the European Economic Community and the Organization of American States have promised automatic retaliation against American exports if the bill passes. Our allies in Europe, Britain and Germany, warn us of the dangerous consequences of new restrictions on free trade. Shall we ignore their plea again? Shall we put aside good sense once more?

Mr. Chairman, I am not saying that passage of the Trade Act of 1970 would provoke another world war, or even ignite a massive trade war; I am arguing simply that, in a time of increased tension worldwide, the enactment of this bill would be a tragic first step in the destruction of one of the few consistent

ways of fostering confidence, trust, and harmony among nations: free trade.

The Trade Act of 1970 liberalizes the criteria for determining an injury to a domestic manufacturer by a foreign import. In the past, proof was required that the damaging increase of imports was directly related to a past tariff concession and further, that this increase was the primary factor threatening the domestic concern. Both of these stipulations are discarded by the new bill. Relief in the future would be provided solely on the grounds that "an article is being imported into the United States in such increased quantities as to contribute substantially, whether the primary factor or not toward causing or threatening to cause serious injury to the domestic industry."

Once such a determination is made the Tariff Commission is required, under the new bill, to decide what increase in duty or import quota should be prescribed. The President may then reject its recommendation only if he feels it is contrary to the national interest.

Suppose now that he does reject their proposal. The Tariff Commission must make an additional determination of injury, based on an arbitrary and very complex statistical formula. The meaning of this provision of the bill should be clear: it is an automatic trigger mechanism that cannot take into account the incredible complex of political and economic issues that surrounds any rise in imports.

The easing of the requirements for injury determination and the development of the so-called trigger mechanism will make it possible for virtually any industry, given the right set of circumstances, to demand an import quota or a higher tariff, regardless of the economic or political situation of the Nation. This is a patently protectionist stance, inviting restraints on free trade.

Still, it is in perfect accord with the most disturbing section of the bill: the import quotas prescribed for textiles and footwear. These are category-by-category and country-by-country 5-year limits based on the average quantity of items imported in the year 1967, 1968, and 1969. The President may exempt from quota an article produced in a foreign country if he feels that it is not contributing to market disruption in the United States. This last provision, of course, is intended to salvage some of our trade with Europe while we continue our attack on Japanese products in particular. I do not think there is any question that Japan is the main target of the import limits.

In any case, the quotas and the relaxed standards for determining injury are evidence of the protectionist doctrine behind this bill. Justification for these two measures is founded on a whole series of developments over the past 10 years.

In general terms we can blame our own inflation for most of our troubles. Since 1964 the American trade surplus has fallen from $6.8 billion to $1 billion. The rising prices of American goods and services both at home and abroad created a demand for cheaper products on the part of our consumers. And the demand was met by emerging foreign nations like Japan, whose newfound ability to produce finished goods and continued access to unusually cheap labor allowed her to send off imports at prices and qualities competitive with American products. By restricting the amount of imports, therefore, the committee seeks to eliminate some of our competition.

This, in itself, is a worthwhile goal. We do, indeed, want American manufacturers to make their fair share along with everyone else. But what we do not realize is that, in assisting domestic producers and slowing their competition, we encourage them to raise their prices as well. As domestic prices increase, so too will those of our foreign exports. In the long run, therefore, the new protectionism will aggravate our already dangerous inflation; in the end it will cripple the few industries it was designed to help.

It should be noted, too, that we would be doing this at a time when our export-import situation seems to be improving. Our exports soared 14 percent the first 7 months of this year compared with the same period last year. Imports, on the other hand, rose but 9 percent. In the same period our exports to Japan increased 46 percent, proving that our industry can compete in the most competitive of markets. The prospect now is that the United States will have a 1970 trade surplus of $3.5 billion as compared to $1.3 billion in 1969, surely a major turning point in the recent pattern of foreign trade deficits.

This is only a general picture of the problem. Textile and footwear manufacturers contend that their situation demands some form of import quota. Yet, we must ask, why have they not sought relief under the present law?

During the 1960's both sales and profits of the domestic textile and footwear industries increased substantially. From 1961 to 1969 sales of textiles, for example, increased 62.6 percent and profits 114.4 percent. Moreover, employment in the industry increased by almost 300,000 workers—overall, not an entirely bleak economic picture. But if serious injury can be shown, the individual firm may, under existing law, obtain adjustment assistance without endangering the whole future of free trade.

An even stronger argument can be made in the case of footwear manufacturers. In addition to all of the foregoing circumstances, this industry would receive only marginal assistance from the bill. Under the new import standards Japanese footwear imports would be cut by only 4 percent—a reduction hardly worth the risk of a trade war.

And a trade war is a serious possibility if this ball is passed. I have already spoken of the threats from Europe and South America. Retaliation by Europe and Japan would seriously endanger our exports, particularly in agriculture which accounts for $5.7 billion of our commercial exports. Severe limits on our farm products would lower our balance of trade and thereby, our balance of payments. We simply cannot afford such a decline in this inflationary period.

Soybeans, for instance, which account for 20 percent of our farm exports, would be hit the hardest. Both the European community and Japan have made little secret of their desire to diversify their agricultural imports so as not to be dependent on one exporter. If the Europeans were to cut back our exports of soybeans to the level of 1967–69—the same basis for the bill's quotas—we would suffer a loss of about $200 million a year. If Japan limited our exports of corn to that level, we would be forced to accept a loss of at least $110 million annually.

Much the same argument applies to our other export industries, which employ 3 million workers at the highest pay scales in the country. The point should be clear: We are no more prepared for import quotas than any other nation: retaliation would have disastrous consequences for the balance of American trade.

Another consideration we cannot overlook is what the bill would do to our underdeveloped allies. In Korea, for 20 years one of our staunchest allies, 30 percent of the work force produces textiles for export. The effect of import quotas would be catastrophic to Korea's hopes for economic development. The same may be said for Taiwan, the Philippines, and a number of Latin American countries. How can we expect these nations to fend for themselves if we undercut their very economic foundations?

The greatest victim of this bill, however, is not Europe or Asia or South America, but the American consumer, for this bill would raise domestic prices, reduce competition and, therefore, quality, and, most important, accelerate our already runaway inflation. Low-income families, reliant on cheap imported necessities, would be the hardest hit of all. It is difficult to imagine another law which would hurt so many Americans to benefit so few.

The passage of this measure must necessarily call into question the entire concept of free trade. The Kennedy Round was a major step toward a multilateral approach to world commerce, but the Trade Act of 1970, by forwarding unilaterally imposed quotas, will leave us with, at best, a teetering bilateralism. No longer will nations seek to negotiate their trade problems on broad continental scales, but rather, they will wheel and deal behind each other's backs for the narrowest and most selfish of interests. When a problem arises, retaliation, not negotiation, will be the only way to solve it.

It would be unrealistic not to admit that many nations—Japan is one of them—have used unfair tactics against American products. Subsidies, dumping and tariffs have all damaged our balance of world trade. Yet, the United States has an escape clause, the United States has a provision for adjustment assistance. Why, we must ask, have these not been used?

The Trade Act of 1970 commendably strengthens and extends these laws; and even includes a provision for retaliation against an unfair trade practice. Adjustment assistance would be given for injuries caused substantially rather than primarily by imported goods. Antidumping laws would be enforced 4 months

after the question is raised; there is no time limit at present. Retaliation becomes obligatory by the President and includes all products, not just agricultural produce.

But a mere strengthening of these laws will be useless, if the President chooses not to employ them. Perhaps this whole controversy over import quotas could have been avoided had our present laws only been utilized.

At any rate, these provisions, designed to assist our trade when negotiation fails, cannot salvage the entire bill; the quotas and the new standards for injury determination must surely discourage every effort to negotiate fair trade agreements. We cannot allow artificial barriers to aggravate our inflation and ignite a worldwide trade war.

Let us hope, Mr. Chairman, for the success of our negotiations with the Japanese. Already the European community has agreed to absorb much of Japan's imported textiles—if only we can reach some kind of agreement with them. Negotiations such as these—hard bargaining in an atmosphere of mutual understanding—are the best, the only means to achieve free trade across the world. We cannot be served well by the selfish and vindictive tactics of the Trade Act of 1970.

Mr. ANDERSON of Illinois. Mr. Chairman, I rise to reaffirm my strong opposition to the 1970 Trade Act. We have all heard, many times now, the arguments on both sides of this issue. I do not think any good purpose would be served, therefore, by reciting more statistics and more facts. But I do want to use a moment to take issue with the way those who favor this bill, have tried to make use of a speech made yesterday by Deputy Assistant Secretary of Commerce Nehmer.

Mr. Nehmer may have been right in suggesting that the figures developed by Governor Brimmer of the Federal Reserve Board as to the cost of the textile and footwear quota provisions of this bill to American consumers are somewhat misleading. I am not prepared to say which of the two gentlemen are correct in the methods and assumptions they used to arrive at their projections; but I do think Mr. Nehmer is surely correct in suggesting that the cost of retraining for workers and adjustment assistance for firms must be weighed against the savings to consumers, whatever the exact figure may be, in any discussion of the costs and benefits of this legislation.

But having recognized his point, I must say that I am not at all convinced that those who oppose this bill ought to feel the need to be defensive or to play down the argument about the cost to the American consumer of a protectionist trade policy. Indeed, I think the case is as strong as ever for one simple reason: even if the benefit of lower consumer prices was exactly cancelled out by increased costs of adjustment assistance policies, which I do not think very likely, our society would be better off. That is because the revenue for adjustment assistance would be generated by the progressive income tax system while the alternative of higher consumer prices would be equivalent to a form of regressive sales tax.

The struggling low- and middle-income families of our Nation would therefore be the real losers if this bill passes, and the prices of basic necessities of life, like shoes and shirts, are increased. For all practical purposes, the comparatively small additional demand of adjustment assistance on the Federal Treasury would not affect their pocketbooks at all. But let no one say that the drastic cutback of low-cost shoes and apparel that would occur in the event this bill becomes law would not affect their pocketbooks. In 1969 fully 67 percent of the shoes that wholesaled for less than $2.40 a pair in this country were imported. Since the footwear quota does not differentiate between type or price range, it is certain that the supply of these low-cost items would be considerably curtailed.

So it may be true that the advantages to consumers of free trade and vigorous import competition are partially offset by additional costs elsewhere in the economy. But if our commitment to help the low-income families of this Nation attain a measure of independence and self-sufficiency is sincere, then there can be little question that this tradeoff is well worth taking.

I want to make one other brief point. Yesterday, the President sent the Congress a message calling for additional appropriations for military and economic assistance to a number of our allies throughout the world. While I am not prepared to comment on the appropriateness of any of his specific requests, I do think that his message embodies the essence of what has come to be called the Nixon doctrine: namely, that the United States should use its resources to help our allies and particularly those in the developing areas of the world become independent and self-sufficient. Now part of that is, of course, aid in the area of security and national self-defense; but an equally important part of the doctrine is that nation's must become economically healthy and independent.

The process of economic growth and development is a most difficult and complicated process about which the experts heartily disagree. But despite the lack of consensus few deny that an important source of economic growth and development is the foreign exchange that can be earned by the export of labor—intensive manufactured goods to the developed economies of the world. The magnificent growth that has been made by a number of Far Eastern nations in the past 5 years, including South Korea, the Republic of China, Hong Kong, and Malaysia can in large part be attributed to the markets in the developed countries that they have been able to find for their manufactured goods.

Let me cite just two examples. Textiles exports comprise 25 percent of the Republic of China's total exports, and 40 percent of these textile exports go to the United States. The textile exports of the Republic of Korea account for 40 percent of that country's total exports and nearly 50 percent of these textile exports come to the United States. Together the textile exports of these two countries do not add up to more than 1 percent of total consumption in the United States. So in an effort to halt a so-called flood of cheap labor imports we may be delivering a disastrous blow to the development process in these countries, all for the protection of a miniscule part of the American market. In our concentration on the problems we are having with Japanese imports, may not it be the case that we have neglected to consider the deleterious impacts of protectionism on some of our most important allies in the developing world?

Mr. HOWARD. Mr. Chairman, for the benefit of my colleagues and constituents, I would like to take this opportunity to explain my views and my votes on the Trade Act of 1970, H.R. 18970.

I voted in favor of the closed rule on this matter, because I sincerely feel that we need some form of trade legislation this year, and the chairman has indicated that without the closed rule, there would be no bill at all.

We do need legislation—we must help to protect the thousands of jobs which are being lost in the textile, leather, and mechanical industries.

For these reasons, I will also vote in favor of final passage of this bill.

In view of the closed rule on this legislation I feel I must, however, express my distress over certain sections of the bill—as in the so-called trigger clause.

I believe that these provisions of this bill could, indeed, cause grave economic problems to this country as a result of the reactions of other nations to this all-encompassing bill.

I would hope, therefore, that the Members of the Senate will redesign this legislation so it will provide the necessary protection, without putting us in danger of losing all foreign trade and returning to the sad days of the early 1930's, after passage of the Smoot-Hawley Act in 1928.

Mr. REUSS. Mr. Chairman, once again, after 40 years, the United States is confronted with a crisis in trade policy. In 1930 Congress enacted the protectionist Smoot-Hawley tariff. That act pushed the world into economic depression and monetary disruption, and later on into Hitler's war.

In 1934 the first of the reciprocal trade acts was enacted. From then on, until the completion of the Kennedy round 2 years ago, the general course of U.S. policy, and of world trade, was in a liberal direction.

But since 1968 a vacuum has been present in our foreign trade policy. Today, that vacuum is about to be filled by a new protectionism. The bill before us is known as the Trade Act of 1970. This conspicuously omits the big word in previous trade legislation, the Trade Expansion Act.

The omission is no accident. The House bill is a backward step. I shall vote against it.

Coming to the floor of the House under a closed rule, the whole package must be voted up or down without opportunity to strike any of its provisions.

There is no doubt that certain industries, particularly the shoe industry, are hurting.

There is no doubt, either, that other countries have sinned against free trade. Japan has erected barriers against imports of our goods and our capital. We

are rightly concerned at the increasing protectionism of the European Common Market, particularly against American farm exports. We should and do deplore the preferential trading blocs, the Common Market is now negotiating with various countries of Europe, Africa, and the Middle East.

But to retaliate by a general retreat into protectionism hurts the just and unjust alike. We should make appropriate use of the retaliatory power Congress has already given the President to counteract some of the unjustified restrictions that the Common Market and Japan are imposing on us.

But to impose worldwide quotas means that countries which have not discriminated against American goods will be hurt. We can look forward not only to their reacting against our restrictive measures, but to their over-reacting. And then what becomes of our effort to increase our exports?

Quotas are far worse than tariffs in that they do not merely add to the price of goods. They exclude them entirely. In addition, the mechanism for dishing out import quotas is extremely vulnerable to administrative favoritism and corruption.

Blanketing out foreign goods by a quota system is bound to increase the prices American consumers have to pay. By decreasing competition, it hurts our business productivity.

Far better than a program designed solely to decrease imports would be a broad new trade policy designed both to increase exports and to mitigate the consequences of imports. Such a policy should include:

First. A continued reciprocal move toward free trade, both in tariffs and nontariff barriers. Such a program will take time, perhaps another generation; perhaps its schedule will have to be decelerated at times, accelerated at others. But freer trade is a goal that we should return to.

Second. Inferior wages and working conditions in other countries undoubtedly do constitute a test of free trade principles. What is needed is an international commitment, perhaps under the General Agreement on Tariffs and Trade, for each country to make fair labor standards its concurrent goal. Only countries which agree to move toward such standards, and actually move toward them, should be entitled to the benefit of tariff concessions. This particularly applies to less developed countries, which are most in need of improvement of labor conditions.

Third. We need an adequate program of economic adjustment to the needs of industries, workers, and communities vulnerable to imports, as well as to the needs of workers whose jobs may be exported as companies shift production processes to foreign countries. We shall have to make many adjustments in our country, as in the transition from aerospace and defense industry to building the homes, schools, air and water pollution equipment, mass transit, and the many other things we need. With proper leadership from government, industry, and labor these transitions can be accomplished with a minimum of human distress.

Nature abhors a vacuum. The vacuum in trade policy is at the moment being filled by the protectionists. It is time the world traders came out and started to fill the vacuum themselves.

Mr. STRATTON. Mr. Chairman, I intend to support this legislation. In fact in the 12 years I have been in this House no subject has concerned me more than the problem of what indiscriminate foreign imports can do to American jobs and American working men and women, as well as to our basic and essential productive base and capacity.

The glove makers of Gloversville, the rugmakers of Amsterdam, the ropemakers of Auburn, the electronic tubemakers of Seneca Falls, the wiremakers of Cortland, the turbine and generator makers of Schenectady, the steelmakers of Watervliet, the bramakers of Canandaigua, the shoemakers of Norwich—all these people over the years have watched their jobs threatened by excessive and unregulated foreign imports. And I have endeavored, not without some success, to help them over these 12 years. Yet the problem remains today, and that is why I was among the first to join in consponsoring this legislation.

I feel sure, Mr. Speaker, that no one today thinks it would be wise for us to cut off our world trade. That trade is vital. Our morning cup of coffee comes from abroad. We need foreign trade. But if this trade is to be beneficial it also needs to be reciprocal. We cannot do all the giving here on our side, and have the other fellow do all the getting. Yet that is precisely the situation today, as this debate has clearly pointed out these past 2 days. We here in America are operating just about the only free market left. Everybody else is putting up barriers and obstacles. Trade must be made a two-way street if it is to be successful. And that is exactly what this bill is all about.

Frankly, Mr. Speaker, it would be much better if we could work out this reciprocity formula on a voluntary rather than a formal, mandatory, legislative basis. Back in 1962 when we were faced with serious problems resulting from excessive textile imports from Japan, President Kennedy succeeded in working out a voluntary quota arrangement, which worked very successfully for many years.

When that agreement became outdated by changing events and circumstances we tried again, through negotiations, to work out a new voluntary quota arrangement. That, in fact, was one of the things we had hoped to achieve a year ago when Prime Minister Sato was in Washington to ratify the agreement for turning back Okinawa to the Japanese. But somehow we have just never been able to get those voluntary negotiations headed toward agreement. Thus this legislation became the only alternative. It would only put back into the system the equality and reciprocity which we have been unable this time to achieve through voluntary negotiation.

Let me make one further point, Mr. Speaker. I am also concerned about the damage that unrestricted imports can do to vital portions of our productive base.

The major plant of the great General Electric Co. is in my new district, in Schenectady. Responsible scientists and executives at GE are concerned over the fact that as a result of the import situation hardly any internal circuitry for radios and other electronic gear is being made here in the United States any more. It is all being imported from Japan. As a result the skills for doing this vital work here in this country are gradually being eroded. Those who once learned this skill are going into other fields. Soon the only capability in electronic circuitry will be in Japan. And we will have none left here in the United States.

But what happens, in such circumstances, if something should occur that would suddenly cut us off from Japanese sources for these important items?

A vital part of our productive base, a vital part of our defensive base, would have disappeared, almost without our being aware of it—until of course, it was too late.

So that too is what this bill is all about. I am happy to support it, not only to protect American jobs, not only to protect vital American know-how in an uncertain and unpredictable world, but also to restore a little much-needed reciprocity into our continuing and necessary foreign trade.

Mr. BOLAND. Mr. Chairman, yesterday I spoke here about the heavy blow that foreign imports are dealing to American industry and its work force. Outlining the provisions of the trade bill now before us—a bill that, all available evidence indicates, would allow foreign and domestic manufacturers to compete evenhandedly in the U.S. marketplace—I pointed out that the legislation would not thwart "free trade" nor threaten the consumer's pocketbook.

Today I want to talk about the pressing need for the trade bill in four specific industries: Shoes, textiles, electronics, and bicycles.

Like more than a score of other U.S. industries, the four I have just cited are threatened by a veritable tide of imports now streaming into this country. The jobs of the American working man and woman—literally millions of jobs, from coast to coast—are in jeopardy. Hundreds of thousands are now out of work, and the figures are rising virtually day by day.

SHOES

The shoe industry has been staggered by imports. More than 14 million pairs of shoes were imported into the United States during September alone, an 11.9-percent increase over the September figure a year ago. And imports for the first 9 months of 1970—the most recent figures available—reached past 183 million, up 20.5 percent over the same period last year. Shoe plants throughout the United States are shutting down at an alarming rate. In New England, Mr. Speaker, the rate is nothing short of astonishing.

Carroll P. Sheehan, Commissioner of the Massachusetts Department of Commerce and Development, outlined the problem in testimony before the Ways and Means Committee:

REMARKS BEFORE THE COMMITTEE ON WAYS AND MEANS BY CARROLL P. SHEEHAN

Mr. Chairman, distinguished members of the Committee on Ways and Means of the

House of Representatives: I am here today as a representative of the Commonwealth of Massachusetts to express our views on the legislation presently before this Committee; namely, H.R. 16937, sponsored by my Congressman James A. Burke—and the identical bill (H.R. 16920) filed by your Chairman, related to the establishment of quotas on the importation of textiles and shoe and leather products from foreign nations.

We, in Massachusetts, perhaps more than any other state in the union, have a great stake in free world trade. Our tradition goes back to the days of the clipper ships when the trade routes to India, China and the Far East were opened up by Massachusetts companies and courageous captains and crews flying the American flag. We have benefitted greatly through the free exchange of trade for more than two centuries, but as all things do, the world is changing. The United States, following World War II, helped friend and foe alike to become politically and economically strong. We have created competitors who, in every sense of the word, both in manufacturing and technological ability, are able to compete with our most sophisticated industries.

Not only has Massachusetts had a long record of free foreign exchange of goods, but it is also the oldest industrial state in the nation. Each time a new industry is born in foreign markets, it immediately comes in competition with most of our traditional production industries, and at the present time, particularly the shoe and leather industries.

I must state at this time that we in Massachusetts favor an orderly and free exchange of goods with other nations, but I must stress the word "orderly". When we find, for example, that more than 50 domestic shoe manufacturers closed their doors in 1969, and that 15 of these companies were located in Massachusetts, with an estimated loss in employment of 5,000 jobs, particularly among older workers, we must take a new look at the nation's import picture.

I am sure this distinguished Committee, in the last few weeks of hearings, has been told about the meteoric rise of imported shoes from 26½ million pair in 1960 to 175 million pair in 1968. We believe that the 1970 figures will go well over 225 million pair. On the other hand, shoe production of 585 million pair in the United States in 1969 was the lowest year of production in this decade.

Approximately 35% to 40% of the cost of a pair of shoes is in labor. The United States basic wage average is $2.75 per hour, including fringe benefits, against wages in shoe-exporting countries running from 60c to $1.10 per hour, also including fringe benefits. Regardless of the fact that the productivity rates of American labor are considered to be 25% higher than the average of foreign competition, the wage differentials are still too great to offset the low-wage factor.

I would like to speak for a minute about the shoe retail industry in the United States. I do not want to generalize on this matter, but it appears that certain national concerns are not only opposing this present legislation to somewhat limit the importation of shoe and leather products, but are also, in my opinion, not giving the full advantages of low-cost shoes to the American buying public.

Is it any wonder that many of our shoe manufacturers who employ people in Massachusetts and throughout the nation are tempted to give up the manufacture of shoes and become importers where they do not have the problems of labor and machinery and where the profit margins are much greater? The shoe and leather industry of the United States needs your encouragement. This can be done through the passage of the legislation before you.

We believe that the shoe and leather and textiles industries are deserving of an equal portion of America's growing domestic market. We stand ready to share this market with foreign competition, but we believe that the time has come for a realistic view of our foreign trade policies through the passage of this legislation.

In conclusion, may I state here today that the problems of the textile and shoe and leather industries are but a beginning of the problems which will arise in domestic employment due to the present free trade policies. We see signs that the great electronic production business in Massachusetts is being greatly affected and almost all other high labor-intensive industries will face domestic problems in their production units.

The theory is always propounded by those who back unlimited free trade that we should not worry because the only thing necessary for America to do is to remain technologically ahead of the foreign competition and everything will be all right. This is not only an oversimplification of the present problem, but it arrogantly proposes that the other nations of the world will remain technologically backward for the convenience of American industry. Those who make this statement do not understand the technological advances of research and production throughout the free world. We must remain a strong exporting nation with orderly trade relations with the competing nations of the world.

Mr. Chairman, I appreciate the opportunity you and this Committee have given me in allowing me to come here today to express my views on this proposed legislation. The people of Massachusetts will always be grateful for the favorable passage of the legislation you have proposed. Thank you.

The accompanying table—table A—amply demonstrates the rate of shoe imports during the first 9 months of 1970.

TOTAL IMPORTS OF OVER-THE-FOOT FOOTWEAR

[In thousands of pairs; In thousands of dollars]

Type of footwear	September 1970, pairs	Percent change, 1970/1969	9 months, 1970 Pairs	Value	Average value per pair	Percent change 1970/1969 Pairs	Value
Leather and vinyl, total	13,613.2	+11.2	174,275.2	$400,958.1	$2.30	+18.8	+$26.9
Leather, excluding slippers	6,787.6	+20.4	91,808.5	323,156.8	3.52	+22.0	+25.0
Men's, youths', boys'	2,189.7	+6.9	25,292.3	112,398.6	4.44	+12.3	+18.3
Women's, misses'	3,933.2	+26.0	58,742.6	194,035.5	3.30	+26.7	+32.3
Children's, infants'	342.9	+82.1	5,197.4	7,682.9	1.48	+21.6	+14.5
Moccasins	36.4	−10.6	426.3	484.0	1.14	−13.3	−18.8
Other leather (including work and athletic)	285.4	+20.6	2,149.9	8,555.8	3.98	+33.7	−9.6
Slippers	28.4	−45.5	192.5	499.2	2.59	−30.4	−12.3
Vinyl supported uppers	6,797.2	+3.8	82,274.2	77,302.1	.94	+15.7	+35.6
Men's and boys'	1,301.7	+52.9	12,307.0	14,811.9	1.20	+65.0	+73.2
Women's and misses'	4,784.4	−2.8	61,762.8	56,126.2	.91	+10.5	+29.8
Children's and infants'	599.1	−9.0	6,990.3	5,558.5	.80	+9.0	+23.5
Soft soles	112.0	−7.7	1,214.1	805.5	.66	−10.5	+13.5
Other nonrubber types, total	1,039.9	+20.9	9,131.2	13,192.7	1.44	+65.9	+127.5
Wood	199.2	+61.0	3,278.7	8,350.8	2.55	+316.9	+337.9
Fabric uppers	739.4	+19.1	5,135.0	3,811.8	.74	+26.6	+23.5
Other, n.e.s	101.3	−12.6	717.5	1,030.1	1.44	+8.5	+27.7
Nonrubber footwear total	14,653.1	+11.9	183,406.4	414,150.8	2.26	+20.5	+28.7
Rubber soled fabric uppers	5,280.2	+42.9	37,488.6	32,227.6	.86	+8.8	+25.2
Grand total, all types	19,933.3	+18.7	220,895.0	446,378.4	2.02	+18.3	+28.4

Note: Details may not add up due to rounding. Figures do not include imports of waterproof rubber footwear, zories, and slipper socks. Rubber soled fabric upper footwear includes non-American selling price types.

Source: American Footwear Manufacturers Association estimates from census raw data. For further detailed information, address your inquiries to the association, room 302, 342 Madison Ave., New York. N.Y.

ELECTRONICS

Electronics workers face a dual threat: An alarming rise in the importation of electronic products, and an equally alarming rise in the number of electronic firms setting up operations in foreign countries. A list follows:

B—U.S. ELECTRONIC FIRMS ON MEXICAN BORDER

Western Gear de Mexico, S.A. (Western Gear, Los Angeles).

Heussen Aircraft.

Electormex de Tijuana (Fairchild Semi-Conductors, Mountain View, California).

Marshall de Mexico (Marshall Industries, Monrovia, California).

Triad de Mexico (Litton Industries, Venice, California).

Treces, S.A.

Hatch International, S.A. de CV (Hatch Control Device, El Paso, Texas).

Electronica Atlas, S.A.

Transitron Mexicana, S.A. (Transitron Electric Corp., Wakefield, Massachusetts).

Sarkes Tarizan Mexicana, S.A. (Sarkes Tarizan, Inc., Bloomington, Indiana).

Cal Pacifico, S.A. (Cal-Pacifico, Newport Beach, California).

Zaphiro, S.A. (Topaz, Inc., San Diego, California).

Internacional Manufacturera, Electronica y Consultas, S.A. (Republic Corporation, California).

Curtis Mathes de Mexico, S.A. (Curtis Mathes Mfg. Co., Athens, Texas).
Tecate Internacional, S.A. (Temple Industries, Inc., Tecate, California).
Electronica del Noroeste, S.A. (Fox Electronics, El Cajon, California).
Electronic Control Corp. de Mexico, S.A. (Electronic Control Corp., Eucless, Texas).
C.T.S. de Mexico, S.A. (C.T.S., Elkhart, Indiana).
Standard Components Division.
Standard Kollsman Industries.
Electronica Atlas, S.A.
Certron Audio, S.A. (Certron Corp., Anaheim, California).
Tecnica Magnetica, S.A. (Pulse Engineering, Santa Clara, California).
Electronica de Baja, California (Warwick Electronics, Chicago, Illinois) (Silvertone TV).
Components de Mexico (Fairchild, Hickville, California).
C. P. Clare, S.A. (General Instruments).
Agua Prieta Electronica (Ensign Coil, Chicago, Illinois).
Dickson Mexicana, S.A. (Dickson Electronics Corps., Scottsdale, Arizona).
Sprague Capacitors (Sprague Electric, Worcester, Mass.).
Lear Jet (Lear-Siegler, California).
Varo Mexicana.
Border Electronics (Hunt Electronics, Texas).
Industrial Motorola Mexicana, S.A. (Motorola Inc., Phoenix, Arizona).
Ensambladores Electronicos de Mexico, S.A. (Solitron Devices, Tappan, New York).
Electronica Intercontinental, S.A.
Switch Luz, S.A. (Transformer Engineers, San Gabriel, California).
Semiconductores de Baja California, S.A. (Raytheon Co., Mountain View, California).
Goleta Coil, S.A., de C.V. (Ratel Inc., Goleta, California).
Ratel Internacional, S.A. (Ratel Inc., Goleta, California).
Maquiladora Electronica, S.A.
Maquiladora Monterrey, S.A.
Radio y Television California, S.A.
Fairchild Controls (Fairchild Camera & Instrument Corp., Syosset, New York).
Industrias Mega (Mega Ind., Encino, California).
Mexivend de Mexico, S.A.
Motorola Semiconductors (Subsidiary of Motorola, Inc., Franklin Park, Illinois).
Video Craft.
RCA.

C—STATUS OF FOREIGN INVESTMENT IN TAIWAN'S ELECTRONIC INDUSTRY (INVESTMENT ALREADY APPROVED, JUNE 30, 1968)

Name of foreign investor	Products	Date of approval	Employment	Plant site	Remarks
1. General Instrument Corp. (TEC)	IFT, tuners, deflection yokes, etc	May 1, 1964	6,350	Hsintien	Operation started in November 1964.
2. First Capacitor Manufacturing Co., Ltd	Capacitors	Dec. 11, 1964	94	Hsinchuan	Operation started in February 1965.
3. E. J. Rehfeldt (Taiwan United States Inc., Co.)	Coils	Feb. 6, 1965	88	Taipei City	Operation started in October 1965.
4. Philco-Ford Corp	Radio, TV, phonograph	Nov. 4, 1965	1,089	Chumei, Tamshui	Operation started in June 1966.
5. TRW, Inc. (Thompson Ramo Wooldridge, Inc.)	Variable condensers IFT, ceramic condensers, peaking coils.	Apr. 14, 1966	1,000	Shu-Lin	Operation started in October 1966.
6. Philco Micro Electronics, Inc	Integrated circuit transistor	Apr. 23, 1966	837	KEPZ	Do.
7. Electronic Building Element Industries	Matrix plane	Apr. 22, 1966	187	KEPZ	Operation started in April 1967.
8. Taiwan Nobel Electronic Co., Ltd	Switch, resistor	May 10, 1966	85	Kweishan	Operation started in December 1965.
9. IBM Corp. (Tatung Electronic Corp.)	Memory plants, IBM memory units	Aug. 8, 1966	402	Peitou, Taipei Hsien	Operation started in October 1966.
10. Sunetics Ltd (Eorgflo Corp.)	Magnetic pole pieces	Oct. 13, 1966	59	KEPZ	Operations started in May 1967.
11. Admiral Overseas Corp	Am radios, stereo chassis, phono chassis	Nov. 7, 1966	706	Chungho, Taipei Hsien	Operation started in September 1967.
12. Far East Electronics Inc	Earphones	Dec. 20, 1966	93	KEPZ	Operation started in November 1966.
13. Cornell Dubilier Electronics Co	Mica and electrochemical capacitors	Jan. 24, 1967	250	Taoyuan	Operation started in September 1967.
14. Parsons Electronics (the Ramsey Ind. Taiwan)	Magnetic tape recorder, electric modules, cards, assemblies, etc.	do	2	KEPZ	Suspended production since Mar. 1, 1968.
5. Taryo Communication Industrial Co	Polyester condensers	Jan. 28, 1967	30	Taipei	Works under training.
16. Taiwan Toko Electronic Co., Ltd	IFT, OSC coils	Feb. 15, 1967	270	KEPZ	Operation started in June 1967.
17. Consolidated Merchandising Corp	Transistor radio, tape recorders, recorder phonograph.	Apr. 3, 1967	200	Taipei	Applying for bonded factory, worker under training.
18. Radio Corp. of America (RCA Taiwan, Ltd.)	Memory planes	May 11, 1967	156	Taoyuan	Operation started in February 1968
19. Econ Electronic Co., Ltd	Electronic condensers	May 20, 1967	34	Puli, Taichung	Operation started in April 1968.
20. Fox Electronic Co	Electrolytic capacitor, printed circuit board	May 29, 1967		Taoyuan	Suspended production since June 20, 1968.
21. Yamatake Honeywell Co., Ltd	Electronic self-balance tape recorder indicator	June 8, 1967	13	Taipei	Factory construction finished workers under training.
22. Channel Master Corp. (Trans World Electronics).	Television apparatus	June 19, 1967	67	KEPZ	Operation started in December 1967.
23. Ampex Corp	Printed circuit board cable harness, memory units.	Mar. 28, 1968		Kweishan	Factory under construction.
24. Televac, Inc	Receiving tubes	Apr. 13, 1968		Hsing Shan Hsin Chu	Machinery under installation.
25. Thomas L. Higgins	Magnetic head coils, transformers for electronic use, electronic components for computers semifinished hearing aid products.	May 25, 1968			
26. C.T.S. Corp	Electronic components assembly and manufacturing.			Kaohsiung	
27. Lloyd's Electronics International	Transistor radios			Taipei	
28. Singer Industrial (Taiwan), Ltd	Sewing machines, parts, and consumer products			do	
29. Wang Laboratories (Taiwan), Ltd	Manufacturer of computer products			do	
30. Sunetics, Ltd	Manufacturer of magnetic heads for TV recording			Kaohsiung	
31. Tusic (Taiwan) U.S. Industrial Co., Ltd	Magnetic components, printed circuit boards, etc			Taipei	

The foregoing tables B and C show, first, the U.S. electronic firms now operating in Mexico near the American border, and, second, the U.S. firms now operating in Taiwan. This grim trend toward relocation abroad, exporting jobs by the thousands, would be discouraged by the trade bill we are considering.

TEXTILES

Long a victim of unrestricted imports, the textile industry finds itself in a plight as grim as any in the American industrial community. Current estimates indicate that 100,000 textile workers lost their jobs during 1970 alone. Cheap foreign textiles, made at wage rates far below those in the United States, are flooding the marketplace here.

Stanley Nehmer, Deputy Assistant Secretary of Commerce, warned yesterday that textile workers could lose up to $3 billion in lost wages by 1975 unless imports are restricted. Speaking before the board meeting of the National Association of Wool Manufacturers, Mr. Nehmer said:

THE TEXTILE ISSUE: FACT OR FICTION

I

I am pleased to have the opportunity to meet with you today, at a time when Congressional consideration of legislation which can affect your industry is moving toward its final stages in this session of Congress.

The solution which the Administration seeks to the problem of burgeoning and disruptive textile imports is the textile legislation now before the Congress. The Administration has taken that position with reluctance because we have always felt and still feel that the preferred way to deal with the textile import problem is through negotiated agreements with our principal foreign suppliers. But, in the absence of any constructive negotiated solution, legislation represents the only means to bring an end to this long-standing, frustrating problem. Secretary of Commerce Stans advised the House Ways and Means Committee on June 25 that the Administration supports the enactment of the textile provisions of the trade bill.

In recent weeks, and particularly during the last week, a number of statements have been made and articles printed on the textile situation. Many of these have shed much heat, but little light, on the textile import issue. We have had much fiction, but few facts. I would like to take this opportunity to comment in particular on one of these statements, prepared for an economics seminar, which received considerable attention in the press. I am referring to the comments of Governor Andrew F. Brimmer of the Board of Governors of the Federal Reserve System concerning import controls and domestic inflation as it relates to the textile issue.

But before getting to the basic questions raised by Governor Brimmer's analysis, I want to emphasize that my comments will be confined to the textile features of the trade bill and the textile issue. They do not in any way represent my judgment or that of the Administration as to other features of the trade bill or as to the position of the Administration on the bill as a whole. Secretary Stans and other in the Administration have expressed our views and deep reservations about many aspects of the trade bill in their recent testimony to the Senate Finance Committee, and I need not repeat that this morning.

II

The key to an understanding of the Administration's support of the textile quota provisions of the trade bill was stated by Secretary Stans to the Senate Finance Committee on October 12:

"The basic thrust of the textile provisions of this bill is in the direction that we have pursued for many months—the negotiation of viable international textile agreements. The quota provisions of the bill would be superseded by bilaterial or multilateral textile agreements and may be waived for non-disruptive imports or where the President may find it to be in the national interest not to impose quotas."

This reading of the bill is not arrived at lightly. It is based on our direct and extensive participation in the drafting of the textile provisions of Title II of the trade bill, and it recognizes that the Ways and Means Committee adopted changes suggested by the Administration in this Title during the course of its very thorough and extensive deliberations.

Secretary Stans and other Administration witnesses had urged modification of the bill originally introduced by Chairman Mills to provide for exemption of non-disruptive goods. This and other changes were developed during the course of hearings, and were adopted by the Committee. A central feature of these changes is to assure a flexible instrument that can be used to bring about negotiated agreements. The Ways and Means Committee itself supports this view of the bill in its report by stating that "it is intended that, insofar as may be possible, the limitation of these imports will be accomplished through the negotiation of voluntary agreements provided for under Section 202 *and that the quota provisions of Section 201 will assist in the negotiation of such agreements* as well as to provide protection for the domestic market and workers in cases where such agreements are not concluded." (Emphasis supplied.)

We have said over and over again that we will never cease to negotiate on the textile issue, even if quota legislation is enacted. The public record and the record of the Ways and Means Committee are clear to all who wish to avail themselves of the hard fact of our position on this question.

But Governor Brimmer has not consulted the record. How else to explain his statement which at once recognizes that, under the provisions of Title II the President may exempt non-disruptive articles, that he may waive quotas when he finds it in the national interest to do so, and that negotiated agreements automatically supersede quotas—and yet offers the following as the *basic working assumption* of his analysis:

"It was assumed that—if quotas were imposed—the amount of imports authorized would be that stipulated under H.R. 18970. In 1971, imports would be held to the 1967–69 average; then, beginning in 1972, the amount authorized would be increased by 5 per cent of the amount authorized in the immediately preceding year."

Governor Brimmer bases his entire estimate of the cost of the textile portions of this bill to consumers on this assumption. If valid, it would mean that 1971 textile imports would represent a rollback of about 25 percent from current levels. This is not fact; it is fiction. Indeed, Governor Brimmer even fails to note that cotton textile imports, which this year will account for some 1.6 billion yards, out of total imports of some 4.4 billion yards, are automatically exempted from quotas by the bill so long as we participate in the Long Term Cotton Textile Arrangement.

In the face of the record, in the face of a clearly stated Administration intention, and in the face of the realities of our textile trade and our textile policy, in which we have always provided substantial access for imports to our market, he assumes that there will be no exemptions for non-disruptive articles, and that either no agreements will be negotiated or, if any agreements are negotiated, there would be no increase above the 1967–69 average provided for in such agreements. That does not make sense.

And where does this wrong assumption lead Governor Brimmer? Following a fairly elaborate analysis which encompasses estimates of 1975 demand versus 1975 imports on the basis of these quotas, and a price analysis about which I shall comment later, we are shown an alleged cost to consumers of $1.8 billion for these textile quotas. At this cost, which he feels would have an inflationary impact on the economy, Governor Brimmer concludes that a solution other than import quotas is needed to provide the help to workers and firms in the industry which he agrees is needed.

Governor Brimmer's proposed solution is not new. Alarmed at the possible cost of $1.8 billion to American consumers, he recommends that we ". . . adopt more effective programs to provide re-training and transitional benefits or financial assistance for those who are displaced by competitive forces over which they have no control—whether the forces originated at home or abroad." He offers no analysis of his proposed solution. Indeed, from his paper one would assume that an adjustment assistance program for textiles is free, and that American taxpayers are in some way different from American consumers.

But our experience thus far with adjustment assistance and our estimates for the future in textiles are quite to the contrary. Before getting to that, however, we should perhaps establish a basic line of logic. First, we should recognize that consumers pay taxes. Second, we should recognize that adjustment assistance or any other kind of assistance costs money. Third, we should recognize that such money comes from the Treasury Department which gets it basically from tax revenues. A conclusion begins to emerge, namely, whatever money an adjustment assistance program costs will be borne by taxpayers, a worthy group difficult to distinguish from American consumers.

Now, perhaps we should look at how much an adjustment assistance program might cost in dealing with a problem of the scope and nature of that which confronts the textile industry and its workers. The textile-apparel complex directly employs some 2.3 million workers in some 35,000 separate establishments located in every state of the Union. On the basis of our experience with the automotive arrangement with Canada, we have estimated that adjustment assistance per 100,000 workers certified as eligible to apply for such assistance would cost in the neighborhood of $265 million a year. This assumes that of those certified, only 75 percent finally qualify and receive assistance. Of that 75 percent, only one-fourth receive training allowances. I use the 100,000 figure because it has a peculiarly current significance. From January of this year through September, the latest month for which we have data, textile and apparel employment in the United States was down by 100,000 jobs. A total of 125,000 lost jobs in textile and apparel by the year's end is certainly a real possibility.

Obviously not all of the jobs were lost to import competition, but just as obviously a great many of them were, since American consumption of textiles did not decrease, but the import share of that consumption increased. It is a relevant figure to consider. But we should not assume that a 100,000 or 125,000 job loss will be the end of our textile issue in the absence of a sound solution to the import problem. It can reasonably be predicted that additional job losses of a similar magnitude will continue to occur over the next four or five years in the absence of controls in textile and apparel imports. This annual figure of $265 million would be repeated several times over.

And what about firms? Adjustment assistance to firms also requires money. Our experience in cases of assistance to firms and the kind of capital requirements that might be involved there is less than in the area of worker assistance, simply because there have been fewer successful applications. We do know, however, that on September 29, 1970, the Small Business Administration announced a plan of assistance to the Emil J. Padar Co. (producer of barber chairs) which provided for loans totalling $4,125,000. Other adjustment assistance proposals are being considered by the Commerce Department at the present time. While their cost will vary significantly, I know of at least one that is expected to exceed $1 million.

The textile-apparel industry is composed of some 35,000 establishments owned by some 30,000 firms. Obviously, many of these firms will need assistance. Some of them perhaps will need as much assistance as the Emil J. Padar Co. Others will need less. Surely some will require more. Little imagination is required to forecast that the application of figures in the order of magnitude of $1 million per firm to a very small percentage of these firms, i.e. 2 or 3 percent, produces rather large dollar outlays by the Government for an adjustment assistance program.

For example, assuming 30,000 firms, and assistance for the stated percent at the indicated level, we see: 1% at $1 million=$300 million, 2% at $1 million=$600 million, 3% at $2 million—$1.8 billion.

Note that this 3% is only 900 firms, and a $2 million loan is less than one-half of what was deemed necessary to do the assistance job required for a barber chair manufacturer. Obviously the Brimmer solution would bring us to the threshold of a major financial undertaking that staggers the imagination.

Perhaps we should again note that, as Secretary Stans has stated, "The textile industry is too big for any kind of solution that we would be able to apply internally." Consumers, as tax payers, would bear the burdens of such a program.

Indeed, this is perhaps the key distinction between the textile and shoe cases. The 100,000 jobs lost in textiles and apparel this year equals 50% of the total U.S. employment in the non-rubber footwear industry. Rather than 30,000 firms, there are 675. So different in size are these problems that they do, in fact, take on a difference in kind.

We believe a reasonable internally-oriented program *can* meet the problems of the shoe industry. The Administration has put forward such a program. In addition, the Tariff Commission's injury investigation now underway at the request of the President will help us to fill in gaps where import relief may be needed for particular products.

IV

Let us return briefly to another part of Governor Brimmer's analysis. He assumes that the unit value of imports (at retail) is about $6 as compared to a domestic value of about $10. He further assumes that the effect of the quota is to require that each item not available from imports be obtained domestically. Thus, the buyer of a unit who cannot obtain a $6 unit because of the quota must obtain a domestic replacement at $10. Cost of quota? $4 per unit. Net result based on his demand projections and on his import-supply projections? $1.8 billion.

But here again, I think we are dealing with a false assumption. Namely, that all imports and all domestic articles cover the same price spread in unit value. This ignores the fact that imports are generally more concentrated in value terms than is domestic merchandise which covers in significant quantity the entire range of price and quality. In short, the unit value comparison is not realistic. The $6 item that the consumer replaces with a domestic item is not replaced with a $10 item, but with an item of the same quality whose unit value is likely to be much closer to $6 than to $10.

Every dollar of reduction of that $10 unit in Governor Brimmer's analysis reduces the $1.8 billion cost figure by twenty-five per-

cent. Thus, if a $6 item is replaced by a $7 domestic item the $1.8 billion cost drops to $450 million. You may have noticed that this is far below any reasonable estimate of the cost of an adjustment assistance program.

Governor Brimmer also fails to account for the cost to the Treasury of lost revenue from tax payers who used to work in the textile and apparel industry but are forced into adjustment assistance payments, and from firms which used to make a profit in that industry but no longer do so. Our estimates of the lost wages alone for 100,000 workers amount to more than $500 million a year, or more than $625 million a year for 125,000 workers. And this is cumulative, so that, in the absence of meaningful restraints on imports, by the fifth year alone, it could be somewhere between $2.5 and $3.0 billion. Obviously, this loss to the economy is reflected in lost expenditures by these people, as well as in non-payment of taxes. From contributors to our tax revenue and economic activity, these people shift to recipients of public assistance.

These figures on workers and firms do not reflect community losses sustained as a result of this loss of buying power, increased welfare costs, and lost local tax revenue from unemployed workers and closed plants. Over a five-year period, we could conceivably be dealing with an economic impact measurable in tens of billions of dollars.

As a final note, Governor Brimmer also largely assumes that the only real force holding down textile-apparel inflation is imports, and that a lessening of this pressure means equivalent upward price movement. But we are looking at an extremely competitive industry. Apparel, the focus and example chosen for his analysis, is without doubt the least concentrated major American industry. Its largest firm accounts for but 2 percent of the industry sales and its 8 largest together account for only 15 percent. Firms in this industry clearly face the knife-edge of competition, with or without imports.

There are other technical deficiencies in Governor Brimmers' analysis which I will not pursue in detail at this point, but which further undermine his conclusion.

For example, Governor Brimmer's method of calculating the cost of quotas on apparel depends *completely* on reducing the entire range of apparel items and pieces to a single "average price" measure. He does this by taking a *poundage* figure for all retail apparel purchases and dividing it into the total value of such purchases for both domestically produced items and for imports. But there is absolutely no relationship in the market place between the weight of an apparel item and its price. Anyone who looks at his wife's clothing bills knows this.

Also, we know that many of the factors relied upon in Governor Brimmer's method are not the constants he assumes them to be. This is true, for example, of the composition of the consumer's price index basket of goods and services. The only constant about this basket is that it changes all the time as per capita incomes rise and new consumer goods appear on the market. Six years is a long period for which to assume zero change in areas as dynamic as incomes, tastes, and actual consumer expenditures.

Governor Brimmer's method rests on arbitrary assumptions which introduce a serious systematic upward bias into his results and on crucial measurements which are technically unacceptable. Finally, there are also inaccuracies in his summary of the provisions of the bill, which cast additional doubt on the soundness of the paper. In short, good cloth cannot be woven from bad yarn.

V

What can be said, then, about the effect on prices of the textile provisions of the trade bill?

First, we should recognize that textile and apparel imports will continue at high levels under the bill. Instead of the disruptive 47 percent growth in imports of man-made fiber textile products which occurred in the first nine months of this year over the same period of 1969, which was 25 percent higher than the 1968 level, which was 52 percent higher than the 1967 level we should see a smaller and non-disruptive rate of growth in such imports.

Second our experience with regard to cotton textile imports which have been subject to control since 1961 under international agreements has been that prices have risen only slightly. In 1960 the year before these arrangements began, the wholesale price index for cotton products (1957–58—100) stood at 104.4. In September 1970, it was 106.4. During the same period the index for all industrial commodities increased from 101.3 to 117.1.

Third, the key to the future of prices of textiles and apparel lies in maintaining a viable, competitive domestic industry, that is, in the competition of 30,000 firms for the consumer's business. If imports should further reduce the size of this industry significantly, we can all view with alarm the impact on the consumer.

VI

Thus, I do not accept Governor Brimmer's analysis of the textile situation or his recommendations for a solution to the textile import problem. In my view, public debate on the trade bill and the Congressional debate we shall witness this week are not well served by an analysis which starts from false premises and carries them through to extreme conclusions. One point made by Governor Brimmer is his often repeated caveat, lost in some public reports, that his "estimates are obviously tentative and should be interpreted with considerable caution." I agree with that, and how!

We can only hope that fact, not fiction, will prevail on this issue in the coming weeks.

The following statement, prepared in question-and-answer form by the American Textile Manufacturers Institute, neatly sums up the import problem:

WHO GETS HURT BY TEXTILE IMPORTS?

THIRTEEN QUESTIONS AND ANSWERS ON THE THREAT OF UNRESTRICTED IMPORTS OF FOREIGN TEXTILES

1. Question: Should America keep out all foreign made textiles?

Answer. No. Achievement of our country's foreign policy goals depends to some degree on permitting both developed nations which help block Communism and underdeveloped nations which we want on our side to engage in profitable trade with us.

2. Question: Does the textile industry believe the present level of imports is too high?

Answer: Yes. Imports are growing much faster than our own industry. In the last five years, our production has increased by one-third, but imports have tripled. If this continues, some of our 950,000 textile workers will lose their jobs, we won't be able to keep our mills modern and efficient, and we will fall behind in the development and improvement of textile products.

3. Question: Aren't there import controls now in effect?

Answer: Only on cotton textiles—and these aren't working very well. The international Long Term Arrangement (LTA), which covers only cotton textiles, provides for reasonable annual increases in experts to the United States. Despite this, cotton textile imports have doubled in five years, and from a very high base. Fabrics of man-made fibers, which are completely uncontrolled, have more than tripled in four years. Wool fabric imports now amount to one-fourth of U.S. consumption. In total, foreign imports now take about 10 per cent of the American market. In actual yards, which in the final analysis is the measure of interest to exporting countries and of the impact on our own markets, we are now taking in three billion square yards annually.

4. Question: Just what is the Long Term Arrangement, anyway?

Answer: It's an international agreement on imports of cotton textiles which was reached by 23 countries in 1962. The purpose of it was to provide for orderly trade and growth and to avoid disruption of the domestic markets of any of the participating nations. Under the authority of the General Agreement on Tariffs and Trade (GATT), it permits importing countries and exporting countries to cooperate in setting cotton textile trade levels. The LTA expires September 30, 1967. Unfortunately for America, administration of its provisions limiting imports has been lax and cotton textile imports have risen far above original projections. And, of course, there is no LTA and no import control at all on products of man-made fibers and wool.

5. Question: Why doesn't our textile industry compensate for imports by increasing its own exports abroad?

Answer: Because many foreign countries won't let them in. About 50 nations virtually prohibit the importation of American textiles and another 20 have tariffs and taxes so high as to effectively shut us off from these markets.

6. Question: If our own textile industry is modern and efficient, why can't we compete more effectively with foreign imports?

Answer: Because we pay our employees more and our other costs, like taxes, are higher. In th past two years American textile workers have received four wage increases averaging five per cent each. The average textile pay is now $2.00 an hour. In 1965, when the U.S. average was $1.87, textile workers got 53 cents an hour in Italy, 37 cents in Spain, 36 cents in Japan, 25 cents in Hong Kong, 18 cents in Brazil, and 14 cents in India.

7. Question: Doesn't the U.S. textile industry get a subsidy from the government to help keep it competitive?

Answer: None whatever—and doesn't want any.

8. Question: Isn't it a good idea to help the developing nations establish a strong economic base by encouraging them to export textile to America?

Answer: Not necessarily. It now costs so much to build and equip a textile mill that this is no longer an "easy" industry for developing nations to start. The price in the U.S. has gone from about $10,000 per worker to around $50,000. A modern textile mill is technologically complicated and relies more on sophisticated machinery than great numbers of workers and therefore isn't much help in providing employment in developing countries. Aside from this, the lion's share of imports isn't coming from developing countries. They are coming from mature nations. Japan, for example, is supplying more than half of all the man-made fiber imports, one-fourth of all the cotton textile imports, and one-third of woolen products imports.

9. Question: Just how many yards of each kind of textiles are coming in the U.S. now compared with a few years ago?

Answer: Latest estimates are that we will import 809-million square yards of man-made fiber fabrics this calendar year compared with 213-million in 1962, over 3½ times as much; 1,853,000,000 square yards of cotton textiles, compared with 720-million in calendar year 1961, more than 2½ times as much; and 187-million square yards of woolen textiles, compared with 93-million in

1961, slightly more than twice as much. Total imports this year will be close to three billion square yards, an increase of 50 per cent just since 1965.

10. Question: Isn't it true that things like the one-price cotton law (which made it possible for American mills to buy American raw cotton at the same price at which it is sold to foreign competitors), the seven per cent investment allowance on taxes, faster depreciation write-offs, and general prosperity have produced a tremendous increase in textile industry profits?

Answer: Note quite. For the second quarter of 1966, textile industry net earnings were 3.9 cents on each dollar of sales. This doesn't compare very favorably with the 5.9 cents earned by all American manufacturing industries taken together. In other words, the textile industry is still way behind other industries, although present earnings are a lot higher than the 2.1 cents earned in 1961.

11. Question: With the current great demand for textile both for the civilian market and for the military, have textile prices increased sharply, making our textiles even less competitive with imports?

Answer: No. Textiles represent one of the biggest bargains in Mrs. America's shopping bag today. The "apparel" item in the government's Cost-of-Living index tells an interesting story. The index for all items (food, housing, transportation, health and recreation, and apparel-footwear-upkeep) was up 14.1 per cent in September above the 1957–59 base of 100. Apparel alone (excluding footwear and upkeep) was up only 7.4 per cent over the ten-year period. In the twelve months since September of 1965, the price of all items rose 3.5 per cent, while apparel alone increased only 2.5 per cent. Wholesale prices of basic textiles have actually gone down since 1957–59. At the end of September, all industrial commodities stood at 105.2 per cent of the base, while textiles, at 98.5, were below the base.

12. Question: Aside from the loss of American textile jobs, and the destruction of our textile industry, what harm would it do the United States if textile imports were allowed unrestricted entrance to the country?

Answer: It would do serious damage to the entire economy. First, it would affect the hundreds of other industries and the millions of workers who supply the textile industry. For example, cotton farmers would lose their market; machinery suppliers would lose their customers; the cornstarch industry, for which textiles is the second biggest customer, would be seriously hurt; the chemical companies would lose a big share of their revenues. Second, it would weaken our ability to defend ourselves. The textile industry has been called second only to steel in importance to national defense. If our textile industry goes by the board we will have to depend on other countries—some of them potential enemies—to supply our military needs. Third, America's balance of payments would show an even greater deficit than it does today, further weakening the stability of the dollar. Right now, the textile trade deficit is running at a rate of $836-million a year, about two-thirds the total deficit in the U.S. balance of payments. Some 15-million Americans depend in one way or another upon the textile industry for their livelihoods. Weaken that industry and we weaken all America.

13. Question: What kind of textile import regulations should we have?

Answer: Regulations that would be fair to everyone. First, we think it fair that foreign countries be allowed to share in our markets and in the growth of our markets. But we also think such a share should be held at levels which won't injure or weaken our own industry and our economy. Second, textiles of all fibers—not just cotton—should be controlled. And third, other countries should permit American imports on the same basis that we permit their imports.

BICYCLES

Imports now dominate the American marketplace in bicycles. Imports are so dominant, in fact, that they threaten to drive U.S. manufacturers out of business. Japan, the principal foreign supply nation, enjoys virtually unhindered access to bicycle buyers in this country. Using labor paid only a fraction of U.S. wage rates, Japan finds it remarkably easy to sell at prices no American manufacturer could match. The Columbia Manufacturing Co. of Westfield, Mass., for example, finds it virtually impossible to compete.

Here is a brief history of bicycle imports:

HISTORY OF BICYCLE IMPORTS

The bicycle import story begins with the enactment of the Tariff Act of 1930. Largely as a result of the 30 per cent *ad valorem* tariff on all bicycles which that Act imposed, imported bicycles accounted for less than 1 per cent of domestic consumption during the pre-war years. When in 1938 the United States used its tariff reduction authority to reduce this level to 15 per cent *ad valorem* for lightweight bicycles from the United Kingdom, the outbreak of war was imminent and virtually all imports were severely reduced for the duration.

Immediately after the war, while the generally high tariff remained and foreign manufacturers were rebuilding and retooling, bicycle imports continued below the 1 per cent level.

However, in the latter part of 1947 the United States entered the multilateral General Agreement on Tariffs and Trade (GATT) and made drastic tariff concesisons in many areas. Effective January 1, 1948, the tariff on lightweight bicycles, the most significant imported model at that time and for the next decade, was reduced to twenty-five per cent of its 1930 level, or 7½ per cent *ad valorem*. Other models were reduced to 15 per cent *ad valorem*.

Although in 1948 many of the foreign countries were still busy attempting to reach their pre-war levels of production, the record shows that it did not take long for the GATT reduction to take effect. Between 1948 and 1956 the ratio of bicycle imports to domestic consumption climbed from .6 per cent to 41.2 per cent!

	Percent
1948	0.6
1949	1.0
1950	3.4
1951	9.0
1952	11.8
1953	22.8
1954	38.2
1955	41.2

In October, 1951, after the domestic industry had seen the number of bicycle imports increase twelvefold from 15,757 in 1949 to 176,257 in 1951, the members of the Bicycle Manufacturers Association filed for "escape clause" relief under Section 7 of the Trade Agreements Extension Act of 1951. The Tariff Commission conducted an investigation and, on October 9, 1952, concluded that bicycles were not being imported in such increased quantities as to cause or threaten serious injury to the domestic bicycle industry.

The above chart shows how wrong the Tariff Commission was. Despite the fact that domestic manufacturers had modernized their plants at great expense, the lower labor and material costs of foreign manufacturers enabled them to steadily erode the Americans' share of their own market. Tariff Commission figures developed later show that during the period 1951–1954 there was a 16 per cent reduction in the number of persons employed in the bicycle industry and a 24 per cent reduction in the number of man-hours of bicycle employees. In fact, the situation had become so critical that in 1954 the industry suffered an aggregate net operating loss of over five hundred and twenty thousand dollars ($520,000).

In a final effort to remedy this serious injury, the Bicycle Manufacturers Association in June, 1954, again applied for "escape clause" relief. This time the Tariff Commission could not deny the damage that had been done and recommended to the President that the tariff rate on all bicycles be increased to 22½ per cent *ad valorem*. The President partially accepted this recommendation, imposing effective August 18, 1955 an increase in existing rates, raising lightweights from 7½ per cent to 11¼ per cent and other models from 15 per cent to 22½ per cent.

This partial relief helped to stabilize import penetration in the neighborhood of 30 per cent of the domestic market for the next eight years:

	Percent
1956	40.0
1957	28.2
1958	28.1
1959	28.3
1960	31.4
1961	29.6
1962	30.0
1963	29.3

At this rate of approximately 30 per cent, however, the domestic industry continued to sustain serious injury.

In 1964 the domestic industry first developed the "high rise" bicycle, characterized by smaller wheels and high handlebars. The model immediately caught on with the youngsters, and the importers' percentage share of the U.S. market fell sharply from 29.3 per cent in 1963 to 19.8 in 1964. In 1965 and 1966, as sales of high risers continued to increase and foreign manufacturers were not yet fully equipped to produce them in large amounts, import penetration continued to fall off:

	Percent
1963	29.3
1964	19.8
1965	18.3
1966	16.1

By 1967 high rise bicycles accounted for 61 per cent of the domestic market and were still increasing in popularity. But three other facts overshadowed the significance of this achievement for the domestic bicycle industry. First, mounting inflationary pressures were beginning to have a real effect on the cost of manufacturing a bicycle in the United States. Second, foreign manufacturers had copied the popular high rise and, capitalizing on their own cost advantages, were sending them to the United States in increasingly larger quantities. Third, on June 30, 1967, the United States, the members of the European Economic Community and fifty-four other nations concluded the Sixth (or "Kennedy") Round of trade negotiations under the General Agreement on Tariffs and Trade. Notwithstanding the probable consequences, the United States agreed to reduce the existing rates on bicycles by 50 per cent over a five year period, beginning January 1, 1968.

Now, in 1969, after only the first two of the five steps of the Kennedy Round tariff reductions, imports have risen as follows:

1st six months, 1967: Units, 411,407.

1st six months, 1969: Units, 787,973; Units increase, 376,566, or 91.5 percent.

There is every indication that this trend will continue. It is clear that present conditions make this situation more precarious than that of the 1950's.

Foreign manufacturers have learned the desirability of immediately copying U.S. style changes, and are well-equipped to do so. Also, their cost advantage is more noticeable than ever. Compounding the inflationary problems here and the normal labor and manufacturing cost advantages abroad are the development of production facilities in countries not heretofore in the bicycle market. Taiwan, for example, shipped 41,182 bicycles to the United States during the first six months of 1969, in contrast with only 150 during the same period in 1968. These bicycles were manufactured by workers who receive an average wage of 20 cents per hour.

Confronted by such cost disadvantages and hobbled by the inflationary spiral at home, the domestic bicycle industry is in serious trouble. Despite the modern facilities here in the United States, we simply cannot cope with the low costs enjoyed by foreign manufacturers. Unless some relief is provided soon, thousands of Americans will lose their jobs permanently. Past history is sufficient testimony as to the ineffectiveness, if not unavailability, of escape clause relief. The only workable solution lies in the imposition of fair, orderly, quantitative limitations on imports.

For this reason, we urge your support of the Orderly Bicycle Marketing Act, H.R. 13401, introduced by Congressman Richard H. Fulton of Tennessee.

Accompanying table D shows just how alarming the import rate is:

D—BMA IMPORT SUMMARY: JANUARY-SEPTEMBER, 1969

	1969	1968	Increase Number	Increase Percent
Jan.-Sept.:				
Bicycle imports	1,460,075	1,091,637	368,438	33.8
Bicycle sales [1]	3,790,000	4,240,000	−450,000	−10.6
Domestic consumption [2]	5,250,000	5,330,000	−80,000	−1.5

[1] The unit sales figure represents the domestic sales of BMA members and nonmembers. The 1968 figure is the one reported by the BMA in 1968. The 1969 figure is based on the estimate that BMA members produce 84.9 percent of U.S. bicycles.
[2] Imports and sales.

IMPORT PENETRATION

	January–September 1969	January–September 1968	1st half 1969	1st half 1968
Domestic sales	3,790,000	4,238,252	2,100,000	2,349,768
Imports	[1] 1,460,000	1,091,637	[1] 790,000	558,288
Consumption	5,250,000	5,329,889	2,890,000	2,908,056
Penetration (percent)	27.8		27.4	19.2

[1] Rounded to the nearest 10,000 to conform to rounded unit sales estimate.

IMPORT PENETRATION: BY MONTH

[In percent]

	Monthly 1969	Monthly 1968	Cumulative 1969	Cumulative 1968
January	10.4	28.6	10.4	28.6
February	27.7	19.7	22.6	22.8
March	24.9	21.6	24.6	22.2
April	30.5	16.2	26.6	19.6
May	30.7	19.1	27.7	19.7
June	26.0	19.1	27.4	19.7
July	32.1	24.3	28.3	20.2
August	26.0	22.8	27.8	20.7
September	27.4	19.6	27.8	20.5

IMPORTS BY COUNTRY

	1969	Percent total	1968	Percent total
1st quarter:				
Japan	76,407	31.1	79,008	38.4
Germany	57,252	23.3	70,212	34.1
Austria	42,119	17.1	13,674	6.6
United Kingdom	37,221	15.1	31,222	15.2
Netherlands	9,780	4.0	----------	----------
Twain	8,150	3.3	----------	----------
Italy [1]	4,262	1.7	2,308	1.1
1st half:				
Japan	199,333	25.3	204,321	36.6
Germany	177,434	22.5	142,513	25.5
United Kingdom	142,255	18.1	109,743	19.7
Austria	124,047	15.7	56,252	10.1
Taiwan	41,182	5.2	----------	----------
Netherlands	29,879	3.8	----------	----------
Italy [1]	26,984	3.4	8,838	1.6
January–September:				
Japan	403,229	27.6	378,789	34.7
West Germany	285,546	19.6	248,546	22.8
United Kingdom	256,582	17.6	213,177	19.5
Austria	226,624	15.5	115,253	10.6
Italy [1]	71,261	4.9	28,288	2.6
Taiwa	67,233	4.6	2,200	.5
Netherlands	43,888	3.0	5,510	.2

[1] Primarily 16-inch bicycles.

Mr. BUCHANAN. Mr. Chairman, today the House of Representatives has a unique opportunity as well as a very grave responsibility in dealing with a situation which has had an extremely adverse effect directly on many thousands of American citizens, and which is indirectly affecting the great majority of our Nation's people. This situation is the tremendous growth in imports during recent years, which has not only adversely affected our Nation's trade balance, but is constituting a growing threat to American workers.

Because of these very concrete results of import penetration, our country's trade policies can no longer be considered theoretically or in the context of abstract ideals of free trade. As I indicated earlier this year in testimony before the distinguished Ways and Means Committee, the time is long overdue for the Congress to face up to its responsibility in this area and to do what almost every other nation in the world has long been doing. That is, we must base our Nation's trade policies to a far greater extent on what is best for our own economy and our own citizens.

In the political context surrounding the important legislation before the House at this time, however, we are once again hearing cries that any attempt to base our trade policies on such considerations constitutes a "threat to free trade" and a "threat of destructive retaliation by other nations." Such cries are, of course, based on the mistaken assumption that so-called free trade does in fact exist. To reiterate what I have said many times before, however, by definition "free trade" can only exist when it is practiced by all nations participating in commercial exchanges.

Mr. Chairman, the United States just cannot exist as an island of free trade in the middle of a protectionist sea and this is where we are at this time. While other nations protect their own workers and products by various tariff and nontariff barriers to our exports, our Government does not adequately do the same.

The legislation before us today, however, presents us with a unique opportunity to correct this imbalance in our trade relations and, more importantly, to protect American workers. The Trade Act of 1970—H.R. 18970—is the result of months of committee hearings and extensive consideration in the committee's executive sessions. It is a comprehensive measure, whose complexity is necessitated not only by the growing import problems already referred to but by the fact that it represents the first time in 8 years that the Congress has made such a review of overall U.S. foreign trade policy.

The much-needed passage of H.R. 18970 will enable American industries and workers to gain more prompt and adequate relief from unusually heavy inroads by foreign imports. While it is these provisions which have received almost exclusive public attention and which do, in my personal judgment, represent the most compelling reason for the passage of H.R. 18970; other significant provisions in this bill are aimed at giving assurances to our trading partners that the United States does remain willing to negotiate for fairer and freer trade. This bill will, for example, extend the authority of the President to enter into foreign trade agreements through June 30, 1973, and would grant the President additional new authority to reduce duties. Any such duty reductions furthermore, would, be reductions below what the duties will be on January 1, 1972, when the last stage of the Kennedy Round reductions go into effect.

Other provisions of the bill are aimed at encouraging substantial increases in exports of goods produced in the United States. The principal means in the bill of stimulating exports lies in the authorization to establish Domestic International Sales Corporations—referred to as DISC's. Many American firms have set up foreign subsidiaries to take advantage of lower labor costs abroad, and by doing so they can also take advantage of a provision of law allowing the income of their foreign subsidiaries to remain untaxed until it is returned to the United States. H.R. 18970 would extend this same tax deferral privilege to DISC's by deferring U.S. income tax on domestic corporations engaged in export sales until profits are distributed to shareholders. This would, of course, serve as an encouragement to American businesses to manufacture goods domestically and ship them abroad, thus keeping both jobs and capital at home.

Let me return now, however, to what I have indicated to be the most compelling reason for the passage of this much-needed legislation—those provisions in the bill which will allow American industries and workers to gain more prompt and adequate relief from unusually heavy inroads by foreign imports. In examining what such inroads have done to American industries and workers, I feel that it is important to keep in mind two characteristics which most of these imports have in common. First, many of

these imported products are produced by industries owned or subsidized by their governments. As already indicated, furthermore, these same industries also usually receive far greater import protection and export incentives from their governments than is the case with our domestic industries.

The second characteristic—and one which is obviously at the root of the problem—is the much lower cost involved in producing these imported goods. While I believe that almost everyone is very much aware of this second characteristic and its impact on our current import problems, I feel that we have too seldom examined this factor and its implications in depth. It is, of course, the wide disparity in worker compensation between the United States and various other countries in the world which has contributed so greatly to the overall cost differential preventing effective competition with imported goods. This wage aspect is, in turn, rooted in the very nature of American society and American ideals. In our country it is unacceptable for those who labor to produce the products which have contributed so greatly to our high standard of living not to share in this high standard of living. It is unacceptable for our workers to be forced to receive substandard wages in order to compete with products produced in other countries by workers receiving such wages.

Mr. Chairman, in my district, the Birmingham area, we have large steel, cast iron pipe, and textile manufacturers, among others. Let me once again outline a few examples of the problems they face from unfair foreign competition:

Over the past decade, the annual growth rate for steel imports was 23 percent, and in 1968 the amount of the domestic steel market captured by imports was at an all-time high of 16.7 percent. From 1955 through 1968, the southern steel market has grown by 6 million tons, but this increased steel demand was not met by southern steel, nor even by American steel. During this same period, Mr. Chairman, the increase in foreign steel imports to the southern market was 5.1 million tons. It should be readily apparent to anyone that the American steel producers are getting the short end of the stick in the southern market.

The nationwide picture with respect to steel imports is also a bleak one. The annual growth rate for steel imports from 1961 through 1969 was 23 percent, and in 1968 the share of the domestic steel market captured by imports was at an all-time high of 16.7 percent. The 1968 total for steel imports, approximately 18 million tons, represented more than a 50-percent increase over the previous record of 11.5 tons set in 1967.

While the voluntary agreements announced in January of 1969 on the part of Western European and Japanese steelmakers to limit steel exports to the United States resulted in a 3.926 billion ton decline in steel imports, that year was still the second highest year for steel imports ever recorded.

Two industries of particular concern to the people of my district—the cast iron soil pipe and fittings industry and the malleable iron pipe fittings industry, have experienced similar critical problems in the face of growing foreign imports. Because of the great increase in imported malleable iron pipe fittings, a total of 10 domestic producers have gone out of business since 1952.

These problems have been compounded by difficulties and undue delays in the administration of the antidumping laws and marking requirements of the Tariff Act. The products of these two industries have been erroneously exempted from the Tariff Act marking requirements, resulting in subsidized imported pipe and fittings being commingled with American-produced products in the U.S. market. In the case of cast iron soil pipe fittings, this problem is further aggravated by the fact that much of the importation is from Poland. Hence, in this case our current trade policies are enabling increased penetration of imports from Communist countries while Americans lose jobs.

This situation is, most regrettably, quite similar in the textile market. This vital industry employes directly some 2½ million Americans—94,000 within my State of Alabama—with additional hundreds of thousands involved in fiber production and a great variety of supply and service activities. Textile imports have already absorbed hundreds of thousands of jobs, 65,000 within the 15-month period ending in May of this year alone. Only yesterday, furthermore, the Deputy Assistant Secretary of Commerce, Mr. Stanley Nehmer, indicated publicly that American workers could lose as much as $3 billion a year in wages by 1975 unless Congress acts to stop the flood of cheap textile imports.

Total textile imports during 1969 reached a new record level of 3.6 billion equivalent square yards, a 10-percent increase over 1968 and a level which is 230 percent greater than just 5 years ago. The textile deficit for this same year was close to $1 billion—$980 million—and a deficit of $825 million existed in 1968. Even imports of cotton garments, which have been regulated by agreement since 1962, had increased in 1969 to a level 65 percent higher than 7 years earlier.

In the face of this alarming growth in textile imports, we have all waited expectantly and at length while the United States has patiently sought voluntary agreement with Japan and other nations to obtain orderly trade in textiles and apparel products. These efforts on our part have met with nothing but a refusal to cooperate on the part of Japan, which enjoys the most favorable position of any nation in the U.S. textile market.

So, Mr. Chairman, it is obvious to me that the time for thus far futile negotiations is running out. The time for the Congress to meet its clear responsibility toward the American worker is at hand. The means of meeting this responsibility—through the passage of H.R. 18970—is also at hand. I cannot urge too strongly that my colleagues in the House of Representatives join with me today in voting for this critically needed legislation.

Mr. WOLFF. Mr. Chairman, as a sponsor of the original legislation concerning imports of textiles and footwear, I was gratified at the White House announcement yesterday that the President would prefer this original bill to the legislation now before us.

While I recognize the need for controls on the importation of textile products and foreign-made footwear, I am seriously concerned that the bill being considered today is so far-reaching that it would have grave, long-term effects on the U.S. position in international trade.

The New York Times today carried an editorial—which I would like to append to my statement—suggesting that the House take a cue from the President and reject this bill in favor of the more reasonable and responsible legislation proposed earlier this year.

The legitimate needs of U.S. textile and footwear industries should be met but not at the risk of totally disrupting decades of progress in constructive international trade.

Under leave to extend my remarks, I include the aforementioned editorial from the New York Times in the RECORD at this point:

CUE FROM THE PRESIDENT

The protectionist forces in the House of Representatives got a scare yesterday when the import-restricting Mills bill came close to being smothered in test votes. The thinness of the protectionist majority provides basis for hope that this dangerous trade curb can still be stopped if President Nixon comes out strongly against it.

Mr. Nixon did authorize his press secretary yesterday to say that he opposes the measure and would back a move by its foes to substitute the original Administration bill with only two additions—quotas on textile imports and a system of tax incentives for exports. However, the President's spokesman was not authorized to disclose whether he would veto the Mills bill if it reached him in its present form.

Enough members of both House and Senate are now so worried about the damage the trade bill would inflict on American consumers, farmers, export industries and national interests generally that an unequivocal Presidential stand against the bill could defeat it.

Senator Hatfield has correctly labeled the trade bill "one small sop for textiles and one giant mistake for mankind." Mr. Nixon cannot be protectionist and liberal-trader at the same time; the public interest will be best served if the President makes plain his rejection of the Mills bill.

Mr. PHILBIN. Mr. Chairman, I realize all the hard work and persistent efforts of the distinguished chairman and the committee in conducting hearings on this bill and reporting it to the House. While it is by no means perfect, it does afford some relief to aggrieved industries and their workers in various parts of the Nation.

As one who has always favored trade with the nations of the world on a fair, equitable basis, I would not favor any measure that would interfere with or violate that principle.

However, I believe that there are many American industries today that are faced with critical problems as a result of cheaply produced foreign goods flooding the American markets—textiles and footwear are two that have been singled out

for special treatment under the provisions of this bill.

But there are others that are feeling the pinch of cutthroat competition from overseas. So far as I am concerned, I would not vote for any bill that I thought would interfere with the normal flow of international trade, which to my mind is not only desirable, but necessary, to promote friendly commercial exchange, cooperation, and cordial relations with others nations of the world.

This does not mean that we should be prepared to tolerate the great abuses that exist today with respect to the large volume of cheap, competitive imports pressing so hard against our industries, and which every day are causing some established industries to go out of business and leaving their employees without jobs.

This was never contemplated by any trade bill that this House has passed, and it certainly has no place whatever in my concept of what a good trade bill should be.

When the original trade bill was before the House sometime ago, I made my position very clear at that time that I believe international trade should be a two-way street, and not just a one-way street.

If we open our doors for properly regulated trade with other nations, they should do the same for us.

But the evidence makes it clear that they have not done so under the original trade bill, and certainly there is no guarantee that they will do so under this trade bill.

It was and is also my belief that foreign trade, like domestic trade, should and must be mutually profitable and advantageous between the parties.

Trade which in its impact and effect paralyzes domestic industries in our own country, allows cheap imports to flood American markets creating depressed conditions and the unemployment of our own people and the alternate liquidation of many historic industries and businesses, is certainly not in the national interest, and I deplore and oppose it.

While this bill does not come to grips with all the problems involved in reciprocal trade relations with other nations at this time, it would seem to me that it is the basic vehicle we may have available to us to try to prevent some very fine American industries from suffering the same fate of depression and liquidation that others have experienced in the past and many are experiencing at this time.

This bill will put into effect some effective safeguards against the cannibalizing of American markets by cheap, low-grade, sweatshop products from abroad.

It will render a real service to the nation and to some of our basic industries and many of our American working people and their families.

Under the Constitution, the Congress has responsibility for regulating foreign trade and commerce, imposing duties and controlling imports, and Congress must make sure that in its efforts to promote sound, constructive, fair, mutually beneficial trade between our great country and other nations that we do everything in our power to prevent our industries and workers from being penalized, and perhaps put out of business by unfair, noncompetitive, foreign imports which at this time are causing great concern as well as irreparable damage to many of our industries.

I hope that this bill will be helpful to some substantial degree in alleviating the problems of industries that are faced with the serious threat of noncompetitive foreign imports, and trust our great House Ways and Means Committee and the Congress will continue its efforts to guard the interests of American industry and its many workers that are bound to suffer unless adequate measures are taken to avoid the excesses and abuse of unregulated international trade.

Let us seek and welcome fair, honest trade with all nations but in the process insure that American business and its workers are not made the victims of unfair, intolerable competition from abroad.

I will support the bill with the hope and belief that it will benefit our country and our people while preserving constructive trade with other nations.

Mr. CLEVELAND. Mr. Chairman, having sat through and listened to the entire debate on this important and necessary bill, I have been greatly impressed by the gap between what the bill really does and what organized groups and the news media claim it does.

The distinguished chairman of the Ways and Means Committee, Mr. MILLS, and the distinguished ranking minority member, Mr. BYRNES, have given an excellent discussion of what the provisions of the bill really are. This has effectively destroyed the red herrings which have been thrown out by opponents of the bill, and have cleared up much misinformation. I concur with the excellent statements made by these two distinguished Members. In fact, after their excellent statements, it is difficult for me to understand how people can still oppose the Trade Act of 1970.

Mr. Chairman, we have seen in recent years a flood of imports come into the United States. The impact has been great upon the textile industry, which has been inundated by a flood of cheap foreign textiles. The shoe industry has been swamped by cheap foreign shoes. The electronics industry has been backed against the wall by cheap imports. The miniature ball bearing industry is being closed down by cheap imports. Other industries are similarly threatened.

In my own district, I have seen mill after mill close its gates and give discharge notices to long-time employees. In the last 16 months alone, thousands of workers have lost their jobs as the direct result of these cheap foreign products. This scene has been repeated across the United States.

Mr. Chairman, these products which are flooding our markets are low priced because they are often made by workers paid slave wages in countries without minimum wage laws, without social security programs, and in systems where there are no health and welfare provisions. In many countries labor is not organized to protect itself, and there are none of our many safeguards to assure free and fair competition.

At this time it is clear that occupational health and safety legislation is needed and is going to be enacted. The only real fight is over the means to this desirable end. A safe and healthy place to work is now within reach for all American workers. But this will further increase production costs for American products. There will be no such provision for health and safety in the foreign factories producing the flood of cheap imports. The price of these cheap foreign products will be kept low by forcing workers to work in unhealthy and unsafe places of employment.

In the past several years, the goal of a clean environment has evolved for America, and our industries have been told that they have to stop polluting our water, air, and land. This is as it should be, and the goal is good as well as necessary. But remember that all of these desirable improvements will increase further the cost of American goods, while foreign goods will be kept low in price because those foreign plants will continue to dump their wastes into their environment. In fact, our global environment.

Mr. Chairman, these are all costs of the United States being a leader in social progress. We have the highest standard of living in the world, and are in the forefront of progress toward a safe, healthy, clean environment. But at the same time, foreign producers without the costs which go with these achievements are able to undersell American producers. The present system penalizes those countries which make social progress, and rewards those which pay slave wages, build sweatshops, and pollute their environments.

Paralleling this development, in which low cost goods produced under bad conditions are able to undersell American goods produced in much better conditions, has been another situation which makes absolutely necessary the Trade Expansion Act of 1970. This is the fact that while the United States has, during the last two decades, opened up its market to trade and imports, other countries have looked after their own interests to a much higher degree.

As has been well documented in the excellent statements of Messrs. MILLS and BYRNES, our trading partners have constructed a maze of subtle—and not so subtle—restrictions which limit the access of American companies into foreign markets. Japan has been a notable offender in this regard. The Common Market discriminates against American agricultural commodities. As Mr. BYRNES pointed out, the Ways and Means Committee took over 100 pages of testimony on this myriad of restrictions.

Mr. Chairman, opponents of this measure have tried to scare us from enacting this necessary bill by saying that it would invite a wave of retaliation from our trading partners. Far from that being the case, it appears that we have been taken for a ride on the whole issue. Unless we stand firm now, free trade—which I want as much as everyone else—will never come. Do not be deluded into thinking it is here now. It is not.

The bill before us today provides for textiles and shoes, and provides a mechanism by which industries which are being hurt by a sudden increase in imports

will be able to get some relief. This should go far toward restoring balance in our trade policies, and protecting the United States from the unfair trade policies of other countries.

As the situation is now, free trade is far from free, and even further from being fair.

Mr. RARICK. Mr. Chairman, the Foreign Trade Act of 1970, to place quotas on selected foreign imports, makes a lot more sense in trying to solve our Nation's unemployment problem than did the Comprehensive Manpower Act which was passed Tuesday by a voice vote.

While I fear that the Foreign Trade Act does not go far enough to protect jobs and investments in many areas of employment and industry, I do feel that it is a start in the right direction. At least it will serve to notify the bureaucrats in our Central Government that there are Members of Congress who know why unemployment is soaring in the United States.

We cannot, as a government, continue to subsidize foreign industry and goods without some restrictions and controls to protect production and labor in our own country. We cannot compete against foreign production conditions which have been deliberately set up to underprice our own economic standards. Nor can fictitious and fabricated goals and programs such as guaranteed annual wages, welfare, Comprehensive Manpower Acts, Health and Safety Acts, and a myriad of other theoretical solutions and promises any longer divert the intelligence of the American people from understanding that the loss of many jobs is the domestic lack of markets for American-made merchandise. Some markets have been taken over by inexpensive goods produced by cheap labor imported from foreign countries, and in other instances markets lost by imports dumped to snuff out U.S. production.

Nor will Mr. and Mrs. General Public buy the upside down thinking that increased imports of cheap foreign goods make our people's money go further in the marketplace. If there is not an increase in employment for the American working people, how long can any merchant anticipate sales to a middle-class society which has no income to spend. And if there are no earnings to tax, who will pay the cost of the Federal subsidies for the unemployed and the legislative programs devised to distract the American people from what is taking place?

Those who oppose the "Buy-American" movement do so saying they are for free trade. Free trade for whom—foreign products in the United States but no U.S. products abroad? Many nations grant no free trade, while in others, proceeds of the U.S. trade are by treaty not permitted to be removed from the nation itself. But more important, free trade in this instance is a misnomer when the proponents know full well that if it is the selling price of U.S.-made goods which prevent competition with foreign goods in the United States, most certainly U.S. goods cannot compete pricewise on any foreign market.

Noteworthy, the main resistance to maintaining U.S. jobs and U.S. goods comes from the same parties and organizations which through the years have advocated foreign aid and international share-the-wealth programs with emerging nations. The same movements which have played a leading role in bringing our economy to the brink of disaster today and by fancy slogans and cliches, would now seek to prevent us from saving our advanced economic system.

Unemployment would improve overnight and jobs would reappear if the American people were permitted even a fair share in producing goods and material needed to satisfy American needs. But, until our leaders realize that we must first take care of Americans and that if we do not, we cannot help the entire world, there will be no relief and unemployment and bankruptcies will continue.

The American people are thinking. They are able to see through the distortion and confusion. They want to help everybody but not at the expense of hurting their own people.

We must get under control U.S. tax dollars exported to foreign countries and foreign merchandise imported into the United States.

I feel this legislation to benefit American labor and business is long overdue. I support the bill and will cast my people's vote for passage.

I call to your attention two articles from the local newspapers:

[From the Evening Star, Nov. 19, 1970]

TRADE BILL AND THE CONSUMER

SIR: We are writing as concerned citizens who have been involved personally and professionally in the consumer movement.

We believe that despite the dramatic progress that consumer groups have made in having their interests recognized by business and government, there remain highly relevant areas of public policy important to consumers but ignored or unaffected by their action.

Our immediate concern is with foreign trade policy. Congress is now considering a trade bill which Virginia Knauer, the President's Special Assistant for Consumer Affairs, describes as "the most significant 'anti-consumer' legislation now in the Congress."

The legislation places mandatory quotas on textiles, apparel, footwear and oil, and gives a broad authority for quotas on countless other items. This legislation would have a disastrous direct effect on the American consumer—both by raising prices and by limiting imports of low cost products. It is of vital importance that this bill be defeated.

Mrs. Knauer has recognized the lasting damage to consumers that would follow imposition of a quota regime on American trade. She has said so in plain and unqualified words.

LUCY WILSON BENSON,
President, League of Women Voters of the United States.
BETTY FURNESS,
Chairman and Executive Director, New York State Protection Board, and Former Special Assistant to the President for Consumer Affairs.
BESS MYERSON GRANT,
Commissioner of Consumer Affairs, Department of Consumer Affairs of the City of New York.
WILLARD WIRTZ.
Former Secretary of Labor.

[From The Washington Post, Sept. 1970]

THE AFL-CIO AND FOREIGN TRADE

Hobart Rowen's recent column on free trade vs. protectionism presents a misleading account of the AFL-CIO's views.

As we see it, Mr. Rowen's rhetoric about "free trade" concepts and their "protectionist" opposites is outdated and increasingly irrelevant in the economic world of 1970. There have been major changes in world economic relations in the past 25 years, which are basic causes of the deterioration of the U.S. position in both the volume and composition of world trade. Among these developments have been the spread of managed national economies, with direct and indirect barriers to imports and aid to exports by foreign governments; the internationalization of technology; the skyrocketing rise of investments by U.S. companies in foreign subsidiaries, and the mushrooming growth of U.S.-based multi-national companies.

A key source of America's international economic difficulties is the expanding operations of U.S.-based multi-national corporations—with subsidiaries in as many as 40 or more countries—which account for about one half of U.S. international trade. Approximately 25 per cent of U.S. foreign trade is now composed of intra-corporate transactions between the U.S. parent and its subsidiaries in foreign countries. As much as another 25 per cent involves these multi-nationals and their other business relations—foreign licensees, patent holders and joint ventures.

Approximately one half of what is called U.S. exports and imports, therefore, are closed-circuit transactions within the structures of those international giants. These transactions are not competitive. They are not trade—surely not arm's length transactions between nationals of one country with nationals of another. They are not quite foreign. They are internal business deals of U.S.-based multi-national corporations for their own private advantage.

These giants have exported American technology, often developed at U.S. taxpayers' expense, to foreign subsidiaries, licensees and their other foreign business relations, with the displacement of U.S. production and employment. These expanding operations have been undermining U.S. exports of manufactured goods to the countries of foreign subsidiary operations and to third-country markets. They are shipping back to the United States a rising tide of manufactured imports, produced in foreign countries with American technology and wages that are 50 to 90 per cent lower than here—and sold at American prices. They are a major factor in the substantial loss of U.S. production in such relatively sophisticated goods as radios, TV, and other electrical products, as well as in shoes, glass and apparel.

In addition, another 20 per cent—40 per cent of U.S. international trade, in a wide range of products—is affected by the management of foreign trade by foreign governments, for their own national interests. As a result, something like 50 per cent—70 per cent or more of U.S. international trade—is now outside of competitive transactions between different business firms in different countries.

Yet, the U.S. government utterly lacks a tenable foreign economic policy to deal with these realities of 1970. To harp on age-old slogans, as Mr. Rowen does in his column, is neither an analysis of these realities nor a means of coping with them.

In the AFL–CIO view, the government should: (1) stop helping and subsidizing U.S. companies in setting up and operating foreign subsidiaries; (2) supervise and curb the outflows of American dollars for the foreign investments of these companies; (3) regulate the operations of U.S.-based multinational corporations; (4) press for the es-

tablishment of international fair labor standards in world trade, with adequate international machinery, which would provide growing domestic markets in the developing countries of the world, and (5) regulate the flow of imports into this country of a variety of products, as at least a stopgap in the face of unresolved, growing problems.

NAT GOLDFINGER,
Director, Department of Research, AFL–CIO.
WASHINGTON.

Mr. RANDALL. Mr. Chairman, I shall vote against the motion to recommit H.R. 18970, known as the Trade Act of 1970, and I intend to vote for final passage of this measure. If I could characterize my position in a few words it is that I do not have a negative attitude toward our world trade but there is a past due need for a negative attitude toward some of the things that our trading partners in the world have been doing to us lately. As I see it this bill, while it is not perfect, it is onbalance the remedy for the ills of some of our important industries.

The matter contained in this 90-page bill is far too long and complex to be even partially covered in remarks for the RECORD. To demonstrate the complexity of this bill the Ways and Means Committee itself took 190 pages to explain the bill in the committee report. I will only be able to make some observations on the highlights of the bill and raise some questions that exist in my mind considering certain portions of the bill.

In title II there is the provision for the quantitative limitations of certain textile and footwear with the further authority to negotiate international agreements to insure nondisruptive marketing of these commodities that leads me to support H.R. 18970. Even as to this title I can find no assistance for our domestic producers including two footwear plants that have been brought to their knees by imports in our congressional district.

On the other hand, the title does offer some help to those companies who have somehow managed to survive the disruption of their markets from abroad. I am convinced that while this measure seems to provide favored treatment for textiles and shoes the bill could very well become a sort of opening wedge for subsequent inclusion of industries such as steel, electronics, and glass. As to these last named industries there should be sufficiently demonstrated the need for assistance to everybody except the President and perhaps the Tariff Commission who failed to take note of the fact these industries are fighting a losing battle against foreign imports.

Before commenting further I think it would be helpful to remember that Japanese steel, because of that country's low standard of living can be produced and landed on our west coast at a total cost for the finished material including transportation from Japan at no greater price than the cost for transportation alone for steel produced on our east coast and shipped to our west coast.

There are many good things about this bill. I am encouraged by the inclusion in this bill of what appears to be a more realistic device for triggering protection mechanism when it appears that domestic markets may be disrupted because of overimporting.

I have listened to the arguments that a trade war will be set off if we narrow terms under which foreign producers can send the goods to our shores. This argument is not valid because this is not a protectionist bill. It has nothing to do with tariffs or duties. It proposes only that when a certain point of volume is reached there shall be a quantitative limitation. Some feel too sensitive to call this a quota. Whatever it is called, it is not a tariff or an imposition of duties. One speaker, perhaps in levity, said on the floor that the basket provision or quantitative limitations, had enough loopholes to permit an aircraft carrier to float into our ports unimpeded.

Now, Mr. Chairman, while some of my people appear to be concerned about the theory of Adam Smith and what is called pure free trade, the great fear of most of my people is the loss of their jobs. Two shoe plants in our congressional district have recently been closed, perhaps never to reopen again. Two large shoe plants are operating at less than 50 percent capacity working only 2 or 3 days a week. In our congressional district we have about a half dozen small garment factories. None of these are working regularly. Only one uniform factory works as much as 4 days a week and the others are working 1, 2, or 3 days per week. I am sure that is what this trade bill is all about. In one word, "jobs." Far too many of our jobs have already gone overseas because of low-wage textile imports and shoes produced in countries where wages are 10 or 12 cents per hour and no labor is paid over 15 cents per hour. For far too long we have thought of other people in the world to the amount of $200 billion of our resources since World War II.

This we have given away in so-called foreign aid. If the information I have is accurate I am advised that since World War II we made an industrial loan of almost $200 billion to the Japanese. Less than one-half billion was paid back, to be exact $400 million. Then we forgave part of that to make a second loan to be earmarked to teach the Japanese the art of marketing. Is it any wonder today that the Japanese can outproduce us and outcompete us in certain fields because we have provided them with the industrial capability and with our know-how.

Some have said that it is a deplorable state of affairs for America that it can no longer compete as to production of many kinds of products and that we may be able no longer to outproduce or outcompete other countries in the world. Well perhaps in some fields we cannot. With just a little help as to restrictions of quantities to prevent such practices as dumping and other unfair types of competition we will be able to compete again in the future. We should remember that we have shown the world the secrets of our mass production and we have shown them how to use the technology which we have developed, and perfected. With this know-how we have given them, when coupled with their low wage base, a means by which they have been able to penetrate our markets faster than our producers can develop even newer techniques and adjust to ever newer methods of production. That is the reason why our industries solely need some short-range assistance.

During the course of debate questions have been raised that this bill will do irreparable damage to our American farmers, particularly producers of soybeans, feed grains, and wheat. I happen to represent a district which includes four shoe factories and six garment factories. But our congressional district also contains some rich agricultural counties. I could not be for this bill if I thought it would cause to be cut off all our soybean exports. There are several reasons why this will not happen. Once we worried that the Russian sunflower oil would crowd out our soybean oils. Now if for no other reason we know that it is the superiority of our soybean oil, that has caused all Europe to prefer it to the Russian sunflower oil. There is another good reason we will not lose this market. The reason is that we have a concession agreement with the European Common Market to keep soybeans free of duty. If they fail to keep this agreement they will have to reduce duties on other products. As to wheat, we have the International Wheat Agreement.

But the clincher as to all arguments about whether our farmers will be hurt or helped is the fact there are really two markets for our farmers. Let us not forget there is both an export market and a domestic market. The export market is only a small fraction of the domestic market. If our complex domestic economy is thrown out of balance and jobs are lost here in America then we have seriously impaired the capacity to consume by our own domestic market which is vastly more important than any export market.

When all considerations are weighed and each argument is balanced against another, no one can say this is a protectionist bill or that our country has for very long ever been protectionist in the past. We have opened our doors to just about everyone for every article of trade. On the other hand our trading partners have erected every barrier they could think of. Japan says that they will not admit to their country over 250 items of U.S. products that we want to ship to Japan. Both yesterday and today I have noticed four or five Japanese reporters sitting in our press galaries. They were smiling more yesterday than today. I have observed that they have grown more serious as the debate continued to bring out that if we pass this bill the Japanese will have to seriously negotiate their trade with the United States in the future.

The bill we pass today may not become law but it will show the world that we have flexed our muscles. We will have said to foreign producers of textiles and shoes that they will have to negotiate with us as to limitation of imports. We are saying to the foreign producers of steel, electronics, and glass that their turn may come next.

It all comes back to the well-being of our own people. We have enjoyed a high standard of living in this country and we

want to keep it that way. Some of our industries have moved across the seas to take advantage of 10- to 15-cent per hour labor. Our people receive decent wages. Thank goodness they enjoy such decency. No, this bill will not cause any trade war unless it could be said we are in one now because some of our trading partners are trying to make us what could be called only a consumer nation. Our policies will continue to be so generous in relation to the practices of other nations that there will be no justified need or no grounds for retaliation. This bill could even lead to expanded trade. But should that not happen to be true, it will certainly help millions of American families. It cannot be repeated too often that adjustment assistance is just a form of relief and nothing more; what our workers want are jobs not adjustment assistance. One hundred thousand of them have vanished this year in the textile industry alone in the light of such a situation. Put in its proper perspective a vote against this bill is a vote against the American workingman.

Mr. MILLER of Ohio. Mr. Chairman, H.R. 18970, the Trade Act of 1970, is one of the most complex and controversial measures to be considered in the 91st Congress and the first major piece of trade legislation in a decade. The bill, if enacted, will have lasting and far-reaching consequences, both domestically and internationally. Yet, this body has been effectively denied its right—its duty—to express itself on the many diverse provisions of the bill. As is common with bills reported from the Ways and Means Committee, H.R. 18970 was saddled with closed rule under which the House either had to swallow the whole bill or nothing at all. I have long protested these gag rules and feel that it is another one of the antiquated and inequitable House practices which we must change.

Because it was a complex bill, I felt the Members of this body were entitled to vote on the provisions to which they objected and, therefore, I opposed the motion to move the previous question on the closed rule in an effort to permit consideration of amendments to the rule. Subsequently, I supported the Gibbons amendment which sought to open up the bill for any amendments to delete certain provisions of the bill. When this effort was rejected, I voted for the rule as reported by the committee with the hope it could later be returned to the Ways and Means Committee to revamp certain sections and report it back to the House. After debate of the bill began under the closed rule, I supported a motion, which was rejected 173 to 206, to recommit the entire bill to the Ways and Means Committee. Recommital seemed to be the only way to reconstruct the bill and reconsider many of those items under the heaviest fire. On the vote on final passage, I felt compelled to oppose what I considered to be an unfortunate railroading of a bill without proper deliberation and consideration. Upon its defeat, I had hoped this conglomerate legislative package could be separated and returned to the House floor as individual bills. Somehow, it is extremely hard for me to see how this body could be faced with such a monumental decision and yet its hands be tied to affect the outcome of that decision.

Mr. Chairman, let me address myself to certain provisions of the bill to which I am concerned. Although I support the need for effective measures to protect the American shoe industry from further import inundation and have cosponsored legislation in this regard, I cannot at the same time, deny protection to the chemical industry through the elimination of the American selling price, as provided in the bill. ASP system of customs valuation is still considered to be the most objective standard method of valuation. It was my hope to open up this bill and delete that section repealing ASP. Another section of this bill which I objected to provided for the establishment of domestic international sales corporations (DISC). The alleged purpose of this provision is to encourage exports. However, there is no tangible proof such a venture will increase exports. The obvious result of this provision will be the creation of giant tax loopholes causing an estimated revenue loss to the Treasury of $1.2 billion. This comes at a period when our budget can ill afford a further drain of resources.

From what we have heard, the Senate is preparing a "Christmas tree" the likes of which we have not seen in some time. In an effort to clean house before adjournment, the Senate strategy is to attach the trade bill and the family assistance plan to the important social security bill. It appears that the only way legislation can be enacted in this "lameduck" session is either railroading it through the halls of Congress or by sandwiching it between a de luxe legislative package. There is not much time left in this "lameduck" session to take care of the Nation's business. But I hope there is still time for reason.

Mr. GREEN of Pennsylvania. Mr. Chairman, I want to call your attention to a specific trade problem of great concern to all Americans, and that is the pirating of jobs from American industrial plants to low-wage countries abroad.

Section 807 of the Tariff Schedules the wisdom of which I publicly questioned in March of 1969 permits the shipment of American goods overseas for assembly and for reshipment back into this country with duty applied only to labor costs. This device has become the mechanism for shifting jobs out of this country at an alarming rate. I became concerned about this problem 2 years ago when a plant in my own district began to cut its employment rolls by more than 50 percent. It is apparent to me that this device is being used to cut jobs in the textile, shoe, and electronic fields.

I introduced legislation to eliminate 807 because I think it is being abused. It was originally introduced to aid an American automobile manufacturer in Michigan, whose operation was closed by fire and who wanted to use a sister plant in Canada to continue work. It was thought at the time that this provision would encourage the use of American products in foreign manufactures.

It is now being used to put American working men and women in unemployment lines. Some time ago, I asked for a study of the problem by the Tariff Commission. The study was conducted and the report was released shortly before Congress recessed for the general election.

In brief, the report presents all the right evidence and reaches the wrong conclusion. It describes in detail the dangers in section 807 but suggests no changes in the present law. Because I believe it defines the problem posed by 807 and the failure of the report to address that problem, I include the following statement, from the AFL–CIO News of October 17, 1970:

TARIFF STUDY CONFIRMS JOB LOSSES FROM FOREIGN-ASSEMBLY LOOPHOLE

A study by the U.S. Tariff Commission has confirmed most of the cases offered by organized labor on the export of jobs through the foreign assembly of U.S. goods, but the study draws conclusions that the AFL–CIO finds unwarranted.

The report, ordered by the President 14 months ago, deals with two sections of the tariff schedule which allow for reduced duties on goods assembled in foreign countries from components shipped from the United States.

Under one section, the firms are allowed to subtract the value of U.S.-fabricated components from the duty on the total product. The other section covers base metals manufactured in the United States and shipped abroad for processing, allowing their return with duty paid only on the value of the foreign processing.

The AFL–CIO has argued for repeal of both sections of the tariff code, citing the loss of $50 million annually in tariff revenues as well as the encouragement for U.S. firms to export jobs to countries with some of the lowest wages in the world.

The newly-completed study confirms the AFL–CIO arguments on several counts:

The value of items covered by the two tariff sections has risen dramatically in recent years, from $953 million in 1966 to $1.8 billion in 1969.

121,000 jobs are lost to U.S. workers by the practice of shipping components to foreign countries, with only 37,000 jobs still remaining in the United States for the portion of work done here.

Repeal of the two sections of the tariff schedule would probably bring no "retaliation" from countries doing business with the United States under trade agreements.

The U.S. consumer gains little in reduced prices from the system, with most of the money saved from low foreign wages going to increased profits.

Electronic equipment, apparel, toys and dolls are the principal U.S. materials involved under the special duty provisions. Aircraft and automobile parts amount to less than 2 percent of the total.

Despite all this, the commission concludes that there is little to be gained from repealing the two tariff sections. For instance, while citing 121,000 jobs exported and 37,000 left at home, the study says "repeal would probably result in only a modest number of jobs."

The AFL–CIO agrees that the entire problem of the export of U.S. jobs would not be solved entirely by repealing these two tariff provisions, but contends that repeal would stop this incentive for the export of jobs.

Similarly, the commission reports that the savings on duties is not the main reason U.S. firms use the system of foreign assembly, concluding that repeal wouldn't stem the tide of exported jobs.

AFL–CIO economists agree readily that it's the low foreign wages, not the reduced import duties, that account for a lion's share of the profits, but sees no reason to add a $50 million windfall in reduced tariff schedules.

The study came three years after the AFL–CIO Executive Council began calling attention to the foreign assembly of U.S. goods as a hub around which companies, especially multinational firms, were exporting U.S. jobs.

GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Chairman, I ask unanimous consent that all Members desiring to do so may be permitted to extend their remarks on the bill at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS. Mr. Chairman, I yield back the remainder of the time on this side.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. Under the rule, the bill is considered as having been read for amendment.

The bill is as follows:

H.R. 18970

A bill to amend the tariff and trade laws of the United States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE

This Act may be cited as the "Trade Act of 1970".

TITLE I—AMENDMENTS TO THE TRADE EXPANSION ACT OF 1962

CHAPTER 1—TRADE AGREEMENTS

SEC. 101. BASIC AUTHORITY FOR TRADE AGREEMENTS.

(a) Section 201(a)(1) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(a)(1)) is amended by striking out "July 1, 1967" and inserting in lieu thereof "July 1, 1973".

(b) Section 201(b)(1) of such Act is amended to read as follows:

"(1) decreasing any rate of duty—

"(A) in order to carry out a trade agreement entered into before July 1, 1967, to a rate below 50 percent of the rate existing on July 1, 1962; or

"(B) in order to carry out a trade agreement entered into after June 30, 1967, and before July 1, 1973, to a rate below the lower of—

"(i) the rate 20 percent below the rate existing on July 1, 1967; or

"(ii) the rate 2 percent ad valorem (or ad valorem equivalent) below the rate existing on July 1, 1967; or".

(c) Section 202, 211 (a) and (e), 212, 213 (a), and 221 of such Act are each amended by striking out "201(b)(1)" and inserting in lieu thereof "201(b)(1)(A)".

(d) Section 256 of such Act (19 U.S.C. 1886) is amended by adding at the end thereof the following new paragraph:

"(8) The term 'existing on July 1, 1967', as applied to a rate of duty, refers to the lowest nonpreferential rate of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on such date or (if lower) the lowest nonpreferential rate to which the United States was committed on July 1, 1967, and with respect to which a proclamation was in effect on July 1, 1970."

SEC. 102. STAGING REQUIREMENTS.

(a) Section 253(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1883) is amended by striking out "trade agreement under this title" and inserting in lieu thereof "trade agreement entered into before July 1, 1967, under this title".

(b) Section 253(c) of such Act is amended by striking out "trade agreement entered into under section 201(a)" and inserting in lieu thereof "trade agreement entered into before July 1, 1967, under this title".

(c) Section 253 of such Act is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

"(d) Except as otherwise provided in section 254, the aggregate reduction in the rate of duty on any article which is in effect on any day pursuant to a trade agreement entered into under this title after June 30, 1967, and before July 1, 1973, shall not exceed the aggregate reduction which would have been in effect on such day if—

"(1) one-half of the aggregate reduction under such agreement for such article had taken effect on the date of the first proclamation pursuant to section 201(a) to carry out such trade agreement, and

"(2) the remaining one-half of such aggregate reduction had taken effect 1 year after the date referred to in paragraph (1).

In applying the preceding sentence to any article, if, on the date referred to in paragraph (1) of the preceding sentence, there remained reductions pursuant to a prior trade agreement which had not yet taken effect, such remaining reductions shall be deemed to be included within the aggregate reduction under the trade agreement entered into after June 30, 1967, and before July 1, 1973."

(d) Subsection (e) of such section 253 (as redesignated by subsection (c) of this section) is amended—

(1) by striking out "a reduction takes effect" and inserting in lieu thereof "a reduction under any trade agreement entered into under this title takes effect"; and

(2) by striking out "subsection (c)" in paragraph (2) thereof and inserting in lieu thereof "subsection (c) or (d)(2)".

SEC. 103. FOREIGN IMPORT RESTRICTIONS AND DISCRIMINATORY ACTS.

(a) Section 252(a)(3) of the Trade Expansion Act of 1962 (19 U.S.C. 1882(a)(3)) is amended by striking out the word "agricultural" each place it appears.

(b) Section 252(b) of such Act is amended by striking out "or" at the end of paragraph (1), by adding "or" at the end of paragraph (2), and by adding after paragraph (2) the following new paragraph:

"(3) provides subsidies (or other incentives having the effect of subsidies) on its exports of one or more products to other foreign markets which unfairly affect sales of the competitive United States product or products to those other foreign markets,".

(c) Section 252(b) of such Act is further amended by striking out "or" at the end of clause (A), by striking out the period at the end of clause (B) and inserting in lieu thereof ", or", and by adding at the end thereof the following new clause:

"(C) notwithstanding any provision of any trade agreement under this Act and to the extent he deems necessary and appropriate, impose duties or other import restrictions on the products of any foreign country or instrumentality maintaining such nontariff trade restrictions, engaging in such acts or policies, or providing such incentives when he deems such duties and other import restrictions necessary and appropriate to prevent the establishment or obtain the removal of such restrictions, acts, policies, or incentives, and to provide access for United States products to foreign markets on an equitable basis."

(d) Section 252(c) of such Act is amended by striking our "President may" and inserting in lieu thereof "President shall".

(e) Section 252(c)(1) of such Act is amended to read as follows:

"(1) impose duties or other import restrictions on, or suspend, withdraw, or prevent the application of trade agreement concessions to, products of such country or instrumentality, or".

(f) The heading of such section is amended to read as follows:

"SEC. 252. FOREIGN IMPORT RESTRICTIONS AND DISCRIMINATORY ACTS."

SEC. 104. DETERMINATIONS AND IMPORT ADJUSTMENTS FOR SAFEGUARDING NATIONAL SECURITY.

(The second sentence of section 232(b) of the Trade Expansion Act of 1962 (19 U.S.C. 1862(b)) is amended by striking out the period at the end thereof and inserting the following: ": *Provided, however,* That any adjustment of imports shall not be accomplished by the imposition or increase of any duty, or of any fee or charge having the effect of a duty."

(b) Section 232(b) of such Act is further amended by adding at the end thereof the following new sentence: "In the case of any investigation under this subsection initiated by request or application, the Director shall make and announce the determination required by this subsection not later than 1 year after the date on which such request or application was made."

(c) The amendment made by subsection (b) shall apply with respect to requests or applications made to the Director of the Office of Emergency Preparedness under section 232(b) of the Trade Expansion Act of 1962 on or after January 1, 1968; except that, in the case of such a request or application made more than 1 year before the date of the enactment of this Act, the determination required by such section 232(b) shall be made on or before the 60th day after such date of enactment.

CHAPTER 2—TARIFF ADJUSTMENT AND ADJUSTMENT ASSISTANCE

SEC. 111. PETITIONS AND DETERMINATIONS.

(a) Section 301 of the Trade Expansion Act of 1962 (19 U.S.C. 1901) is amended to read as follows:

"SEC. 301. PETITIONS AND DETERMINATIONS.

"(a)(1) A petition for tariff adjustment under section 351 may be filed with the Tariff Commission by a trade association, firm, certified or recognized union, or other representative of an industry.

"(2) A petition for a determination of eligibility to apply for adjustment assistance under chapter 2 may be filed with the President by a firm or its representative, and a petition for a determination of eligibility to apply for adjustment assistance under chapter 3 may be filed with the President by a group of workers or by their certified or recognized union or other duly authorized representative. A petition filed under this paragraph by or on behalf of a group of workers shall apply only with respect to individuals who are, or who have been within 1 year before the date of filing of such petition, employed regularly in the firm involved.

"(b)(1) Upon the request of the President, upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon the filing of a petition under subsection (a)(1), the Tariff Commission shall promptly make an investigation to determine whether an article is being imported into the United States in such increased quantities, either actual or relative, as to contribute substantially (whether or not such increased imports are the major factor or the primary factor) toward causing or threatening to cause serious injury to the domestic industry producing articles like or directly competitive with the imported article.

"(2) In arriving at a determination under paragraph (1), the Tariff Commission, without excluding other factors, shall take into consideration a downward trend of production, prices, profits, or wages in the domestic industry concerned, a decline in sales, an increase in unemployment or underemployment, an increase in imports, either actual or relative to domestic production, a higher or growing inventory, and a decline in the proportion of the domestic market supplied by domestic producers.

"(3) For purposes of paragraph (1), the term 'domestic industry producing articles like or directly competitive with the imported article' means that portion or subdivision of the producing organizations manufacturing, assembling, processing, extracting, growing, or otherwise producing like or directly competitive articles in commercial quantities. In applying the preceding sentence, the Tariff Commission shall (so far as practicable) distinguish or separate the operations of the producing organizations involving the like or directly competitive articles referred to in such sentence from the operations of such organizations involving other articles.

"(4) If a majority of the Commissioners present and voting make an affirmative injury determination under paragraph (1), the Commissioners voting for such affirmative injury determination shall also determine the amount of the increase in, or imposition of, any duty or other import restriction on such article which is necessary to prevent or remedy such injury. For purposes of this title, a remedy determination by a majority of the Commissioners voting for the affirmative injury determination shall be treated as the remedy determination of the Tariff Commission.

"(5) If a majority of the Commissioners present and voting make an affirmative injury determination under paragraph (1), the Commissioners voting for such affirmative injury determination shall make an additional determination under this paragraph which shall consist of determining (i) whether either the criteria in subparagraph (A) or the criteria in subparagraph (B) are met, and, if so, (ii) whether the criteria in subparagraph (C) are met.

"(A) Imports of the article under investigation constituted more than 15 percent of apparent United States consumption of the article in the first calendar year preceding the calendar year in which the investigation was instituted, the ratio of imports of such article to consumption for such first preceding calendar year increased absolutely by at least 3 percentage points over the corresponding ratio for the second calendar year preceding the calendar year in which the investigation was instituted, and the ratio of imports of such article to consumption for such first preceding calendar year increased absolutely by at least 5 percentage points over the corresponding ratio for the third calendar year preceding the calendar year in which the investigation was instituted.

"(B) As a result of increased imports (i) domestic production of the like or directly competitive product is declining or is likely to decline so as to substantially affect the ability of domestic producers to continue to produce the like or directly competitive product at a level of reasonable profit, and (ii) production workers' jobs, man-hours worked, or wages paid production workers in the domestic production of the like or directly competitive product are declining substantially or are likely to decline substantially.

"(C) (i) The imported article is offered for sale at prices which are substantially below those prevailing for like or directly competitive products of comparable quality produced in the United States and constitutes an increasing proportion of apparent domestic consumption, and (ii) the unit labor costs attributable to producing the imported article are substantially below those attributable to producing like or competitive articles in the United States.

For purposes of section 351(a), the Tariff Commission shall be deemed to have made an additional affirmative determination under this paragraph if a majority of the Commissioners voting for the affirmative injury determination under paragraph (1) determine that (i) the criteria in subparagraph (A) or the criteria in subparagraph (B) are met, and (ii) the criteria in subparagraph (C) are met.

"(6) In the course of any proceeding initiated under paragraph (1), the Tariff Commission shall investigate any factors which in its judgment may be contributing to increased imports of the article under investigation; and, whenever in the course of its investigation the Tariff Commission has reason to believe that the increased imports are attributable in part to circumstances which come within the purview of the Antidumping Act, 1921, section 303 or 337 of the Tariff Act of 1930, or other remedial provisions of law, the Tariff Commission shall promptly notify the appropriate agency and take such other action as it deems appropriate in connection therewith.

"(7) In the course of any proceeding initiated under paragraph (1), the Tariff Commission shall, after reasonable notice, hold public hearings and shall afford interested parties opportunity to be present, to present evidence, and to be heard at such hearings.

"(8) The Tariff Commission shall report to the President the determinations and other results of each investigation under this subsection, including any dissenting or separate views, and any action taken under paragraph (6).

"(9) The report of the Tariff Commission of its determinations under this subsection shall be made at the earliest practicable time, but not later than 6 months after the date on which the petition is filed (or the date on which the request or resolution is received or the motion is adopted, as the case may be). Upon making such report to the President, the Tariff Commission shall promptly make public such report, and shall cause a summary thereof to be published in the Federal Register.

"(10) No investigation for the purposes of this subsection shall be made, upon petition filed under subsection (a) (1), with respect to the same subject matter as a previous investigation under this subsection, unless 1 year has elapsed since the Tariff Commission made its report to the President of the results of such previous investigation.

"(c) (1) In the case of a petition by a firm for a determination of eligibility to apply for adjustment assistance under chapter 2, the President shall determine whether an article like or directly competitive with an article produced by the firm, or an appropriate subdivision thereof, is being imported into the United States in such increased quantities, either actual or relative, as to contribute substantially (whether or not such increased imports are the major factor or the primary factor) toward causing or threatening to cause serious injury to such firm subdivision. In making such determination the President shall take into account all economic factors which he considers relevant, including idling of productive facilities, inability to operate at a level of reasonable profit, and unemployment or underemployment.

"(2) In the case of a petition by a group of workers for a determination of eligibility to apply for adjustment assistance under chapter 3, the President shall determine whether an article like or directly competitive with an article produced by such workers' firm, or an appropriate subdivision thereof, is being imported into the United States in such increased quantities, either actual or relative, as to contribute substantially (whether or not such increased imports are the major factor or the primary factor) toward causing or threatening to cause unemployment and underemployment of a significant number or proportion of the workers of such firm or subdivision.

"(3) In order to assist him in making the determinations referred to in paragraphs (1) and (2) with respect to a firm or group of workers, the President shall promptly transmit to the Tariff Commission a copy of each petition filed under subsection (a) (2) and, not later than 5 days after the date on which the petition is filed, shall request the Tariff Commission to conduct an investigation relating to questions of fact relevant to such determinations and to make a report of the facts disclosed by such investigation. In his request, the President may specify the particular kinds of data which he deems appropriate. Upon receipt of the President's request, the Tariff Commission shall promptly institute the investigation and promptly publish notice thereof in the Federal Register.

"(4) In the course of any investigation under paragraph (3), the Tariff Commission shall, after reasonable notice, hold a public hearing, if such hearing is requested (not later than 10 days after the date of the publication of its notice under paragraph (3)) by the petitioner or any other interested person, and shall afford interested persons an opportunity to be present, to produce evidence, and to be heard at such hearing.

"(5) The report of the Tariff Commission of the facts disclosed by its investigation under paragraph (3) with respect to a firm or group of workers shall be made at the earliest practicable time, but not later than 60 days after the date on which it receives the request of the President under paragraph (3)."

(b) (1) For purposes of section 301(b) (1) of the Trade Expansion Act of 1962, reports made by the Tariff Commission during the 1-year period ending on the date of the enactment of this Act shall be treated as having been made before the beginning of such period.

(2) Any investigation by the Tariff Commission under subsection (b) or (c) of section 301 of the Trade Expansion Act of 1962 (as in effect before the date of the enactment of this Act) which is in progress immediately before such date of enactment shall be continued under such subsection (b) or (c) (as amended by subsection (a) of this section) in the same manner as if the investigation had been instituted originally under the provisions of such subsection (b) or (c) (as so amended). For purposes of section 301(b) (9) or (c) (5) of the Trade Expansion Act of 1962 (as added by subsection (a) of this section) the petition for any investigation to which the preceding sentence applies shall be treated as having been filed, or the request or resolution as having been received or the motion having been adopted, as the case may be, on the date of the enactment of this Act.

(3) If, on the date of the enactment of this Act, the President has not taken any action with respect to any report of the Tariff Commission containing an affirmative determination resulting from an investigation undertaken by it pursuant to section 301 (c) (1) or (2) of the Trade Expansion Act of 1962 (as in effect before the date of the enactment of this Act) such report shall be treated by the President as a report received by him under section 301(c) (5) of the Trade Expansion Act of 1962 (as added by subsection (a) of this section) on the date of the enactment of this Act.

SEC. 112. PRESIDENTIAL ACTION WITH RESPECT TO ADJUSTMENT ASSISTANCE.

(a) Section 302(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1902(a)) is amended to read as follows:

"(a)(1) If after receiving a report from the Tariff Commission containing an affirmative injury determination under section 301(b) with respect to any industry, the President provides tariff adjustment for such industry pursuant to section 351 or 352, he may—

"(A) provide, with respect to such industry, that its firms may request the Secretary of Commerce for certifications of eligibility to apply for adjustment assistance under chapter 2,

"(B) provide, with respect to such industry, that its workers may request the Secretary of Labor for certification of eligibility to apply for adjustment assistance under chapter 3, or

"(C) provide that both firms and workers may request such certifications.

"(2) If after receiving a report from the Tariff Commission containing an affirmative injury determination under section 301(b) with respect to any industry the President does not provide tariff adjustment for such industry pursuant to section 351 or 352, he shall promptly provide that both firms and workers of such industry may request certifications of eligibility to apply for adjustment assistance under chapters 2 and 3.

"(3) Notice shall be published in the Federal Register of each action taken by the President under this subsection in providing that firms or workers may request certifications of eligibility to apply for adjustment assistance. Any request for such a certification must be made to the Secretary concerned within the 1-year period (or such longer period as may be specified by the President) after the date on which such notice is published."

(b) Section 302(b) of such Act is amended—

(1) by striking out "subsection (a)(2)," in paragraph (1) and inserting in lieu thereof "subsection (a),";

(2) by striking out "subsection (a)(3)," in paragraph (2) and inserting in lieu thereof "subsection (a),"; and

(3) by adding at the end of paragraph (2) thereof the following new sentence: "A certification under this paragraph shall apply only with respect to individuals who are, or who have been, employed regularly in the firm involved within 1 year before the date of the institution of the Tariff Commission investigation under section 301(b) relating to the industry with respect to which the President has acted under subsection (a)."

(c) Section 302(c) of such Act is amended to read as follows:

"(c)(1) After receiving a report of the Tariff Commision of the facts disclosed by its investigation under section 301(c)(3) with respect to any firm or group of workers, the President shall make his determination under section 301(c)(1) or (c)(2) at the earliest practicable time, but not later than 30 days after the date on which he receives the Tariff Commission's report, unless, within such period, the President requests additional factual information from the Tariff Commission. In this event, the Tariff Commission shall, not later than 25 days after the date on which it receives the President's request, furnish such additional factual information in a supplemental report, and the President shall make his determination not later than 15 days after the date on which he receives such supplemental report.

"(2) The President shall promptly publish in the Federal Register a summary of each determination under section 301(c) with respect to any firm or group of workers.

"(3) If the President makes an affirmative determination under section 301(c) with respect to any firm or group of workers, he shall promptly certify that such firm or group of workers is eligible to apply for adjustment assistance.

"(4) The President is authorized to exercise any of his functions with respect to determinations and certifications of eligibility of firms or workers to apply for adjustment assistance under section 301 and this section through such agency or other instrumtntality of the United States Government as he may direct."

(d) The heading of such section 302 is amended to read as follows:

"SEC. 302. PRESIDENTIAL ACTION WITH RESPECT TO ADJUSTMENT ASSISITANCE."

SEC. 113. TARIFF ADJUSTMENT.

(a) Paragraphs (1) and (2) of section 351(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1981(a)) are amended to read as follows:

"(1)(A) After receiving an affirmative injury determination of the Tariff Commission under paragraph (1) of section 301(b), which is not combined with an additional affirmative determination of the Tariff Commission under paragraph (5) of section 301(b), the President shall proclaim such increase in, or imposition of, any duty or other import restriction on the article concerned as he determines to be necessary to prevent or remedy serious injury to the industry, unless he determines that such action would not be in the national interest.

"(B) After receiving an affirmative injury determination of the Tariff Commission under paragraph (1) of section 301(b) which is combined with an additional affirmative determination of the Tariff Commission under paragraph (5) of section 301(b), the President shall proclaim the increase in, or imposition of, any duty or other import restriction on the article concerned determined and reported by the Tariff Commission pursuant to section 301(b), unless he determines that such action would not be in the national interest.

"(2) If the President does not, within 60 days after the date on which he receives an affirmative injury determination, proclaim the increase in, or imposition of, any duty or other import restriction on such article determined and reported by the Tariff Commission pursuant to section 301(b)—

"(A) he shall immediately submit a report to the House of Representatives and to the Senate stating why he has not proclaimed such increase or imposition, and

"(B) such increase or imposition shall take effect (as provided in paragraph (3)) upon the adoption by both Houses of Congress (within the 60-day period following the date on which the report referred to in subparagraph (A) is submitted to the House of Representatives and the Senate), by the yeas and nays by the affirmative vote of a majority of the authorized membership of each House, of a concurrent resolution stating in effect that the Senate and House of Representatives approve the increase in, or imposition of, any duty or other import restriction on the article determined and reported by the Tariff Commission pursuant to section 301(b).

Nothing in subparagraph (A) shall require the President to state considerations of national interest on which his decision was based. For purposes of subparagraph (B), in the computation of the 60-day period there shall be excluded the days on which either House is not in session because of adjournment of more than 3 days to a day certain or an adjournment of the Congress sine die. The report referred to in subparagraph (A) shall be delivered to both Houses of the Congress on the same days and shall be delivered to the Clerk of the House of Representatives if the House of Representatives is not in session and to the Secretary of the Senate if the Senate is not in session."

(b) Paragraph (3) of such section 351(a) is amended by striking out "found and reported by the Tariff Commission pursuant to section 301(e)." and inserting in lieu thereof "determined and reported by the Tariff Commission pursuant to section 301(b)."

(c) Paragraph (4) of such section 351(a) is amended by striking out "affirmative finding" each place it appears and inserting in lieu thereof "affirmative injury determination".

(d) Section 351(d) of such Act is amended to read as follows:

"(d)(1) So long as any increase in, or imposition of, any duty or other import restriction pursuant to this section or pursuant to section 7 of the Trade Agreements Extension Act of 1951 remains in effect, the Tariff Commission shall keep under review developments with respect to the industry concerned, including the specific steps taken by the firms in the industry to enable them to compete more effectively with imports, and shall make annual reports to the President concerning such developments.

"(2) Upon request of the President or upon its own motion, the Tariff Commission shall advise the President of its judgment, in the light of specific steps taken by the firms in such industry to enable them to compete more effectively with imports and all other relevant factors, as to the probable economic effect on the industry concerned, and (to the extent practicable) on the firms and workers therein of the reduction or termination of the increase in, or imposition of, any duty or other import restriction pursuant to this section or section 7 of the Trade Agreements Extension Act of 1951.

"(3) Upon petition on behalf of the industry concerned, filed with the Tariff Commission not earlier than the date which is 1 year, and not later than the date which is 9 months, before the date any increase or imposition referred to in paragraph (1) or (2) of subsection (c) is to terminate by reason of the expiration of the applicable period prescribed in paragraph (1) or an extension thereof under paragraph (2), the Tariff Commission shall advise the President of its judgment as to the probable economic effect on such industry of such termination. The report of the Tariff Commission on any investigation initiated under this paragraph shall be made not later than the 90th day before the expiration date referred to in the preceding sentence.

"(4) In advising the President under this subsection as to the probable economic effect on the industry concerned, the Tariff Commission shall take into account all economic factors which is considers relevant, including idling of productive facilities, inability to operate at a level of reasonable profit, and unemployment or underemployment.

"(5) Advice by the Tariff Commission under this subsection shall be given on the basis of an investigation during the course of which the Tariff Commission shall hold a hearing at which interested persons shall be given a reasonable opportunity to be present, to produce evidence, and to be heard.

"(6) In the course of any investigation under this subsection, the Tariff Commission shall also determine and report to the President—

"(A) if the termination of the increase or imposition referred to in paragraph (1) or (2) of subsection (c) threatens to cause serious injury to the industry concerned, and

"(B) if the determination under subparagraph (A) is affirmative—

"(i) the limit to which such increase or imposition may be reduced without threatening to cause serious injury to the industry concerned, and

"(ii) whether, in lieu of such termination, additional increases or impositions of duties

and other import restrictions are required to prevent or remedy serious injury to the industry concerned."

SEC. 114. ORDERLY MARKETING AGREEMENTS

Section 352(a) of the Trade Expansion Act of 1962, (19 US.C. 1982(a)) is amended to read as follows:

"(a) If the President has received an affirmative injury determination of the Tariff Commission under section 301(b) with respect to an industry, he may at any time negotiate international agreements with foreign countries limiting the export from such countries and the import into the United States of the article causing or threatening to cause serious injury to such industry whenever he determines that such action would be appropriate to prevent or remedy serious injury to such industry. Any agreement concluded under this subsection may replace in whole or in part any action taken pursuant to the authority contained in paragraph (1) of section 351(a); but any agreement concluded under this subsection before the close of the period during which a concurrent resolution may be adopted under paragraph (2) of section 351(a) shall terminate not later than the effective date of any proclamation issued by the President pursuant to paragraph (3) of section 351(a)."

SEC. 115. INCREASED ASSISTANCE FOR WORKERS

(a) Section 323(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1942(a)) is amended by striking out "an amount equal to 65 percent of his average weekly wage or to 65 percent of the average weekly manufacturing wage," and inserting in lieu thereof "an amount equal to 75 percent of his average weekly wage or to 75 percent of the average weekly manufacturing wage,".

(b) The second sentence of section 326(a) of such Act is amended to read as follows: "To this end, and subject to this chapter, adversely affected workers shall be afforded, where appropriate, the testing, counseling, training, and placement services and supportive and other services provided for under any Federal law."

(c) The amendment made by subsection (a) shall apply with respect to assistance under chapter 3 of the Trade Expansion Act of 1962 for weeks of unemployment beginning on or after the date of the enactment of this Act.

SEC. 116. CONFORMING AMENDMENTS

(a) Section 242(b)(2) of the Trade Expansion Act of 1962 (19 U.S.C. 1872 (b)(2)) is amended by striking out "section 301(e)" and inserting in lieu thereof "section 301 (b)".

(b) Section 302(b)(1) of such Act (19 U.S.C. 1962(b)) (as amended by section 112(b) of this Act) is further amended by striking out "(which the Tariff Commission has determined to result from concessions granted under trade agreements) have caused serious injury or threat thereof to such firm" and inserting in lieu thereof "have contributed substantially toward causing or threatening to cause serious injury to such firm".

(c) Section 302(b)(2) of such Act (as amended by section 112(b) of this Act) is further amended by striking out "(which the Tariff Commission has determined to result from concessions granted under trade agreements) have caused or threatened to cause unemployment or underemployment" and inserting in lieu thereof "have contributed substantially toward causing or threatening to cause unemployment or underemployment".

(d) Section 311(b)(2) of such Act is amended by striking out "by actions taken in carrying out trade agreements, and" and by inserting in lieu thereof "by the increased imports identified by the Tariff Commission under section 301(b)(1) or by the President under section 301(c)(1), as the case may be, and".

(e) Section 317(a)(2) of such Act is amended by striking out "by the increased imports which the Tariff Commission has determined to result from concessions granted under trade agreements" and inserting in lieu thereof "by the increased imports identified by the Tariff Commission under section 301(b)(1) or by the President under section 301(c)(1), as the case may be".

TITLE II—QUOTAS ON CERTAIN TEXTILE AND FOOTWEAR ARTICLES

CHAPTER 1—TEXTILE AND FOOTWEAR ARTICLES AND FOOTWEAR ARTICLES

SEC. 201. ANNUAL QUOTAS.

(a) The total quantity of each category of textile articles (as defined in section 206(1)), and the total quantity of each category of footwear articles (as defined in section 206(2)), produced in any foreign country which may be entered during 1971 shall not exceed the average annual quantity of such category produced in such country and entered during 1967, 1968, and 1969.

(b)(1) The total quantity of each category of textile articles, and the total quantity of each category of footwear articles, produced in any foreign country which may be entered during any calendar year after 1971 shall not exceed the sum of—

(A) the total quantity determined for such category for such country under subsection (a) or this subsection for the immediately preceding calendar year, plus

(B) the increase (if any) applicable under paragraph (2).

(2)(A) The President may increase the total quantity of each category of textile articles, and the total quantity of each category of footwear articles, produced in any foreign country which may be entered during any calendar year after 1971 by such percentage (not to exceed 5 percent of the total quantity determined for such category for such country under subsection (a) or this subsection for the immediately preceding calendar year) as he determines to be consistent with the purposes of this section.

(B) Any increase under this paragraph for any category for any calendar year shall be the same percentage for all foreign countries.

(C) A determination shall be made under this paragraph for each category for each foreign country for each calendar year after 1971 without regard to the nonapplication (or partial nonapplication) of this subsection to such category for such country for such year by reason of subsection (d) of this section, section 202 or 203, or the Arrangement or the Agreement referred to in section 204(b).

(3) If the application of this subsection to any article produced in a foreign country begins or resumes after a period of nonapplication which terminates on or after January 1, 1972, and if the President determines—

(A) that the average annual quantity of the article produced in such country, which was entered during 1967, 1968, and 1969 was insignificant, and

(B) that the application of this paragraph to the category which includes such article for such country is consistent with the purposes of this section,

then for the calendar year in which such termination occurs and for calendar years thereafter this subsection shall be applied by determining the total quantity for the category which includes such article for such country for the calendar year of termination as being equal to the average annual quantity of such category, produced in such country, which was entered during the 3 calendar years immediately preceding such calendar year of termination.

(c)(1) Any annual quantitative limitation under subsection (a) or (b) shall be applied on a calendar quarter or other intra-annual basis if the President determines that such application is necessary or appropriate to carry out the purposes of this section.

(2) If the application of subsection (a) or (b) to any category for any foreign country begins or resumes after the first day of any calendar year, the amount of the quantitative limitation for such category for such country for the remainder of such calendar year shall be the annual amount determined under subsection (a) or (b), adjusted pro rata according to the number of full months remaining in the calendar year after the date of such beginning or such resumption.

(d)(1) The President may exempt from subsections (a) and (b) for an initial period of not to exceed 1 year any textile article or footwear article produced in any foreign country if he determines that imports of such article produced in such country are not contributing to, causing, or threatening to cause market disruption in the United States. The President may extend any exemption under the preceding sentence for one or more additional periods of not in excess of 1 year each if he makes the determination described in the preceding sentence before each such extension. Any exemption made under this subsection may be terminated by the President at any time upon his finding that the article covered by such exemption is contributing to, causing, or threatening to cause market disruption in the United States.

(2) The President may exempt from subsections (a) and (b) any textile article or footwear article produced in any foreign country whenever he determines that such an exemption is in the national interest. The President may terminate any exemption made by him under the preceding sentence whenever he determines that such termination is in the national interest.

(3) No exemption, extension of an exemption, or terminatio of an exemption under paragraph (1) or paragraph (2) shall take effect before the 30th day after the day on which notice of such exemption, extension, or termination is published in the Federal Register.

(e) The Secretary of Commerce shall compute the quantities provided for in subsections (a) and (b).

SEC. 202. ARRANGEMENTS OR AGREEMENTS REGULATING IMPORTS.

(a) The President is authorized to conclude bilateral or multilateral arrangements or agreements with the governments of foreign countries regulating, by category, the quantities of textile articles or footwear articles, or both, produced in such foreign countries which may be exported to the United States or entered and to issue regulations necessary to carry ou the terms of such arrangements or agreements. In concluding any arrangement or agreement under this subsection, the President shall take into account conditions in the United States market, the need to avoid disruption of that market, and such other factors as he deems appropriate in the national interest.

(b) Whenever a multilateral arrangement or agreement concluded under subsection (a) is in effect among the countries, including the United States, which account for a significant part of world trade in the article concerned and such arrangement or agreement contemplates the establishment of limitations on the trade in the article produced in countries not parties to such arrangement or agreement, the President may by regulation prescribe the total quantity of the article produced in each country not a party to such arrangement or agreement which may be entered; but the total quantity for any category for any country for any calendar year may not be less than the total quantity which would be permitted to be entered if section 201(a) and (b) applied to such category for such country for such year.

(c) Section 201 shall not apply to articles produced in foreign countries which are subject to an arrangement or agreement entered into under subsection (a) or to regulations issued under subsection (b).

SEC. 203. INCREASED IMPORTS WHERE SUPPLY IS INADEQUATE TO MEET DOMESTIC DEMAND AT REASONABLE PRICES.

In carrying out sections 201 and 202, the President may authorize increased exports to the United States or increased entries in the United States of textile articles or footwear articles of any category whenever he determines that the supply of textile articles or footwear articles similar to those subject to limitation under such sections will be inadequate to meet domestic demand at reasonable prices.

SEC. 204. EXCLUSIONS.

(a) The import restrictions provided for in this title do not apply to any article exempted from duty under part 2 of schedule 8 of the Tariff Schedules of the United States or to any article the entry of which is regulated pursuant to paragraph (4), (5), (6), or (7) of section 498(a) of the Tariff Act of 1930 (19 U.S.C. 1498(a)). To the extent provided in regulations prescribed by the Secretary of Commerce, the import restrictions provided for in this title shall not apply to other articles imported in noncommercial quantities for noncommercial purposes.

(b) This title shall not apply to (1) articles subject to the Long-Term Arrangement Regarding International Trade in Cotton Textiles, so long as the United States is a party thereto, or (2) the articles produced in the Philippines provided for in item B (cordage) in the schedule to paragraph 1 of article II of the 1955 Agreement With the Philippines Concerning Trade and Related Matters, so long as such Agreement remains in effect.

(c) Nothing in this title shall affect the authority provided for under section 22 of the Agricultural Adjustment Act of 1933, as amended.

SEC. 205. ADMINISTRATION.

(a) The rulemaking provisions of subchapter II of chapter 5 of title 5, United States Code, shall apply with respect to sections 201(b) (2), 201(b) (3), 201(d) (1), 202(b), 203, 204(a), and 206.

(b) All quantitative limitations established under this title or pursuant to any arrangement or agreement entered into under this title, all exemptions established under this title and all extensions or terminations thereof, and all regulations promulgated to carry out this title shall be published in the Federal Register. The Secretary of Commerce shall certify to the Secretary of the Treasury for each period the total quantity of each textile article and footwear article produced in each foreign country the entry of which is affected by such a quantiative limitation on importation; and the Secretary of the Treasury shall take such action as may be necessary to ensure that the total quantity so entered during such period shall not exceed the total quantity so certified.

(c) There shall be promulgated as a part of the appendix to the Tariff Schedules of the United States, Annotated, all quantitative limitations and exemptions established under this title or pursuant to any arrangement or agreement entered into under this title and all quantitative limitations established pursuant to the Arrangement referred to in section 204(b).

SEC. 206. DEFINITIONS.

For purposes of this title—

(1) The term "textile article" includes any article if wholly or in part of cotton, wool or other animal hair, human hair, manmade fiber, or any combination or blend thereof, or cordage of hard (leaf) fibers, classified under schedule 3 of the Tariff Schedules of the United States; any article classified under subpart B or C of part 1 of schedule 7 of such schedules if wholly or in chief value of cotton, wool, or man-made fiber; any other article specified by the Secretary of Commerce which he has been advised by the Secretary of the Treasury would be classified under any of the foregoing provisions of the schedules but for the inclusion of some substance, material, or other component, or because of its processing, which causes the article to be classified elsewhere; and any of the foregoing articles if entered under item 807.00 of such schedules, or under the appendix to such schedules; but such term does not include articles classified under any of items 300.10 through 300.50, 306.00 through 307.40, 309.60 through 309.75, and 390.10 through 390.60, inclusive, of such schedules; and does not include any woven fabric 20 inches or over but not over 46 inches in width, in the piece, bleached or colored, whether or not ornamented, for use only in the manufacture of portions of neckties other than the linings therefor.

(2) The term "footwear article" includes footwear provided for in any of items 700.05 through 700.45, inclusive, item 700.55, items 700.66 through 700.80, inclusive, and item 700.85 of the Tariff Schedules of the United States.

(3) The term "category" means a grouping of textile articles, or a grouping of footwear articles, as the case may be, as determined by the Secretary of Commerce, for the purposes of this title, using the five-digit and seven-digit item numbers applied to such articles in the Tariff Schedules of the United States, Annotated, as published by the United States Tariff Commission.

(4) The term "entered" means entered, or withdrawn from warehouse, for consumption in the customs territory of the United States.

(5) The term "produced" means manufactured or produced.

(6) The term "foreign country" includes a foreign instrumentality.

CHAPTER 2—EFFECTIVE PERIOD

SEC. 211. TERMINATION OF TITLE EXTENSION UNDER CERTAIN CONDITIONS.

(a) Unless extended under subsection (b), this title shall terminate on July 1, 1976.

(b) The effective period of this title may be extended in whole or in part by the President after July 1, 1976, for such periods (not to exceed 5 years at any one time) as he may designate if he determines, after seeking advice of the Tariff Commission and of the Secretary of Commerce and of the Secretary of Labor, that such extension is in the national interest.

(c) The President shall promptly report to Congress with respect to any action taken by him under subsection (b).

(d) Nothing in this section shall affect the validity of any arrangement or agreement entered into under section 202(a) before the termination of this title or of any regulations issued under section 202 in connection with any such arrangement or agreement.

TITLE III—OTHER TARIFF AND TRADE PROVISIONS

CHAPTER 1—AMENDMENTS TO THE ANTI-DUMPING AND COUNTERVAILING DUTY LAWS

SEC. 301. ANTIDUMPING ACT, 1921.

(a) Section 201(b) of the Antidumping Act, 1921 (19 U.S.C. 160(b)) is amended to read as follows:

"(b) In the case of any imported merchandise of a class or kind as to which the Secretary has not so made public a finding, he shall, within 4 months after the question of dumping was raised by or presented to him or any person to whom authority under this section has been delegated—

"(1) determine whether there is reason to believe or suspect, from the invoice or other papers or from information presented to him or to any other person to whom authority under this section has been delegated, that the purchase price is less, or that the exporter's sales price is less or likely to be less, than the foreign market value (or, in the absence of such value, than the constructed value); and

"(2) if his determination is affirmative, publish notice of that fact in the Federal Register, and require, under such regulations as he may prescribe, the withholding of appraisement as to such merchandise entered, or withdrawn from warehouse for consumption, on or after the date of publication of that notice in the Federal Register (unless the Secretary determines that the withholding should be made effective as of an earlier date in which case the effective date of the withholding shall be not more than 120 days before the question of dumping was raised by or presented to him or any person to whom authority under this section has been delegated), until the further order of the Secretary, or until the Secretary has made public a finding as provided for in subsection (a) in regard to such merchandise; or

"(3) if his determination is negative, publish notice of that fact in the Federal Register, but the Secretary may within 3 months thereafter order the withholding of appraisement if he then has reason to believe or suspect, from the invoice or other papers or from information presented to him or to any other person to whom authority under this section has been delegated, that the purchase price is less, or that the exporter's sales price is less or likely to be less, than the foreign market value (or, in the absence of such value, then the constructed value) and such order of withholding of appraisement shall be subject to the provisions of paragraph (2).

For purposes of this subsection, the question of dumping shall be deemed to have been raised or presented on the date on which a notice is published in the Federal Register that information relating to dumping has been received in accordance with regulations prescribed by the Secretary."

(b) Section 205 of the Antidumping Act, 1921 (19 U.S.C. 164), is amended by inserting "(a)" immediately after "SEC. 205.", and by adding at the end thereof the following new subsection:

"(b) If available information indicates to the Secretary that the economy of the country from which the merchandise is exported is state-controlled to an extent that sales or offers of sales of such or similar merchandise in that country or to countries other than the United States do not permit a determination of foreign market value under subsection (a), the Secretary shall determine the foreign market value of the merchandise on the basis of the normal costs, expenses, and profits as reflected by either—

"(1) the prices at which such or similar merchandise of a non-state-controlled-economy country is sold either (A) for consumption in the home market of that country, or (B) to other countries, including the United States; or

"(2) the constructed value of such or similar merchandise in a non-state-controlled-economy country as determined under section 206 of this Act."

(c) The amendment made by subsection (a) of this section shall take effect on the 180th day after the date of the enactment of this Act.

SEC. 302. COUNTERVAILING DUTIES.

(a) Section 303 of the Tariff Act of 1930 (19 U.S.C. 1303) is amended to read as follows:

"SEC. 303. COUNTERVAILING DUTIES.

"(a) LEVY OF COUNTERVAILING DUTIES.—(1) Whenever any country, dependency, colony, province, or other political subdivision of government, person, partnership, association, cartel, or corporation, shall pay

or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export of any article or merchandise manufactured or produced in such country, dependency, colony, province, or other political subdivision of government, then upon the importation of such article or merchandise into the United States, whether the same shall be imported directly from the country of production or otherwise, and whether such article or merchandise is imported in the same condition as when exported from the country of production or has been changed in condition by remanufacture or otherwise, there shall be levied and paid, in all such cases, in addition to any duties otherwise imposed, a duty equal to the net amount of such bounty or grant, however the same be paid or bestowed. The Secretary of the Treasury shall determine, within 12 months after the date on which the question is presented to him, whether any bounty or grant is being paid or bestowed.

"(2) In the case of any imported article or merchandise which is free of duty, duties may be imposed under this section only if there is an affirmative determination by the Tariff Commission under subsection (b)(1).

"(3) The Secretary of the Treasury shall from time to time ascertain and determine, or estimate, the net amount of each such bounty or grant, and shall declare the net amount so determined or estimated.

"(4) The Secretary of the Treasury shall make all regulations he may deem necessary for the identification of such articles and merchandise and for the assessment and collection of the duties under this section. All determinations by the Secretary under this subsection and all determinations by the Tariff Commission under subsection (b)(1), whether affirmative or negative, shall be published in the Federal Register.

"(b) INJURY DETERMINATIONS WITH RESPECT TO DUTY-FREE MERCHANDISE; SUSPENSION OF LIQUIDATION.—(1) Whenever the Secretary of the Treasury has determined under subsection (a) that a bounty or grant is being paid or bestowed with respect to any article or merchandise which is free of duty, he shall—

"(A) so advise the United States Tariff Commission, and the Commission shall determine within 3 months thereafter, and after such investigation as it deems necessary, whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such article or merchandise into the United States; and the Commission shall notify the Secretary of its determination; and

"(B) require, under such regulations as he may prescribe, the suspension of liquidation as to such article or merchandise entered, or withdrawn from warehouse, for consumption, on or after the 30th day after the date of the publication in the Federal Register of his determination under subsection (a)(1), and such suspension of liquidation shall continue until the further order of the Secretary or until he has made public an order as provided for in paragraph (2) of this subsection.

"(2) If the determination of the tariff Commission under subparagraph (A) is in the affirmative, the Secretary shall make public an order directing the assessment and collection of duties in the amount of such bounty or grant as is from time to time ascertained and determined, or estimated, under subsection (a).

"(c) APPLICATION OF AFFIRMATIVE DETERMINATION.—An affirmative determination by the Secretary of the Treasury under subsection (a)(1) with respect to any imported article or merchandise which (1) is dutiable, or (2) is free of duty but with respect to which the Tariff Commission has made an affirmative determination under subsection (b)(1), shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the 30th day after the date of the publication in the Federal Register of such determination by the Secretary.

"(d) SPECIAL RULE FOR ANY ARTICLE SUBJECT TO A QUANTITATIVE LIMITATION.—No duty shall be imposed under this section with respect to any article which is subject to a quantitative limitation imposed by the United States on its importation, or subject to a quantitative limitation on its exportation to or importation into the United States imposed under an agreement to which the United States is a party, unless the Secretary of the Treasury determines, after seeking information and advice from such agencies as he may deem appropriate, that such quantitative limitation is not an adequate substitute for the imposition of a duty under this section."

(b)(1) Except as provided in paragraph (2), the amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

(2) The last sentence of section 303(a)(1) of the Tariff Act of 1930 (as added by subsection (a) of this section) shall apply only with respect to questions presented on or after the date of the enactment of this Act.

CHAPTER 2—TARIFF COMMISSION

SEC. 311. TARIFF COMMISSION MEMBERSHIP.

(a)(1) The first sentence of section 330(a) of the Tariff Act of 1930 (19 U.S.C. 1330) is amended to read as follows: "The United States Tariff Commission (referred to in this Act as the 'Commission') shall be composed of seven Commissioners appointed by the President by and with the advice and consent of the Senate."

(2) The third sentence of such section is amended by striking out "three" and inserting in lieu thereof "four".

(b) Section 330(b) of such Act is amended to read as follows:

"(b) TERMS OF OFFICE.—Terms of office of the Commissioners which begin after the date of the enactment of the Trade Act of 1970 shall be for 7 years; except that the first term of office for the seventh Commissioner shall expire on June 16, 1977. The term of office of a successor to any Commissioner appointed to a term of office beginning after the date of the enactment of the Trade Act of 1970 shall (except as provided in the preceding sentence) expire 7 years from the date of the expiration of the term for which his predecessor was appointed. Any Commissioner appointed to fill a vacancy occurring before the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term."

(c) Section 330(d) of such Act is repealed.

CHAPTER 3—AUTHORIZATION OF APPROPRIATIONS FOR UNITED STATES SHARE OF THE EXPENSES OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE

SEC. 321. AUTHORIZATION.

Chapter 5 of title II of the Trade Expansion Act of 1962 (19 U.S.C. 1871 et seq.) is amended by inserting immediately after section 243 the following new section:

"SEC. 244. AUTHORIZATION FOR CERTAIN EXPENSES.

"There are hereby authorized to be appropriated annually such sums as may be necessary for the payment by the United States of its share of the expenses of the Contracting Parties to the General Agreement on Tariffs and Trade."

CHAPTER 4—AMERICAN SELLING PRICE SYSTEM OF VALUATION

SEC. 331. IN GENERAL.

(a) The President is authorized to proclaim such modifications of the Tariff Schedules of the United States (19 U.S.C. 1202) as are required or appropriate to carry out any bilateral or multilateral agreement with foreign countries or instrumentalities thereof which relates primarily to the elimination of the American selling price system of valuation, if he determines that the concessions which would be granted with respect to the products of the United States under such agreement fully compensate for the concessions which would be made by the United States under the agreement. Any proclamation issued under this subsection shall take effect only as provided in subsection (b).

(b)(1) The President shall have any proclamation referred to in subsection (a) delivered to both Houses of the Congress on the same day and to each House while it is in session. No such proclamation may be delivered before January 3, 1971.

(2) Except as otherwise provided in paragraph (4), a proclamation referred to in subsection (a) shall take effect at the end of the first period of 60 calendar days of continuous session of Congress after the date on which the proclamation is transmitted to it unless, between the date of transmittal and the end of the 60-day period, both Houses of Congress adopt a concurrent resolution stating in substance that the Congress does not favor the taking effect of such proclamation.

(3) For purposes of paragraph (2)—

(A) continuity of session is broken only by an adjournment of Congress sine die; and

(B) the days on which either House is not in session becasue of an adjournment of more than three days to a day certain are excluded in the computation of the 60-day period.

(4) Under provisions contained in any proclamation referred to in subsection (a), any provision of the proclamation may take effect at a time later than the date on which the proclamation otherwise takes effect.

(c) Nothing in subsection (a) shall authorize the issuance of a proclamation with respect to certain footwear presently provided for in item 700.60 of the Tariff Schedules of the United States.

(d) The President is authorized at any time to terminate, in whole or in part, any proclamation which has taken effect pursuant to this section.

(e) During a period of 5 years after a proclamation referred to in subsection (a) which relates to chemicals takes effect, for the purpose of insuring a continuing surveillance of the effects of such proclamation, the Tariff Commission shall complete and transmit to the President, on the most current basis possible, annual detailed reports on United States production and sales of synthetic organic chemicals and United States imports thereof.

SEC. 332. RELATED AMENDMENTS.

(a) For purposes of general headnote 4 of the Tariff Schedules of the United States, a rate of duty proclaimed pursuant to section 331 shall be treated as a rate of duty proclaimed pursuant to a concession granted in a trade agreement.

(b) As of the effective date of the relevant provision of a proclamation issued pursuant to section 331, the Tariff Schedules of the United States are amended as follows:

(1) Part 3E of schedule 1 is amended by striking out the rate of duty in column numbered 2 for item 114.05 and by inserting in such column "35¢ per lb." and "35% ad val." for the articles provided for in items 114.04 and 114.06, respectively, proclaimed pursuant to section 331, and by striking out headnote 1 and the headnote heading preceding it.

(2) Part 1 of schedule 4 is amended by striking out the rates of duty in column numbered 2 in subparts B and C and by inserting in such column "7¢ per lb. + 75% ad val." for the articles provided for in each item proclaimed pursuant to section 331, and by striking out headnotes 4 and 5 and inserting in lieu thereof:

"4. The ad valorem rates provided for in this part shall be applied to values determined in accordance with the methods of

valuation provided for in section 402(a) through (d) of this Act."

(3) Part 1C of schedule 7 is amended by striking out the rate of duty in column numbered 2 for item 704.55 and inserting in lieu thereof "40¢ per lb.+35% ad val." and by striking out headnote 4 and inserting in lieu thereof:

"4. The ad valorem rates provided for in item 704.55 shall be applied to values determined in accordance with the methods of valuation provided for in section 402 (a) through (d) of this Act."

CHAPTER 5—MISCELLANEOUS PROVISIONS

SEC. 341. AMENDMENTS TO AUTOMOTIVE PRODUCTS TRADE ACT OF 1965.

(a) Section 302(a) of the Automotive Products Trade Act of 1965 (19 U.S.C. 2022) is amended by striking out "After the 90th day after the date of the enactment of this Act and before July 1, 1968, a petition under section 301" and inserting in lieu thereof "A petition under section 301".

(b) The heading of section 302 of such Act is amended to read as follows: "SPECIAL AUTHORITY".

(c) Subsections (c), (d), and (g)(2) of section 302 of such Act are amended by striking out "the primary factor" and inserting in lieu thereof "a substantial factor".

(d) The amendments made by this section shall apply with respect to petitions filed after the date of the enactment of this Act; except that—

(1) such amendments shall apply only with respect to dislocations which began after June 30, 1968, and

(2) such amendments shall apply with respect to dislocations which began after June 30, 1968, and before July 1, 1970, only if the petition is filed on or before the 90th day after the date of the enactment of this Act.

SEC. 342. CERTAIN CLASSIFICATIONS BY THE SECRETARY OF AGRICULTURE.

The headnotes for part 3 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202 note) are amended by adding at the end thereof the following new headnote:

"(4) Any determination as to whether or not any article or class of articles falls within one of the article descriptions under this part 3 shall be the final administrative responsibility of the Secretary of Agriculture. In making any such determination, the Secretary of Agriculture shall carry out the purposes for which the import restrictions provided for in this part were prescribed, notwithstanding the fact that such determination may differ from that made for tariff and other purposes. Nothing in this headnote shall be deemed to affect in any manner the authority of the Secretary of the Treasury over merchandise for tariff or other purposes."

SEC. 343. RATES OF DUTY ON MINK FURSKINS; REPEAL OF EMBARGO ON CERTAIN FURS

(a)(1) Schedule 1, part 5, subpart B of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting after item 123.50 the following new items:

"	Furskins of mink, whether or not dressed: For an aggregate quantity of not over 4,600,000 skins (or pieces of skins) entered during any calendar year:		
123.60	Raw or not dressed	Free	30% ad val.
	Dressed:		
	Plates, mats, linings, strips, crosses, or similar forms:		
123.62	Not dyed	12% ad val.	35% ad val.
123.63	Dyed	14% ad val.	40% ad val.
	Other:		
123.65	Not dyed	3.5% ad val.	25% ad val.
123.66	Dyed	5.5% ad val.	30% ad val.
123.68	Other	25% ad val.	40% ad val. ".

(2) Schedule 7, part 13, subpart B of such schedules is amended by inserting after item 791.10 the following new item:

" 791.12	Of mink	14% ad val.	50% ad val. ".

(b) Headnote 4 of subpart B, part 5, schedule 1 of such schedules is repealed.

(c) The amendments and repeal made by this section shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after January 1, 1971.

SEC. 344. RATE OF DUTY ON GLYCINE AND CERTAIN RELATED PRODUCTS

(a) Subpart B, part 13, schedule 4 of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting after item 493.35 the following new item:

" 493.37	Aminoacetic acid (glycine) and salts thereof, and mixtures containing such acid or its salts if such acid or salts individually or in combination are the chief component by weight of such mixtures, all the foregoing however provided for elsewhere in this schedule.		
	For an aggregate quantity of not over 1,500,000 pounds entered during any calendar year of which an aggregate quantity of not over 375,000 pounds may be entered during any calendar quarter	8.5% ad val.	25% ad val.
	Other	8.5% ad val. plus 25¢ per lb.	25% ad val. plus 25¢ per lb. "

(b) The amendment made by subsection (a) shall apply with respect to articles entered, or withdrawn from warehouse, for consumption, on or after January 1, 1971.

SEC. 345. INVOICE INFORMATION.

Section 481(a) of the Tariff Act of 1930 (19 U.S.C. 1481(a)) is amended—

(1) by redesignating paragraph (10) thereof as paragraph (11);

(2) by striking out "and" at the end of paragraph (9); and

(3) by inserting immediately after such paragraph (9) the following new paragraph:

"(10) Such information as to product description as is required to be made a part of the entry by provisions of the Tariff Schedules of the United States Annotated issued pursuant to section 484(e) of this Act; and".

SEC. 346. TRADE WITH FOREIGN COUNTRIES PERMITTING UNCONTROLLED PRODUCTION OF OR TRAFFICKING IN CERTAIN DRUGS.

The President of the United States shall have the authority to impose an embargo or suspension of trade with a nation which permits the uncontrolled or unregulated production of or trafficking in opium, heroin, or other poppy derivatives in a manner to permit these drug items to fall into illicit commerce for ultimate disposition and use in this country.

TITLE IV—DOMESTIC INTERNATIONAL SALES CORPORATION

SEC. 401. AMENDMENT OF 1954 CODE.

Whenever in this title an amendment is expressed in terms of an amendment to a section or other provision, the reference is to a section or other provision of the Internal Revenue Code of 1954.

SEC. 402. DOMESTIC INTERNATIONAL SALES CORPORATIONS.

Subchapter N of chapter 1 (relating to income from sources without the United States) is amended by adding at the end thereof the following new part:

"PART IV—DOMESTIC INTERNATIONAL SALES CORPORATIONS.

"Subpart A. Treatment of qualifying corporations.

"Subpart B. Treatment of distributions to shareholders.

"SUBPART A—TREATMENT OF QUALIFYING CORPORATIONS

"Sec. 991. Taxation of a domestic international sales corporation.

"Sec. 992. Requirements of a domestic international sales corporation.

"Sec. 993. Definitions and special rules.

"Secc. 994. Inter-company pricing rules.

"SEC. 991. TAXATION OF A DOMESTIC INTERNATIONAL SALES CORPORATION.

"(a) GENERAL RULE.—Except as provided in this section, a DISC (as defined in section 992(a)) shall not be subject to the taxes imposed by this subtitle.

"(b) TAXABLE YEARS BEGINNING BEFORE 1974.—

"(1) TRANSITION.—In the case of a taxable year beginning before January 1, 1974, a DISC shall be subject to the tax imposed by section 11 or 1201(a) but the amount of the tax liability shall be—

"(A) in the case of a taxable year beginning in 1971, 50 percent of the amount determined under paragraph (2), and

"(B) in the case of a taxable year beginning in 1972 or 1973, 25 percent of the amount determined under paragraph (2).

"(2) TAX LIABILITY.—For purposes of paragraph (1), the amount determined under this paragraph, with respect to any taxable year, is the amount by which—

"(A) the tax imposed by section 11 or 1201 (a) for the taxable year determined without regard to subsection (a), exceeds

"(B) the sum of the credits against such tax allowable for the taxable year.

If a DISC is a member of a controlled group of corporations (within the meaning of section 1563) for the taxable year, no surtax exemption shall be allowed in applying this paragraph for such year.

"SEC. 992. REQUIREMENTS OF A DOMESTIC INTERNATIONAL SALES CORPORATION.

"(a) DEFINITION OF 'DISC' AND 'FORMER DISC'.—

"(1) DISC.—For purposes of this title, the term 'DISC' means, with respect to any taxable year, a corporation which is incorporated under the laws of any State and satisfies the following conditions for the taxable year:

"(A) 95 percent or more of the gross receipts (as defined in section 993(f)) of such corporation consist of qualified export receipts (as defined in section 993(a)),

"(B) the adjusted basis of the qualified export assets (as defined in section 993(b)) held by the corporation at the close of the taxable year equals or exceeds 95 percent of the sum of such adjusted basis and the fair market value of all other assets held by the corporation at the close of the taxable year.

"(C) such corporation does not have more than one class of stock and the par or stated value of its outstanding stock is at least $2,500 on each day of the taxable year, and

"(D) the corporation has made an election pursuant to subsection (b) to be treated as a DISC and such election is in effect for the taxable year.

"(2) STATUS AS DISC AFTER HAVING FILED A RETURN AS A DISC.—If—

"(A) a corporation does not notify the

Secretary or his delegate, before the 30-day period ending with the expiration of the period of limitation on assessment for underpayment of tax, that it is not a DISC for a taxable year for which it filed a return as a DISC under section 6011(e)(2), and

"(B) the Secretary or his delegate has not, within the period of limitation prescribed in subparagraph (B), issued a notice of deficiency based on a determination that the corporation is not a DISC for such year,

then, notwithstanding any other provision of this part, for purposes of this title the corporation is a DISC with respect to such taxable year and shall be deemed to have satisfied the conditions of paragraph (1) for such year.

"(3) FORMER DISC.—For purposes of this title, the term 'former DISC' means, with respect to any taxable year, a corporation which is not a DISC for such year but was a DISC in a preceding taxable year and at the beginning of the taxable year has undistributed previously taxed income or accumulated DISC income.

"(b) ELECTION.—

"(1) ELECTION.—An election by a corporation to be treated as a DISC shall be made by such corporation for a taxable year at any time during the 90-day period immediately preceding the beginning of the taxable year and shall be made in such manner as the Secretary or his delegate shall prescribe. Such election shall be valid only if all persons who are shareholders in such corporation on the first day of the first taxable year for which such election is effective consent to such election.

"(2) EFFECT OF ELECTION.—If a corporation makes an election under paragraph (1), then the provisions of this part shall apply to such corporation for the taxable year of the corporation for which made and for all succeeding taxable years and shall apply to each person who at any time is a shareholder of such corporation for all periods on or after the first day of the first taxable year of the corporation for which the election is effective.

"(3) TERMINATION OF ELECTION.—

"(A) REVOCATION.—An election under this subsection made by any corporation may be terminated by it for any taxable year of the corporation after the first taxable year of the corporation for which the election is effective. A termination under this paragraph shall be effective with respect to such election—

"(i) for the taxable year in which made, if made at any time during the first 90 days of such taxable year, or

"(ii) for the taxable year following the taxable year in which made, if made after the close of such 90 days,

and for all succeeding taxable years of the corporation. Such termination shall be made in such manner as the Secretary or his delegate shall prescribe by regulations.

"(B) CONTINUED FAILURE TO BE DISC.—If a corporation is not a DISC for each of any 5 consecutive taxable years of the corporation for which an election under this subsection is effective, the election shall be terminated and not be in effect for any taxable year of the corporation after such 5th year.

"(c) DISTRIBUTIONS TO MEET QUALIFICATION REQUIREMENTS.—

"(1) IN GENERAL.—Subject to the conditions provided by paragraphs (2) and (3), a corporation which for a taxable year does not satisfy a condition specified in paragraph (1)(A) (relating to gross receipts) or (1)(B) (relating to assets) of subsection (a) shall nevertheless be deemed to satisfy such condition for such year if it makes a pro rata distribution of property after the close of the taxable year to its shareholders (designated at the time of such distribution as a distribution to meet qualification requirements) with respect to their stock in an amount which is equal to—

"(A) if the condition of subsection (a)(1)(A) is not satisfied, the portion of such corporation's taxable income attributable to its gross receipts which are not qualified export receipts for such year,

"(B) if the condition of subsection (a)(1)(B) is not satisfied, the fair market value of those assets which are not qualified export assets on the last day of such taxable year, or

"(C) if neither of such conditions is satisfied, the sum of the amounts required by subparagraphs (A) and (B).

"(2) DISTRIBUTIONS MADE WITHIN 8½ MONTHS AFTER CLOSE OF TAXABLE YEAR.—In the case of a distribution made on or before the 15th day of the 9th month after the close of the taxable year, if the failure of a corporation to satisfy a condition specified in subsection (a)(1)(A) and (B) is not due to reasonable cause, paragraph (1) applies only if—

"(A) at least 70 percent of the gross receipts of such corporation for such taxable year consist of qualified export receipts, and

"(B) the adjusted basis of the qualified export assets held by the corporation on the last day of each month of the taxable year equals or exceeds 70 percent of the sum (i) such adjusted basis, and (ii) the fair market value of all other assets held by the corporation on such day.

"(3) DISTRIBUTIONS MADE MORE THAN 8½ MONTHS AFTER CLOSE OF TAXABLE YEAR.—In the case of a distribution made after the 15th day of the 9th month following the close of the taxable year, paragraph (1) applies only if—

"(A) the failure to make the distribution within the time prescribed by paragraph (2) and before the time the distribution is made is due to reasonable cause,

"(B) the distribution is made before the earlier of (i) the expiration of the period of limitation prescribed by section 6501 for assessment of the tax for the taxable year with respect to which the distribution is made, or (ii) the expiration of the period ending 90 days after the day on which the corporation is notified by the Secretary or his delegate that the corporation has failed to satisfy either the gross receipts or gross assets test of subsection (a)(1)(A) or (B) (extended by any period in which a deficiency cannot be assessed under section 6213(a) and any other period which the Secretary or his delegate determines is reasonable and necessary to permit the distribution), and

"(C) the corporation, within the 30-day period beginning with the day on which the distribution is made, pays to the Secretary or his delegate an amount determined by multiplying (i) the amount equal to 4½ percent of the distribution, by (ii) the number of its taxable years which begin after the taxable year with respect to which the distribution is made and before the distribution is made.

For purposes of this title, any payment made pursuant to subparagraph (C) shall be treated as interest.

"(d) INELIGIBLE CORPORATIONS.—The following corporations shall not be eligible to be treated as a DISC—

"(1) a corporation exempt from tax by reason of section 501,

"(2) a personal holding company (as defined in section 542),

"(3) a financial institution to which section 581 or 593 applies,

"(4) an insurance company subject to the tax imposed by subchapter L,

"(5) a regulated investment company (as defined in section 851(a)),

"(6) a China Trade Act corporation receiving the special deduction provided in section 941(a), or

"(7) an electing small business corporation (as defined in section 1371(b)).

"SEC. 993. DEFINITIONS AND SPECIAL RULES.

"(a) QUALIFIED EXPORT RECEIPTS.—

"(1) GENERAL RULE.—For purposes of this part, subject to the exceptions in paragraph (2), the qualified export receipts of a corporation are—

"(A) gross receipts from the sale, exchange, or other disposition of export property—

"(i) for direct use, consumption, or disposition outside the United States (as defined in subsection (g)), or

"(ii) to a DISC for such direct use, consumption, or disposition,

"(B) gross receipts from the leasing or rental of export property which is used by the lessee of such property outside the United States,

"(C) gross receipts with respect to services which are related and subsidiary to any sale, exchange, lease, rental, or other disposition of export property by such corporation,

"(D) gross receipts derived from the sale, exchange, or other disposition of qualified export assets (other than export property),

"(E) dividends (or amounts includible in gross income under section 951) with respect to stock of a related foreign export corporation (as defined in subsection (e)),

"(F) interest on any obligation which is a qualified export asset.

"(G) gross receipts derived in connection with the performance of the production of qualified export receipts of a DISC, and

"(H) gross receipts with respect to engineering or architectural services for construction projects located (or proposed for location) outside the United States.

"(2) EXCEPTIONS.—For purposes of this part, the term 'qualified export receipts' does not include receipts—

"(A) from the direct or indirect sales, exchange, lease, rental, or other disposition of export property to the United States or any agency or instrumentality thereof,

"(B) from the sale of agricultural commodities under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Congress; 7 U.S.C., sec. 1691 and fol.),

"(C) from a corporation which (i) is a member of a controlled group of corporations (within the meaning of section 1563) which includes the recipient corporation, and (ii) is a DISC for its taxable year in which the receipts arise,

"(D) from the renting or licensing for the use of, or for the privilege of using, without the United States, patents, copyrights (other than films, tapes, or records for the commercial showing of motion pictures or used for radio or television broadcasting or to provide background music), secret processes and formulas, good will, trademarks, trade brands, franchises, and other like properties,

"(E) from the sale, exchange, lease, rental, or other disposition of export property for ultimate use in the United States, or

"(F) from services which are related and subsidiary to any sale, exchange, lease rental, or other disposition described in this paragraph.

"(b) QUALIFIED EXPORT ASSETS.—For purposes of this part, the qualified export assets of a corporation are—

"(1) export property (as defined in subsection (c));

"(2) facilities primarily for the sale, lease, rental, storage, handling, transportation, packaging, assembly, or servicing of export property;

"(3) accounts receivable and evidences of indebtedness which arise by reason of transactions of such corporation described in subparagraph (A), (B), or (C) of subsection (a)(1);

"(4) money, bank deposits, and other similar temporary investments, which are necessary to meet the working capital requirements of such corporation;

"(5) obligations arising in connection

with a producer's loan (as defined in subsection (4));

"(6) stock or securities of a related foreign export corporation (as defined in subsection (e));

"(7) obligations issued, guaranteed, or insured, in whole or in part, by the Export-Import Bank of the United States or the Foreign Credit Insurance Association in those cases where such obligations are acquired from such Bank or Association or from the seller of the goods or services with respect to which such obligations arose;

"(8) obligations issued by a domestic corporation organized soley for the purpose of financing sales of export property pursuant to an agreement with the Export-Import Bank of the United States under which such corporation makes export loans guaranteed by such bank; and

"(9) amounts (other than working capital) on deposit in the United States if, on the last day of the 6th, 7th, and 8th months following the close of the taxable year, the adjusted basis of the qualified export assets held by the corporation on each such last day equals or exceeds 95 percent of the sum of—

"(A) the adjusted basis of the qualified export assets (determined without regard to this paragraph) held by the corporation at the close of the taxable year, and

"(B) the fair market value of all other assets held by the corporation at the close of the taxable year.

For purpose of paragraph (9), an amount is on deposit in the United States if (and only if) it is on deposit or in a withdrawable account in the United States with a person carrying on the banking business or with a savings institution chartered and supervised as a savings and loan or similar association under Federal or State law.

"(c) EXPORT PROPERTY.—

"(1) IN GENERAL.—For purposes of this part, the term 'export property' means any property—

"(A) manufactured, produced, grown, or extracted in the United States by a person other than a DISC,

"(B) held primarily for sale, lease, or rental in the ordinary course of trade or business for, or to a DISC for, direct use, consumption, or disposition outside the United States, and

"(C) not more than 50 percent of the fair market value of which is attributable to articles imported into the United States.

In applying subparagraph (C), the fair market value of any article imported into the United States shall be taken to be its appraised value, as determined by the Secretary or his delegate under section 402 or 402a of the Tariff Act of 1930 (19 U.S.C., sec. 1401a or 1402) in connection with its importation.

"(2) EXCLUDED PROPERTY.—The term 'export property' does not include property leased or rented by a DISC for use by any member of a controlled group of corporations (within the meaning of section 1563) which includes the DISC.

"(3) PROPERTY IN SHORT SUPPLY.—If the President determines that the supply of any property described in paragraph (1) is insufficient to meet the requirements of the domestic economy, he may by Executive Order designate the property as in short supply. Any property so designated shall be treated as property not described in paragraph (1) during the period beginning with the date specified in the Executive Order and ending with the date specified in an Executive Order setting forth the President's determination that the property is no longer in short supply.

"(d) PRODUCER'S LOANS.—

"(1) IN GENERAL.—An obligation, subject to the limitation provided in paragraph (2), shall be treated as arising out of a producer's loan if—

"(A) the loan, when added to the unpaid balance of all other producer's loans made by the DISC, does not exceed the accumulated DISC income at the beginning of the month in which the loan is made;

"(B) the loan is evidenced by a note (or other evidence of indebtedness) with a stated maturity date not more than 15 years from the date of the loan;

"(C) the loan is made to a person engaged in the United States in the manufacturing, production, growing, or extraction of export property (referred to hereinafter as the 'borrower'); and

"(D) at the time of such loan it is designated as a producer's loan.

"(2) LIMITATION.—An obligation shall be a producer's loan to the extent that such loan, when added to the unpaid balance of all other producer's loans of the borrower outstanding at the time of such loan, does not exceed an amount determined by multiplying the sum of—

"(A) the amount of the borrower's adjusted basis determined at the beginning of the borrower's taxable year in which the loan is made, in plant, machinery, and equipment, and supporting production facilities in the United States;

"(B) the amount of the borrower's property held primarily for sale, lease, or rental to customers in the ordinary course of trade or business at the beginning of such taxable year; and

"(C) the aggregate amount of the borrower's research and experimental expenditures (within the meaning of section 174) in the United States during all preceding taxable years beginning after December 31, 1970;

by the percentage which the borrower's qualified export receipts from the sale of export property during the 3 taxable years immediately preceding the taxable year in which the loan is made is of the gross receipts from the sale of property held by such borrower primarily for sale to customers in the ordinary course of the trade or business of such borrower during such 3 taxable years. In computing such percentage, the receipts of a taxable year beginning before January 1, 1971, shall not be taken into account. The limitation under this paragraph may be computed at the borrower's election on the basis of a controlled group of corporations (within the meaning of section 1563) but without taking into account any corporation which is a DISC.

"(e) RELATED FOREIGN EXPORT CORPORATION.—In determining under section 992 whether a corporation (hereinafter in this subsection referred to as 'the domestic corporation') is a DISC—

"(1) FOREIGN INTERNATIONAL SALES CORPORATION.—A foreign corporation is a related foreign export corporation for purposes of this part if—

"(A) stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote is owned directly by the domestic coroporation;

"(B) 95 percent or more of such foreign corporation's gross receipts for its taxable year ending with or within the taxable year of the domestic corporation consist of qualified export receipts described in subparagraphs (A), (B), (C), and (D) of subsection (a)(1), and

"(C) the adjusted basis of the qualified export assets (described in paragraphs (1), (2), (3), and (4) of subsection (b)) held by such foreign corporation at the close of such taxable year equals or exceeds 95 percent of the sum of such adjusted basis and the fair market value of all other assets held by it at the close of such taxable year.

"(2) REAL PROPERTY HOLDING COMPANY.—A foreign corporation is a related foreign export corporation for purposes of this part if—

"(A) stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote is owned directly by the domestic corporation; and

"(B) its exclusive function is to hold real property for the exclusive use (under a lease or otherwise) of the domestic corporation.

"(3) ASSOCIATED FOREIGN CORPORATION.—A foreign corporation is a related foreign export corporation for purposes of this part if—

"(A) less than 10 percent of the total combined voting power of all classes of stock entitled to vote of such foreign corporation is owned (within the meaning of section 1563 (d) and (e)) by the domestic corporation or by a controlled group of corporations (within the meaning of section 1563) of which the domestic corporation is a member, and

"(B) the ownership of stock or securities in such foreign corporation by the domestic corporation is determined (under regulations prescribed by the Secretary or his delegate) to be reasonably in furtherance of a transaction or transactions giving rise to qualified export receipts of the domestic corporation.

"(f) GROSS RECEIPTS.—For purposes of this part, the term 'gross receipts' means the total receipts from the sale, lease, or rental of property held primarily for sale, lease, or rental in the ordinary course of trade or business, and gross income from all other sources. In the case of commissions on the sale, lease, or rental of property, the amount taken into account for purposes of this part as gross receipts shall be the gross receipts on the sale, lease, or rental of the property on which such commissions arose.

"(g) UNITED STATES DEFINED.—For purposes of this part, the term 'United States' includes the possessions of the United States.

"SEC. 994. INTER-COMPANY PRICING RULES.

"(a) IN GENERAL.—In the case of a sale of export property to a DISC by a person described in section 482, the taxable income of such DISC and such person shall be based upon a transfer price which would allow such DISC to derive taxable income attributable to such sale (regardless of the sales price actually charged) in an amount which does not exceed the greatest of:

"(1) 4 percent of the qualified export receipts on such property plus 10 percent of the export promotion expenses of such DISC attributable to such receipts;

"(2) 50 percent of the combined taxable income of such DISC and such person which is attributable to the qualified export receipts on such property plus 10 percent of the export promotion expenses of such DISC attributable to such receipts, or

"(3) taxable income based upon the sales price actually charged (but subject to the rules provided in section 482).

"(b) RULES FOR COMMISSIONS, RENTALS, AND MARGINAL COSTING.—The Secretary or his delegate shall prescribe regulations setting forth—

"(1) rules which are consistent with the rules set forth in subsection (a) for the application of this section in the case of commissions, rentals, and other income, and

"(2) rules for the allocation of expenditures in computing combined taxable income under subsection (a)(2) in those cases where a DISC is seeking to establish or maintain a market for export property.

"(c) EXPORT PROMOTION EXPENSES.—For purposes of this section, the term 'export promotion expenses' means all the ordinary and necessary expenses of the DISC paid or incurred for the production of qualified export receipts, including advertising, salaries, rentals, commissions, and other selling expenses, but not including income taxes, or any expense that does not advance the distribution or sale of export property for use, consumption, or distribution outside of the United States.

"SUBPART B—TREATMENT OF DISTRIBUTIONS TO SHAREHOLDERS

"Sec. 995. Taxation of DISC income to shareholders.
"Sec. 996. Special rules.
"Sec. 997. Special subchapter C rules.

"SEC. 995. TAXATION OF DISC INCOME TO SHAREHOLDERS

"(a) GENERAL RULE.—A shareholder of a DISC or former DISC shall be subject to taxation on the earnings and profits of a DISC in accordance with the provisions of this subpart.

"(b) DEEMED DISTRIBUTIONS.—

"(1) DISTRIBUTIONS IN QUALIFIED YEARS.—A shareholder of a DISC shall be treated as having received a distribution with respect to his stock in an amount which is equal to his pro rata share of the sum (or, if smaller, the earnings and profits for the taxable year) of—

"(A) the gross interest derived during the taxable year from producer's loans, and

"(B) the gain realized by the DISC during the taxable year on the sale or exchange of property previously transferred to it in a transaction in which gain was not recognized in whole or in part, but only to the extent that the transferror's gain on the previous transfer was not recognized and would have been treated as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231 if the property had been sold or exchanged rather than transferred to the DISC. This subparagraph shall not apply to property which in the hands of the DISC is stock in trade or other property described in section 1221(1).

Distributions described in this paragraph shall be deemed to be received on the last day of the taxable year of the DISC in which the gross income was derived.

"(2) DISTRIBUTIONS UPON DISQUALIFICATION.—

"(A) A shareholder of a corporation which terminated its election to be treated as a DISC or failed to satisfy the conditions of section 992(a) (1) for a taxable year shall be deemed to have received (at the time specified in subparagraph (B)) a distribution equal to his pro rata share of the DISC income of such corporation accumulated during the immediately preceding consecutive taxable years for which the corporation was a DISC.

"(B) Distributions described in subparagraph (A) shall be deemed to be received in equal installments on the last day of each of the 10 taxable years of the corporation following the year of the termination or disqualification described in subparagraph (A) (but in no case over more than the number of immediately preceding consecutive taxable years during which the corporation was a DISC). Proper adjustment shall be made for actual distributions after the beginning of the year of the termination or disqualification out of the accumulated DISC income referred to in subparagraph (A), by reducing the number of deemed installments rather than the amount of such installments (other than the last installment).

"(c) GAIN ON DISPOSITION OF STOCK IN A DISC.—If a shareholder disposes of stock in a DISC or former DISC, any gain recognized on such disposition shall be treated as gain on the sale or exchange of property which is not a capital asset to the extent of the accumulated DISC income of such DISC or former DISC attributable to such stock. If stock of the DISC or former DISC is disposed of in a transaction in which the corporate existence of the DISC or former DISC is terminated (other than by a mere change in place of organization, however effected), any gain realized on the disposition of such stock in the transaction shall be recognized notwithstanding any other provision of this title, to the extent of the accumulated DISC income of such DISC or former DISC attributable to such stock, and such gain shall be treated as gain from the sale or exchange of property which is not a capital asset.

"SEC. 996. SPECIAL RULES.

"(a) IN GENERAL.—Any actual distribution (other than a distribution described in paragraph (2) or to which section 995(c) applies) to a shareholder by a DISC (or former DISC) which is made out of earnings and profits shall be treated as made—

"(A) first, out of previously taxed income, to the extent thereof,

"(B) second, out of accumulated DISC income, to the extent thereof, and

"(C) finally, out of other earnings and profits.

"(2) QUALIFYING DISTRIBUTIONS.—Any actual distribution made pursuant to section 992(c) (relating to distributions to meet qualification requirements) shall be treated as made—

"(A) first, out of accumulated DISC income, to the extent thereof,

"(B) second, out of the earnings and profits described in paragraph (1)(C), to the extent thereof, and

"(C) finally, out of previously taxed income.

"(3) finally, to previously taxed income, distributed out of previously taxed income shall be excluded by the distributee from gross income except to the extent provided in subsection (f)(2), and shall reduce the amount of the previously taxed income.

"(b) TREATMENT OF LOSSES.—If for any taxable year a DISC, or a former DISC, incurs a deficit in earnings and profits, such deficit shall be chargeable—

"(1) first, to earnings and profits described in subsection (a)(1)(C), to the extent thereof,

"(2) second, to accumulated DISC income, to the extent thereof, and

"(3) finally, to previously taxed income, except that a deficit in earnings and profits shall not be applied against accumulated DISC income which, in any prior year, has been determined is to be deemed distributed to the shareholders (pursuant to section 995(b)(2)(A)) as a result of a disqualification.

"(c) TREATMENT OF DEEMED DISTRIBUTIONS.—Each shareholder shall include in gross income, as a dividend, any deemed distribution in a taxable year. An amount equal to such distribution shall increase previously taxed income, and the amount of any deemed distribution under section 995(b)(2) shall reduce accumulated DISC income.

"(d) PRIORITY OF DISTRIBUTIONS.—Any actual distribution made during a taxable year shall be treated as being made subsequent to any deemed distribution made during such year. Any actual distribution made pursuant to section 992(c) (relating to distributions to meet qualification requirements) shall be treated as being made before any other actual distributions during the taxable year.

"(e) SUBSEQUENT EFFECT OF PREVIOUS DISPOSITION OF DISC STOCK.—

"(1) SHAREHOLDER PREVIOUSLY TAXED INCOME ADJUSTMENT.—If—

"(A) gain with respect to a share of stock of a DISC or former DISC is treated under section 995(c) as gain from the sale or exchange of property which is not a capital asset, and

"(B) any person subsequently receives an actual distribution made out of accumulated DISC income, or a deemed distribution made pursuant to section 995(b)(2), with respect to such share, such person shall treat such distribution in the same manner as a distribution from previously taxed income to the extent that (i) the gain referred to in subparagraph (A), exceeds (ii) any other amounts with respect to such share which were treated under this paragraph as made from previously taxed income. In applying this paragraph with respect to a share of stock in a DISC or former DISC, gain on the acquisition of such share by the DISC or former DISC or gain on a transaction prior to such acquisition shall not be considered gain referred to in subparagraph (A).

"(2) CORPORATE ADJUSTMENT UPON REDEMPTION.—If section 995(c) applies to a redemption of stock in a DISC or former DISC the accumulated DISC income shall be reduced by an amount equal to the gain described in section 995(c) with respect to such stock which is (or has been) treated as gain from the sale or exchange of property which is not a capital asset, except to the extent distributions with respect to such stock have been treated under paragraph (1).

"(f) ADJUSTMENT TO BASIS.—

"(1) ADDITIONS TO BASIS.—Amounts representing deemed distributions as provided in section 995(b) shall increase the basis of the stock with respect to which the distribution is made.

"(2) REDUCTIONS OF BASIS.—The portion of an actual distribution made out of previously taxed income shall reduce the basis of the stock with respect to which it is made, and to the extent that it exceeds the adjusted basis of such stock, shall be treated as gain from the sale or exchange of property. In the case of stock includible in the gross estate of a decedent for which an election is made under section 2032 (relating to alternate valuation), this paragraph shall not apply to any distribution made after the date of the decedent's death and before the alternate valuation date provided by section 2032.

"(g) DEFINITIONS OF DIVISIONS OF EARNINGS AND PROFITS.—For purposes of this part:

"(1) DISC INCOME.—The earnings and profits derived by a corporation during a taxable year in which such corporation is a DISC, before reduction for any distributions during the year, but reduced by amounts deemed distributed under section 995(b)(1) shall constitute the DISC income for such year. The earnings and profits of a DISC for a taxable year include any amounts includible in such DISC's gross income pursuant to section 951(a) for such year. Proper reduction of DISC income shall be made for earnings and profits attributable to amounts taxed by reason of section 991(b).

"(2) PREVIOUSLY TAXED INCOME.—Earnings and profits deemed distributed under section 995(b) for a taxable year shall constitute previously taxed income for such year.

"(3) OTHER EARNINGS AND PROFITS.—The earnings and profits for a taxable year which are described in neither paragraph (1) nor (2) shall constitute the other earnings and profits for such year.

"(h) EFFECTIVELY CONNECTED INCOME.—All distributions and gains referred to in section 995 shall be treated as distributions and gains, in the case of a shareholder who is a nonresident alien or a foreign corporation, which are effectively connected with the conduct of a trade or business conducted through a permanent establishment of such shareholder within the United States.

"SEC. 997. SPECIAL SUBCHAPTER C RULES

"For purposes of applying the provisions of subchapter C of chapter 1, any distribution in property to a corporation by a DISC or former DISC which is made out of previously taxed income or accumulated DISC income shall—

"(1) be treated as a distribution in the same amount as if such distribution of property were made to an individual, and

"(2) have a basis, in the hands of the recipient corporation, equal to the amount determined under paragraph (1)."

SEC. 403. DEDUCTIONS, CREDITS, ETC.

(a) DIVIDENDS RECEIVED DEDUCTION.—Section 246 (relating to rules applying to deductions for dividends received) is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following:

"(d) DIVIDENDS FROM A DISC OR FORMER DISC.—No deduction shall be allowed under section 243 in respect of a dividend from a corporation which is a DISC or former DISC (as defined in section 992(a)) to the extent such dividend is made out of the corporation's accumulated DISC income or previously taxed income, or is a deemed distribution pursuant to section 995(b)(1)."

(b) FOREIGN TAX CREDIT.—Section 901(d) (relating to corporations treated as foreign corporations) is amended by adding at the end thereof the following:

"For purposes of this subpart, dividends from a DISC or former DISC (as defined in

section 992(a)) shall be treated as dividends from a foreign corporation to the extent such dividends are treated under part I as income from sources without the United States."

(c) WESTERN HEMISPHERE TRADE CORPORATIONS.—Section 922 (relating to special deduction for Western Hemisphere Trade Corporations) is amended by adding at the end thereof the following:

"No deduction shall be allowed under this section to a corporation for a taxable year for which it is a DISC or in which it owns at any time stock in a DISC or former DISC (as defined in section 992(a))."

(d) INCOME FROM SOURCES WITHIN POSSESSIONS OF THE UNITED STATES.—Section 931(a) (relating to the general rule applicable to income from sources within possessions of the United States) is amended by adding at the end thereof the following:

"This section shall not apply in the case of a corporation for a taxable year for which it is a DISC or in which it owns at any time stock in a DISC or former DISC (as defined in section 992(a))."

(e) INCLUDIBLE CORPORATIONS.—Section 1504(b) (relating to definition of "includible corporations") is amended by adding at the end thereof the following new paragraph:

"(7) A DISC or former DISC (as defined in section 992(a))."

(f) BASIS OF DISC STOCK ACQUIRED FROM DECEDENT.—Section 1014 (relating to basis of property acquired from a decedent) is amended by adding at the end thereof the following new subsection:

"(d) SPECIAL RULE WITH RESPECT TO DISC STOCK.—If stock owned by a decedent in a DISC or former DISC (as defined in section 992(a)) acquires a new basis under subsection (a), such basis (determined before the application of this subsection) shall be reduced by the amount (if any) which would have been treated under section 995(c) as gain from the sale of property which is not a capital asset if the decedent had lived and sold the stock at its fair market value on the estate tax valuation date. In computing the gain the decedent would have had if he had lived and sold the stock, his basis shall be determined without regard to the last sentence of section 996(f)(2) (relating to reductions of basis of DISC stock). For purposes of this subsection, the estate tax valuation date is the date of the decedent's death or, in the case of an election under section 2032, the applicable valuation date prescribed by that section."

SEC. 404. SOURCE OF INCOME.

Section 861(a)(2) (relating to dividends) is amended—

(1) by deleting the period at the end of subparagraph (C) and inserting in lieu thereof ", or"; and

(2) by inserting the following new subparagraph (D) immediately after subparagraph (C) as amended:

"(D) from a DISC or former DISC (as defined in section 992(a)) except to the extent attributable (as determined under regulations prescribed by the Secretary or his delegate) to qualified export receipts described in section 993(a)(1) (other than interest from sources within the United States)."

SEC. 405. PROCEDURE AND ADMINISTRATION.

(a) RETURNS.—Section 6011 (relating to general requirement of return, statement, or list) is amended by redesignating subsection (e) of subsection (f) and by adding a new subsection (e) which reads as follows:

"(e) RETURNS, ETC., OF DISCS AND FORMER DISCS.—

"(1) RECORDS AND INFORMATION.—A DISC or former DISC shall for the taxable year—

"(A) furnish such information to persons who were shareholders at any time during such taxable year, and to the Secretary or his delegate, and

"(B) keep such records,

as may be required by regulations prescribed by the Secretary or his delegate.

"(2) RETURNS.—A DISC shall file for the taxable year such return as may be prescribed by the Secretary or his delegate by forms or regulations."

(b) RETURNS OF CORPORATIONS.—Section 6072(b) (relating to returns of corporations) is amended by adding at the end thereof the following: "Returns required for a taxable year by section 6011(e)(2) (relating to returns of a DISC) shall be filed on or before the fifteenth day of the ninth month following the close of the taxable year."

(c) CERTAIN INCOME TAX RETURNS OF DISC.—Section 6501(g) (relating to certain income tax returns of corporations) is amended by adding at the end thereof the following new paragraph:

"(3) DISC.—If a corporation determines in good faith that it is a DISC (as defined in section 992(a)) and files a return as such under section 6011(e)(2), and if such corporation is thereafter held to be a corporation which is not a DISC for the taxable year for which the return is filed, such return shall be deemed the return of a corporation which is not a DISC for purposes of this section."

(d) FAILURE OF DISC TO FILE RETURNS.—Subchapter (B) of chapter 68 (relating to assessable penalties) is amended by adding at the end thereof the following new section:

"SEC. 6686. FAILURE OF DISC TO FILE RETURNS.

"In addition to the penalty imposed by section 7203 (relating to willful failure to file return, supply information, or pay tax) any person required to supply information or to file a return under section 6011(e) who fails to supply such information or file such return at the time prescribed by the Secretary or his delegate, or who files a return which does not show the information required, shall pay a penalty of $100 for each failure to supply information (but the total amount imposed on the delinquent person for all such failures during any calendar year shall not exceed $25,000) or a penalty of $1,000 for each failure to file a return, unless it is shown that such failure is due to reasonable cause."

SEC. 406. EFFECTIVE DATE OF TITLE.

The amendments made by this title shall apply with respect to taxable years ending after December 31, 1970, except that a corporation may not be a DISC (as defined in section 992(a) of the International Revenue Code of 1954, added by section 402 of this title) for any taxable year beginning before January 1, 1971.

SEC. 407. EXPORT TRADE CORPORATIONS.

(a) USE OF TERMS.—Except as otherwise expressly provided, whenever in this section a reference is made to a section, chapter, or other provision, the reference shall be considered to be made to a section, chapter, or other provision of the Internal Revenue Code of 1954, and terms used in this section shall have the same meaning as when used in such Code.

(b) TRANSFER TO A DISC OF ASSETS OF EXPORT TRADE CORPORATION.—

(1) IN GENERAL.—If a corporation (hereinafter in this section called "parent") owns all of the outstanding stock of an export trade corporation (as defined in section 971), and the export trade corporation, on the last day of a taxable year beginning before January 1, 1975, transfers property, without receiving consideration, to a DISC (as defined in section 992(a)) all of whose outstanding stock is owned by the parent, and if the amount transferred by the export trade corporation is not less than the amount of its untaxed subpart F income (as defined in paragraph (2) of this subsection) at the close of such day and at such time it does not have any earnings and profits described in section 959(c)(1) or (2), then—

(A) notwithstanding section 367 or any other provision of chapter 1, no gain or loss to the export trade corporation, the parent, or the DISC shall be recognized by reason of such transfer;

(B) the earnings and profits of the DISC shall be increased by the amount transferred to it by the export trade corporation and such amount shall be included in accumulated DISC income, and for purposes of section 861(a)(2)(D) shall be considered to be qualified export receipts;

(C) the adjusted basis of the assets transferred to the DISC shall be the same in the hands of the DISC as in the hands of the export trade corporation;

(D) the earnings and profits of the export trade corporation shall be reduced by the amount transferred to the DISC, to the extent thereof, with the reduction being applied first to the untaxed subpart F income and then to the other earnings and profits in the order in which they were most recently accumulated;

(E) the basis of the parent's stock in the export trade corporation shall be decreased by the amount obtained by multiplying its basis in such stock by a fraction the numerator of which is the amount transferred to the DISC and the denominator of which is the aggregate adjusted basis of all the assets of the export trade corporation immediately before such transfer;

(F) the basis of the parent's stock in the DISC shall be increased by the amount of the reduction under subparagraph (E) of its basis in the stock of the export trade corporation;

(G) the property transferred to the DISC shall not be considered to reduce the investments of the export trade corporation in export trade assets for purposes of applying section 970(b); and

(H) any foreign income taxes which would have been deemed under section 902 to have been paid by the parent if the transfer had been made to the parent shall be treated as foreign income taxes paid by the DISC.

For purposes of this section, the amount transferred by the export trade corporation to the DISC shall be the aggregate of the adjusted basis of the properties transferred, with proper adjustment for any indebtedness secured by such property or assumed by the DISC in connection with the transfer.

(2) DEFINITION OF UNTAXED SUBPART F INCOME.—For purposes of this section, the term "untaxed subpart F income" means with respect to an export trade corporation the amount by which—

(A) the sum of the amounts by which the subpart F income of such corporation was reduced for the taxable year and all prior taxable years under section 970(a) and the amounts not included in subpart F income (determined without regard to subpart G of subchapter N of chapter 1) for all prior taxable years by reason of the application of section 972, exceeds

(B) the sum of the amounts which were included in the gross income of the shareholders of such corporation under section 951(a)(1)(A)(ii) under the provisions of section 970(b) for all prior taxable years,

determined without regard to the transfer of property described in paragraph (1) of this subsection.

(3) SPECIAL CASES.—If the provisions of paragraph (1) of this subsection are not applicable solely because the export trade corporation or the DISC, or both, are not owned in the manner prescribed in such paragraph, the provisions shall nevertheless be applicable in such cases to the extent, and in accordance with such rules, as may be provided under regulations prescribed by the Secretary or his delegate.

(c) REPEAL OF SUBPART G.—

(1) IN GENERAL.—Subpart G of subchapter N of chapter 1 is repealed for taxable years beginning after December 31, 1974.

(2) INCLUSION OF CERTAIN PREVIOUSLY EXCLUDED AMOUNTS.—In the case of any controlled foreign corporation which was an

export trade corporation for any taxable year prior to its first taxable year beginning after December 31, 1974, there shall be included in the subpart F income of such corporation (as defined in section 952(a)) for each of the ten taxable years beginning with such first taxable year an amount equal to one-tenth of—

(A) the amount of such corporation's untaxed subpart F income (as defined in subsection (b)(2) of this section) determined as of the close of the taxable year of such corporation immediately preceding such first taxable year, reduced by

(B) the amount, if any, of such untaxed subpart F income which was transferred to a DISC pursuant to subsection (b) of this section, and

the shareholders of such corporation shall include such amounts in gross income pursuant to section 951 notwithstanding section 963.

SEC. 408. SUBMISSION OF ANNUAL REPORTS TO CONGRESS.

The President of the United States shall submit, commencing for the calendar year 1971, an annual report to the Congress within 15½ months following the close of each calendar year setting forth an analysis of the operation and effect of the provisions of this title.

The CHAIRMAN. No amendments are in order to the bill except amendments offered by direction of the Committee on Ways and Means. Are there any committee amendments?

Mr. MILLS. Mr. Chairman, there are no committee amendments.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. FLYNT, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 18970) to amend the tariff and trade laws of the United States, and for other purposes, pursuant to House Resolution 1225, he reported the bill back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the engrossment and the third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. COLLIER

Mr. COLLIER. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. COLLIER. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. COLLIER moves to recommit the bill, H.R. 18970, to the Committee on Ways and Means.

Mr. MILLS. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

The question was taken; and the Speaker announced that the noes appeared to have it.

Mr. COLLIER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the clerk will call the roll.

The question was taken; and there were—yeas 172, nays 207, answered "present"—3, not voting—52, as follows:

[Roll No. 361]

YEAS—172

Adams	Green, Pa.	Pelly
Anderson, Calif.	Gross	Pettis
Anderson, Ill.	Gubser	Pike
Andrews, N. Dak.	Gude	Pollock
Arends	Hamilton	Quie
Ashbrook	Hanna	Railsback
Ashley	Hansen, Idaho	Rees
Bennett	Hansen, Wash.	Reid, Ill.
Biester	Harrington	Reid, N.Y.
Bingham	Harvey	Reuss
Blatnik	Hastings	Rhodes
Bolling	Helstoski	Riegle
Brademas	Hicks	Robison
Broomfield	Hogan	Rodino
Brotzman	Holifield	Rogers, Fla.
Brown, Calif.	Jacobs	Rosenthal
Brown, Mich.	Johnson, Calif.	Roth
Burke, Fla.	Karth	Rousselot
Burton, Calif.	Kastenmeier	Roybal
Casey	Kleppe	Ruppe
Cederberg	Koch	Satterfield
Celler	Kyl	Scherle
Chisholm	Landgrebe	Scheuer
Clausen, Don H.	Long, Md.	Schmitz
Clay	Lowenstein	Schwengel
Collier	Lujan	Sebelius
Conable	McCarthy	Shriver
Conte	McClory	Sisk
Conyers	McCloskey	Smith, Calif.
Coughlin	McCulloch	Smith, Iowa
Cramer	McDonald, Mich.	Stafford
Crane	McFall	Stanton
Culver	MacGregor	Steiger, Ariz.
Dellenback	Madden	Stokes
Denney	Mailliard	Taft
Dent	Mathias	Talcott
Derwinski	Matsunaga	Teague, Calif.
Devine	May	Thompson, N.J.
Diggs	Meeds	Tunney
Eckhardt	Michel	Udall
Edwards, Calif.	Mikva	Ullman
Erlenborn	Miller, Calif.	Van Deerlin
Esch	Miller, Ohio	Vander Jagt
Evans, Colo.	Minish	Vanik
Fascell	Mink	Vigorito
Findley	Mize	Waldie
Fish	Monagan	Weicker
Foley	Moorhead	Whalen
Forsythe	Morgan	White
Fraser	Morse	Widnall
Frelinghuysen	Morton	Wiggins
Frey	Mosher	Wilson, Bob
Fuqua	Moss	Wilson, Charles H.
Giaimo	Nedzi	Wold
Gibbons	Nelsen	Wright
Green, Oreg.	Obey	Wylie
	O'Hara	Yates
	Patman	Zwach

NAYS—207

Abbitt	Burke, Mass.	Dwyer
Adair	Burleson, Tex.	Edmondson
Addabbo	Burlison, Mo.	Edwards, Ala.
Albert	Burton, Utah	Edwards, La.
Alexander	Bush	Eilberg
Anderson, Tenn.	Byrne, Pa.	Eshleman
Andrews, Ala.	Byrnes, Wis.	Evins, Tenn.
Annunzio	Cabell	Feighan
Ayres	Caffery	Fisher
Baring	Carter	Flood
Barrett	Chamberlain	Flowers
Beall, Md.	Chappell	Flynt
Belcher	Clancy	Ford, Gerald R.
Betts	Clark	Fountain
Bevill	Cleveland	Friedel
Biaggi	Collins, Ill.	Fulton, Pa.
Blackburn	Colmer	Fulton, Tenn.
Blanton	Cunningham	Galifianakis
Boggs	Daniel, Va.	Garmatz
Boland	Daniels, N.J.	Gaydos
Bow	Davis, Ga.	Gettys
Brasco	Davis, Wis.	Gilbert
Bray	Delaney	Gonzalez
Brinkley	Dennis	Gray
Brock	Dickinson	Griffin
Broyhill, N.C.	Donohue	Hagan
Broyhill, Va.	Dorn	Haley
Buchanan	Downing	Hall
	Duncan	Halpern
Hammer-schmidt	Mahon	Ruth
Hanley	Mann	Ryan
Harsha	Marsh	St Germain
Hathaway	Martin	Sandman
Hawkins	Melcher	Schadeberg
Hays	Mills	Schneebeli
Hébert	Minshall	Scott
Hechler, W. Va.	Mizell	Shipley
Heckler, Mass.	Montgomery	Sikes
Henderson	Murphy, Ill.	Slack
Horton	Murphy, N.Y.	Smith, N.Y.
Howard	Natcher	Snyder
Hull	Nichols	Staggers
Hungate	Nix	Steed
Hunt	O'Neal, Ga.	Steele
Hutchinson	O'Neill, Mass.	Steiger, Wis.
Ichord	Passman	Stephens
Jarman	Patten	Stratton
Johnson, Pa.	Pepper	Stubblefield
Jonas	Perkins	Stuckey
Jones, Ala.	Philbin	Sullivan
Jones, N.C.	Pickle	Symington
Jones, Tenn.	Pirnie	Taylor
Kazen	Podell	Thompson, Ga.
Kee	Poff	Thomson, Wis.
Keith	Preyer, N.C.	Tiernan
King	Price, Ill.	Waggonner
Kuykendall	Pryor, Ark.	Wampler
Kyros	Pucinski	Watson
Landrum	Quillen	Watts
Latta	Randall	Whalley
Leggett	Rarick	Whitehurst
Lennon	Reifel	Whitten
Lloyd	Rivers	Winn
Long, La.	Roberts	Wolff
Lukens	Roe	Wyman
McDade	Rogers, Colo.	Yatron
McEwen	Rooney, N.Y.	Young
McKneally	Rooney, Pa.	Zablocki
McMillan	Rostenkowski	Zion
	Roudebush	

"PRESENT"—3

Collins, Tex.	Corman	Goldwater

NOT VOTING—52

Abernethy	Dulski	Mollohan
Aspinall	Fallon	Myers
Bell, Calif.	Farbstein	O'Konski
Berry	Ford, William D.	Olsen
Brooks	Foreman	Ottinger
Brown, Ohio	Gallagher	Poage
Button	Goodling	Powell
Camp	Griffiths	Price, Tex.
Carey	Grover	Purcell
Carney	Hosmer	Saylor
Clawson, Del	Kluczynski	Skubitz
Cohelan	Langen	Springer
Corbett	McClure	Teague, Tex.
Cowger	Macdonald, Mass.	Ware
Daddario	Mayne	Williams
de la Garza	Meskill	Wyatt
Dingell		Wydler
Dowdy		

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Corman for, with Mrs. Griffiths against.

Mr. Teague of Texas for, with Mr. Casey against.

Mr. Dingell for, with Mr. Abernethy against.

Mr. Cohelan for, with Mr. Dowdy against.

Mr. Gallagher for, with Mr. Fallon against.

Mr. Daddario for, with Mr. Brooks against.

Mr. William D. Ford for, with Mr. Mollohan against.

Mr. Powell for, with Mr. Kluczynski against.

Mr. Wyatt for, with Mr. Price of Texas against.

Mr. Hosmer for, with Mr. Ware against.

Mr. Bell of California for, with Mr. Saylor against.

Mr. Camp for, with Mr. Williams against.

Until further notice:

Mr. Aspinall with Mr. Brown of Ohio.

Mr. Dulski with Mr. Groover.

Mr. Macdonald of Massachusetts with Mr. Button.

Mr. Olsen with Mr. Berry.

Mr. Ottinger with Mr. Del Clawson.

Mr. Purcell with Mr. Cowger.

Mr. Feighan with Mr. Corbett.

Mr. Carney with Mr. Wydler.

Mr. Langen with Mr. McClure.
Mr. Meskill with Mr. Mayne.
Mr. Myers with Mr. O'Konski.
Mr. Skubitz with Mr. Springer.

Mr. CORMAN. Mr. Speaker, I have a live pair with the gentlewoman from Michigan (Mrs. GRIFFITHS). If she had been present, she would have voted "nay." I voted "yea." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

The doors were opened.

The SPEAKER. The question is on the passage of the bill.

Mr. MILLS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 215, nays 165, answered "present" 3, not voting 51, as follows:

[Roll No. 362]

YEAS—215

Abbitt	Friedel	Natcher
Adair	Fulton, Pa.	Nichols
Addabbo	Fulton, Tenn.	Nix
Albert	Fuqua	Obey
Alexander	Galifianakis	Olsen
Anderson, Tenn.	Garmatz	O'Neal, Ga.
	Gaydos	O'Neill, Mass.
Andrews, Ala.	Gettys	Passman
Annunzio	Gilbert	Pepper
Ashbrook	Gonzalez	Perkins
Ayres	Gray	Philbin
Baring	Griffin	Pirnie
Barrett	Hagan	Podell
Beall, Md.	Haley	Poff
Belcher	Hall	Preyer, N.C.
Betts	Halpern	Price, Ill.
Bevill	Hammer-schmidt	Pryor, Ark.
Biaggi		Pucinski
Blackburn	Hanley	Quillen
Blanton	Harrington	Randall
Boggs	Harsha	Rarick
Boland	Hathaway	Reifel
Bow	Hawkins	Rivers
Brasco	Hays	Roberts
Bray	Hébert	Roe
Brinkley	Hechler, W. Va.	Rogers, Colo.
Brock	Heckler, Mass.	Rooney, N.Y.
Broyhill, N.C.	Henderson	Rooney, Pa.
Broyhill, Va.	Horton	Rostenkowski
Buchanan	Howard	Roth
Burke, Mass.	Hull	Roudebush
Burleson, Tex.	Hungate	Ruth
Burlison, Mo.	Hunt	Ryan
Burton, Utah	Hutchinson	St Germain
Bush	Ichord	Sandman
Byrne, Pa.	Jarman	Schadeberg
Byrnes, Wis.	Johnson, Pa.	Schneebeli
Cabell	Jonas	Scott
Caffery	Jones, Ala.	Shipley
Carter	Jones, N.C.	Sikes
Chamberlain	Jones, Tenn.	Slack
Chappell	Kastenmeier	Smith, N.Y.
Clancy	Kazen	Snyder
Clark	Kee	Staggers
Cleveland	Keith	Steed
Collins, Ill.	King	Steele
Colmer	Kuykendall	Steiger, Wis.
Cramer	Kyros	Stephens
Cunningham	Landrum	Stratton
Daniel, Va.	Latta	Stubblefield
Daniels, N.J.	Leggett	Stuckey
Davis, Ga.	Lennon	Sullivan
Davis, Wis.	Lloyd	Symington
Delaney	Long, La.	Taylor
Dickinson	Lukens	Thompson, Ga.
Donohue	McDade	Thomson, Wis.
Dorn	McEwen	Tiernan
Downing	McKneally	Waggonner
Duncan	McMillan	Wampler
Dwyer	Mahon	Watson
Edmondson	Mann	Watts
Edwards, Ala.	Marsh	Whalley
Edwards, La.	Martin	Whitehurst
Eilberg	Melcher	Whitten
Eshleman	Mills	Winn
Evins, Tenn.	Minshall	Wold
Feighan	Mizell	Wyman
Fisher	Monagan	Yatron
Flood	Montgomery	Young
Flowers	Morgan	Zablocki
Flynt	Morse	Zion
Ford, Gerald R.	Murphy, Ill.	
Fountain	Murphy, N.Y.	

NAYS—165

Adams	Gibbons	Pettis
Anderson, Calif.	Green, Oreg.	Pickle
	Green, Pa.	Pike
Anderson, Ill.	Gross	Pollock
Andrews, N. Dak.	Gubser	Quie
	Gude	Railsback
Arends	Hamilton	Rees
Ashley	Hanna	Reid, Ill.
Bennett	Hansen, Idaho	Reid, N.Y.
Biester	Hansen, Wash.	Reuss
Bingham	Harvey	Rhodes
Blatnik	Hastings	Riegle
Bolling	Helstoski	Robison
Brademas	Hicks	Rodino
Broomfield	Hogan	Rogers, Fla.
Brotzman	Holifield	Rosenthal
Brown, Calif.	Jacobs	Rousselot
Brown, Mich.	Johnson, Calif.	Roybal
Burke, Fla.	Karth	Ruppe
Burton, Calif.	Kleppe	Satterfield
Casey	Koch	Scherle
Cederberg	Kyl	Scheuer
Celler	Landgrebe	Schmitz
Chisholm	Long, Md.	Schwengel
Clausen, Don H.	Lowenstein	Sebelius
	Lujan	Shriver
Clay	McCarthy	Sisk
Collier	McClory	Smith, Calif.
Conable	McCloskey	Smith, Iowa
Conte	McCulloch	Stafford
Conyers	McDonald, Mich.	Stanton
Coughlin		Steiger, Ariz.
Crane	McFall	Stokes
Culver	MacGregor	Taft
Daddario	Madden	Talcott
Dellenback	Mailliard	Teague, Calif.
Denney	Mathias	Thompson, N.J.
Dent	Matsunaga	Tunney
Derwinski	May	Udall
Devine	Meeds	Ullman
Diggs	Michel	Van Deerlin
Eckhardt	Mikva	Vander Jagt
Edwards, Calif.	Miller, Calif.	Vanik
Erlenborn	Miller, Ohio	Vigorito
Esch	Minish	Waldie
Evans, Colo.	Mink	Whalen
Fascell	Mize	White
Findley	Moorhead	Widnall
Fish	Morton	Wiggins
Foley	Mosher	Wilson, Bob
Ford, William D.	Moss	Wilson, Charles H.
	Nedzi	
Forsythe	Nelsen	Wolff
Fraser	O'Hara	Wright
Frelinghuysen	Patman	Wylie
Frey	Patten	Yates
Giaimo	Pelly	Zwach

"PRESENT"—3

Collins, Tex.	Corman	Goldwater

NOT VOTING—51

Abernethy	Dowdy	Mollohan
Aspinall	Dulski	Myers
Bell, Calif.	Fallon	O'Konski
Berry	Farbstein	Ottinger
Brooks	Foreman	Poage
Brown, Ohio	Gallagher	Powell
Button	Goodling	Price, Tex.
Camp	Griffiths	Purcell
Carey	Grover	Saylor
Carney	Hosmer	Skubitz
Clawson, Del	Kluczynski	Springer
Cohelan	Langen	Teague, Tex.
Corbett	McClure	Ware
Cowger	Macdonald, Mass.	Weicker
de la Garza		Williams
Dennis	Mayne	Wyatt
Dingell	Meskill	Wydler

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mrs. Griffiths for, with Mr. Corman against.
Mr. Carey for, with Mr. Teague of Texas against.
Mr. Abernethy for, with Mr. Dingell against.
Mr. Dowdy for, with Mr. Cohelan against.
Mr. Fallon for, with Mr. Gallagher against.
Mr. Brooks for, with Mr. Dulski against.
Mr. Mollohan for, with Mr. Powell against.
Mr. Kluczynski for, with Mr. Ottinger against.
Mr. Price of Texas for, with Mr. Del Clawson against.
Mr. Saylor for, with Mr. Camp against.
Mr. Ware for, with Mr. Wyatt against.
Mr. Williams for, with Mr. Hosmer against.
Mr. Dennis for, with Mr. Bell of California against.

Until further notice:

Mr. Aspinall with Mr. Goodling.
Mr. Macdonald of Massachusetts with Mr. Corbett.
Mr. de la Garza with Mr. Springer.
Mr. Purcell with Mr. Grover.
Mr. Carney with Mr. Wydler.
Mr. Brown of Ohio with Mr. O'Konski.
Mr. Langen with Mr. Meskill.
Mr. Skubitz with Mr. Foreman.
Mr. Cowger with Mr. Weicker.
Mr. Mayne with Mr. Button.
Mr. Myers with Mr. McClure.

Mr. CORMAN. Mr. Speaker, I have a live pair with the gentlewoman from Michigan (Mrs. GRIFFITHS). If she had been present, she would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate, by Mr. Arrington, one of its clerks, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 18546) entitled "An act to establish improved programs for the benefit of producers and consumers of dairy products, wool, wheat, feed grains, cotton, and other commodities, to extend the Agricultural Trade Development and Assistance Act of 1954, as amended, and for other purposes."

The message also announced that the Senate disagrees to the amendments of the House to the bill (S. 2108) entitled "An act to promote public health and welfare by expanding, improving, and better coordinating the family planning services and population research activities of the Federal Government, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. YARBOROUGH, Mr. WILLIAMS of New Jersey, Mr. KENNEDY, Mr. NELSON, Mr. EAGLETON, Mr. CRANSTON, Mr. HUGHES, Mr. DOMINICK, Mr. JAVITS, Mr. MURPHY, Mr. PROUTY, and Mr. SAXBE to be the conferees on the part of the Senate.

APPOINTMENT OF CONFEREES ON H.R. 17923, DEPARTMENT OF AGRICULTURE AND RELATED AGENCIES APPROPRIATIONS, 1971

Mr. WHITTEN. Mr. Speaker, I ask unanimous consent to take from the

Speaker's table the bill (H.R. 17923) making appropriations for the Department of Agriculture and related agencies for the fiscal year ending June 30, 1971, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi? The Chair hears none, and appoints the following conferees: Messrs. WHITTEN, NATCHER, HULL, SHIPLEY, EVANS, of Colorado, MAHON, LANGEN, MICHEL, ANDREWS of North Dakota, and BOW.

APPOINTMENT OF CONFEREES ON H.R. 10634, AMENDING THE INTERSTATE COMMERCE ACT AND THE FEDERAL AVIATION ACT OF 1958

Mr. MOSS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 10634), to amend the Interstate Commerce Act and the Federal Aviation Act of 1958 in order to exempt certain wages and salaries of employees from withholding for income tax purposes under the laws of States or subdivisions thereof other than the State or subdivision of the employee's residence, with Senate amendments thereto, disagree to the Senate amendments, and request a conference with the Senate thereon.

The SPEAKER. Is there objection to the request of the gentleman from California? The Chair hears none, and appoints the following conferees: Messrs. STAGGERS, FRIEDEL, DINGELL, DEVINE, and KUYKENDALL.

LEGISLATIVE PROGRAM

(Mr. GERALD R. FORD asked and was given permission to address the House for 1 minute.)

Mr. GERALD R. FORD. Mr. Speaker, I take this time for the purpose of asking the distinguished majority leader the program for the rest of the week, if any, and the program for next week.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I yield to the gentleman for Oklahoma.

Mr. ALBERT. Mr. Speaker, in response to the inquiry of the distinguished minority leader, the program for the week has been completed, and we will ask to go over until Monday upon announcement of the program for next week.

The program for next week, for Monday, Tuesday, and Wednesday, listed under the heading of "Monday and Balance of Week," is as follows:

Monday is District day, and there are no District bills.

On Monday we will have H.R. 16785, Occupational Safety and Health Act, under an open rule with 3 hours of debate. We do not expect a vote on that bill until Tuesday.

We will then have H.R. 19830, independent offices and Department of Housing and Urban Development appropriation bill, fiscal year 1971; and H.R. 19504, Federal-Aid Highway Act of 1970, which is subject to a rule being granted.

Of course, Mr. Speaker, Thursday is Thanksgiving. There will be no business following the close of business on Wednesday until the following Monday. We may have a pro forma meeting on Friday.

ADJOURNMENT TO MONDAY, NOVEMBER 23, 1970

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday next.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

DISPENSING WITH BUSINESS IN ORDER UNDER THE CALENDAR WEDNESDAY RULE ON WEDNESDAY NEXT

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule be dispensed with on Wednesday next.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

PERSONAL EXPLANATION

Mr. GOLDWATER. Mr. Speaker, because of an interest in a firm which deals in imported goods I voted "present" on the Trade Act of 1970, just passed by the House.

DOMESTIC PASSENGER AIR FARES

(Mr. MOSS asked and was given permission to address the House for 1 minute, to revise and extend his remarks and to include extraneous material.)

Mr. MOSS. Mr. Speaker, over the past few years I have endeavored to share with my colleagues views expressed by Mr. Richard W. Klabzuba concerning the fare structure of our domestic airlines. I am pleased to call attention to Mr. Klabzuba's most recent article which appeared in the April 1970 issue of Air Transport World.

The text follows:

AIRLINES NEED SIMPLER FARE SCHEDULES

(By Richard W. Klabzuba)

The airlines need a new, more efficient, less expensive way to publish their tariffs in order to simplify fares and improve service and earnings.

A good price schedule is always geared to the marketing needs and economic characteristics of the industry, not the method used for publishing its rates. It should promote sales and be convenient to use.

It is not too difficult to fashion a simple rate schedule for a few markets. The trick is to develop a way to publish air fares for thousands of city-pairs having widely varying traffic demands, price elasticities, and costs of service without creating any undue preference or prejudice.

The present fare-quotation system is an outgrowth of 19th Century railroad pricing. It is no longer satisfactory. For one thing, it necessitates the publication of a tremendous number of fares—most of which now bear little if any relationship to established traffic flows, dilution of revenues or other sales characteristics of the particular city-pair market.

Furthermore, literally hundreds of these fares have no application or produce little if any traffic. The publishing costs incurred in revising these fares is completely disproportionate to the revenues they generate.

Finally, the present tariffs and tariff rules frequently necessitate time-consuming construction of some fares at the ticket counter. This is both costly to the airlines and inconvenient for the passengers.

Basically, the prevailing layout is designed to enable the airlines to treat fares in each market as if they were something akin to a specific commodity rate on cargo. In practice, of course, working out such a fare schedule for each city-pair on the basis of its commercial value and cost performance would be highly complex and probably impossible.

For this reason, among others, airlines and their regulators have favored a much simpler approach: computing fares by formula. Advocates of this rate-making concept claim it has the advantage of greater system wide uniformity. It also avoids such difficulties as long- and short-haul inconsistencies and the need to justify the charging of different fares between different city-pairs of similar distance.

Here, however, comes the rub. Under the present method of publishing tariffs the absence of a single factor through fare in each and every market penalizes the public, for where there is no such fare quoted (on-line or off-line) the passenger is subject to an abnormal increase depending on the number of fares involved in his routing. Each local fare reflects a compounding or duplication of the higher short-haul rates.

Since it is not economically feasible to publish a separate fare for every conceivable city-pair, the present tariff format is inherently discriminatory. It unduly prefers those markets where a fare is published, while unjustly prejudicing those markets where no such fare is published.

In addition, the present system requires numerous exploratory calculations to determine the correct charge when no single-sum fare is published. Ticketing personnel unrealistically are expected to make many searches of the tariffs in a limited time. Such pressures tend to cause confusion and uncertainty, as well as questionable accuracy in obtaining the applicable fare.

The fact alone that the present system involves the publication of a tremendous number of fares indicates that this method is a technological bottleneck to the further expansion of low cost airline service . . . that a new, much simpler, less expensive way to publish fares must be adopted.

So far, two techniques have been advanced. One is the area or group method indirectly urged by Dr. Ronald E. Miller in his book *Domestic Airline Efficiency*. The other is the zone system suggested by Congressman Tom Steed in a letter to a former CAB chairman.

Under the latter plan, airlines first would establish a series of zones or ring-shaped areas around the point at which traffic originates, and then fix a scale of fares within each zone for its different classes of service based upon established block-times and diluted yield from discount fares.

The zones can be either equidistant or increase in size with distance similar to telephone rates. The latter seems more preferable since there tends to be a sharp increase in discount traffic and variety of routings with distance. Moreover, dollar increments become proportionately less important as fares increase and thus have less effect on movement of traffic.

COST BURDEN SHIFT

Certain high intensity markets have costs and value of service significantly greater than average. Charging passengers in these

markets the same fare as those in other city-pairs of similar distance is unduly preferential because it tends to shift a greater burden of costs to those less able to bear it.

Accordingly, in those half-a-dozen or so commercially viable markets where there is a substantially higher cost and value of service, separate fare schedules should be published at appropriately higher levels. To limit the number of these "exception" schedules, there should be a significant difference in flight-time required, say 10 to 15 minutes.

These exception schedules are the key to the success of the zone approach for they permit the use of uniform zones with all the deviations in rates from the general schedule set out in one or more exception schedules.

To illustrate, the general schedule might be good for travel between all points except those trips originating or terminating in Chicago, Los Angeles, New York, etc. An exception fare schedule would be good for travel beginning or ending at these points. The simplicity of such a price schedule could compress the fares of most airlines to a single page. Simultaneously, it would reduce the possibility of any discrimination by automatically insuring equal treatment to all similar markets of similar distance.

In addition to the two foregoing tariffs, an airline may find it economically justifiable to publish additional schedules for specific markets involving two exception points such as New York-Washington. These tariffs most likely would have a format similar to that used today except that most of the fares for that particular market would appear on the same page.

Thus all fares would be published in one single price schedule with the sole exception of those very lucrative, high density, commercially viable markets where there is enough difference in cost and value of service to warrant the added expense of publishing and using separate tariffs.

The zone system has a number of distinct advantages over the present method. First, its revision and distribution costs are much lower. Second, since it is similar to other rate schedules used for U-haul trailers, telephones, parcel post and air-truck tariffs, it is easier for the public to understand. As a by-product of this, training of new employes becomes less expensive and time-consuming.

The zone system also offers airlines much more pricing flexibility. Today carriers are limited to changing either their fare level or fare structure. With a zone system there is a third alternative, changing the zone—an alternative that might have more sex appeal upon certain occasions.

Turning to interline fares, the CAB staff recommended in *A Study of the Domestic Passenger Air Fare Structure,* that single factor joint fares should be published in all markets in which connecting service is offered.

BENEFITS TO PUBLIC

Subsequently the Board found that because a significant number of passengers are, today, traveling in markets where one carrier service is not available and present fare construction rules are time-consuming it would seem apparent that more widespread publication of joint fares should be undertaken for the benefit of the public and to achieve the desirable goal of tariff simplification.

The simplicity of the zone system makes it economically feasible to establish single-sum joint fares in all domestic markets that are not served by a single carrier, regardless of traffic volume. Such a tariff would be of particular benefit to the large and growing number of passengers who originate or terminate their travels at smaller cities and towns where direct service is no longer available because of CAB route transfers.

At the same time the same tariffs are beneficial to the airlines since they facilitate the funneling of these long-haul passengers through major metropolitan centers. This is the kind of service pattern the CAB's staff believes will be necessary "to reap the optimum economic benefits inherent in the new large jet."

Joint fares most likely would be the same as on-line fares, although they probably would be different than some if one or more carriers charged different local fares as Eastern did at one time.

With regard to division or rates, this can be made on the basis of the joint fare tariff, local fares, or a special pro-rate schedule. In any case, zoning would greatly simplify distribution of revenues by drastically decreasing the number of possible pro-rate combinations to a couple of hundred. This alone will substantially reduce accounting costs.

PENALIZING AIRLINES

Finally, the present fare construction rules and requirement that fares be quoted in connection with a specific routing have resulted in an unduly complicated and almost unintelligible tariff system which penalizes the airlines in three ways. First the highly restrictive routing policy effectively stops traffic from outlying areas being fed into long-haul carriers. This in turn necessitates an enormous amount of time and expense in computing fares and then auditing them at the central office.

Lastly, the revision costs incurred in publishing a specific routing for each fare may not be proportionate to revenue. The principal criticism of open routing has been that elimination of such restrictions would deprive airlines of control over their yield and lead to excessive dilution of revenues. No thought has apparently been given to the possibility that the out-of-pocket cost of publishing such routings may be greater than revenue. If true, routings are producing a *cash loss* rather than a bookkeeping gain.

Generally speaking, passengers want to fly from point A to point B with the least possible expenditure of time and money, and they are willing to pay a respective price for that service (distance). They are not interested in the technicalities such as the routing which such a journey may involve.

The zone system offers a much better compromise between static mileage and dynamic hourly earnings needs of the airlines than the present structure. Not only does it save the airlines time and money by speeding up the handling of passengers at the ticket counter, but more important, it enable the carriers to increase their yield and provide the public better service on a more equitable basis.

The system produces the same fare level, only in a different form.

Tariff simplific tion has been bandied about for a long time without any substantial progress whatsover. The zone system, however, proffers an opportunity of achieving that elusive goal by providing a much simplier, more efficient, less expensive way to publish airline fares.

ROMNEY'S SNAKE PIT

(Mr. BLACKBURN asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous material.)

Mr. BLACKBURN. Mr. Speaker, I rise to address the House today on a matter which has caused me considerable shock and some anger, if not confusion. What I am referring to is an article which has just been brought to my attention appearing in the Washington Observer dated November 15 of this year. This article sets out that the Department of Housing and Urban Development started a program in Atlanta, Ga., back in 1966 called "Operation Cornerstone." The purpose of this program is to take employees of the Department of HUD to Atlanta and permit them to learn what it would be like to live in the ghetto.

From reports which have been published in the Washington Observer, it appears that the people who attend the meetings are subjected to nothing but the most vile language, pure anti-American preachings, revolution, and pro-communist teachings.

Mr. Speaker, it leaves me with some shock to know that an agency of of the Federal Government is sponsoring today and has been sponsoring for some 4 years such activities at the taxpayers' expense.

Today I am requesting that the Secretary of the Department of Housing and Urban Development make a report on the activities of Operation Cornerstone and make some explanation to the people of this country as to under what authority he is carrying out this activity.

I am inserting the article entitled, "Romney's Snake Pit" which appeared in the November 15, 1970, issue of the Washington Observer:

ROMNEY'S SNAKE PIT

"Operation Cornerstone" is a snake pit in Atlanta, Ga., financed with Federal funds. The "Cornerstone" project is no mere wasteful boondoggling way of squandering taxpayers' money. It is somewhat analagous to the ridiculous and pernicious "sensitivity" seminars and workshops that have finally been discredited by private industry—but not by the Federal Government.

Challenge, house organ of the Department of Housing and Urban Development (HUD), described "Cornerstone" thus: "Hundreds of volunteers have come to Project Cornerstone in Atlanta since it was founded in 1966, for two-week seminars. Hopefully, they will learn what it's like to be a poor black American struggling to stay alive in a ghetto. Everyday, 97 Love Street is crowded with 10 to 12 volunteers and three or four Cornerstone staff. Neighborhood children and adults seem to be drawn to the house and the friendly inhabitants. It takes a few days for a middle-class White newcomer to adjust to the cultural shock and lack of conveniences. Privacy, which most of us enjoy and take for granted in our own homes, doesn't exist in a house with one bathroom, two overcrowded bedrooms, a kitchen, a living room and front porch. But once settled, your attention is drawn away from yourself as you participate in the group activities.

"A typical day at Project Cornerstone starts with a "do it yourself" breakfast. Afterward the group, dressed in casual attire, trudges up Love Street for a visit that may take it to the Mayor's office, or a neighborhood bar. Brief trips to the emergency ward at Grady Memorial Hospital, the Model Cities Agency, the Southside Comprehensive Health Center and Juvenile Court permitted our group to observe first-hand how various Governmental programs and services were being dispensed. . . . Evenings, the project house comes alive as various speakers from organizations like the Southern Christian Leadership Conference (SCLC), Student Non-Violent Coordinating Committee (SNCC), Tenants Union For Fairness (TUFF), or a representative from the Mayor's office speak and exchange views on what frequently turns out to be a rough and tumble verbal confrontation. Conversations get intense as the guts of emotional issues such as racism are cut open and spill out for all to examine."

This is the come-on pictured in the pro-

motional literature put out to entice gullible recruits to volunteer for a two-week free seminar in Atlanta. Some Government employees figure this is a good way to escape dull Government work routine and enjoy an interesting vacation in the Southland at Government expense. Moreover, officials assure them that taking the seminar will enhance their chances for promotions.

The recruiting bulletin says: "The hope is that participants come back a little more understanding and a lot more knowledgable of the real problems at the roots of society. It is not designed to convert you into a raving liberal. The hope is that you are better prepared to help those people who you now know really exist, but who before Project Cornerstone were merely imaginary, or at best statistics. And perhaps, if you are lucky, you will return to HUD, as many Cornerstone participants did, more resolved to be critical and outspoken."

Well, some of the Cornerstone graduates did come back to their Federal agencies "more outspoken."

WO is now going to quote verbatim from confidential reports secreted in the Office of Policy Analysis and Program Evaluation, HUD.

In a comprehensive report addressed to Richard C. Van Dusen, Under Secretary of Housing and Urban Development, signed by five junior supervisors of HUD (WO withholds names of signers) it is stated: "The purpose of this memorandum is to call to your attention several reservations which we, as Cornerstone participants, believe severely detract from what might otherwise be a useful training experience for Departmental staff. The first and most important criticism is the extreme bias build into the Cornerstone program. The Cornerstone staff, representing one viewpoint, places every neighborhood problem into a preconceived radical ideological framework. We do not think it is an exaggeration to say that the Cornerstone program is designed to force the participant into a radical or "New Leftist" ideological mold. We submit that it is extremely difficult for participants to arrive at objective conclusions in such an unobjective atmosphere. We should like to make clear that our criticism is not of the staff members personal opinions, that is their own business. Rather, we object to the extension of these opinions into every facet of the program without giving due, indeed, any consideration to opposing points of view.

"Our second criticism is directed at the cost of the service (previously $150, now $300 per person) as compared with the staff time and energies devoted to putting together a quality program for participants. The Cornerstone staff now consists of six or seven people. However, it appeared to us that the time of only two people was devoted to the program while the remainder of this staff was either not working or engaged in 'community' activities." The report continued with a long detailed list of mismanagement instances.

Did HUD Under Secretary Van Dusen ask these five responsible supervisors for further information or conduct his own independent investigation of Cornerstone? He did not. He completely ignored this tactfully-worded critical report, which was dated Oct. 15 1969.

On Nov. 19, 1969, Under Secretary Van Dusen received a more sharply critical report, via official channels, from the Assistant Director of a major training division of the Department. He stated: "It is incumbent upon me, a Federal official and a tax payer to appraise you of the justification of Project Cornerstone. It is my understanding that participation in this project would be highlighted by the following: 1. An exposure to the Black Community. 2. Improvement in the Black Community. 3. Contribute your experiences in whatever capacity within the project. 4. Solidify my thinking of how poverty really is. And a free inter-change of diverse opinions and viewpoints among staff and participants. All of these and more were not fully realized because of the biased views, new Leftist ideology and inactive and incompetent staff. I felt that the director, Kelly Kidd, used his three assistants to propagandize and instill his philosophy, the revolution movement, throughout the session, thus hampering our chance to respond.

"During our stay, we were burglarized and our clothes, money and other personal belongings were taken. The director, Kelly Kidd, after the first break-in just warned the hustlers. This happened five other times. One night a HUD female employe was awakened at 2:30 in the morning with a man hovering over her and asking her for money after he had taken some of her belongings already. The quarters were dirty. Present were mice, cockroaches, fleas and dirt.

"Being an activist and revolutionary leader, the director, Kelly Kidd, promulgated the termination of Federal programs, a new administration, a NEW America and spoke of how to evade the draft. I have evidence of this material distributed to the participants for your perusal. I personally feel that we do not have to be subjected to this kind of propaganda without giving due consideration to our point of view. I thought I was a liberal but after this exposure, I look like the last conservative person in HUD. . . . As a former school principal and educator, I look at everything as a behaviorist and seek results. I believe that the project presents only one point of view, is not well managed, and is non-constructively involved in community organization activities. Its continuance in this manner should be subject to serious question. In Atlanta, I saw and heard the implications that were taking place. I'm sure you know what the results will be if this project continues with this type of leadership. I appreciate the opportunity to make these views known to you and I have much more information to share at your convenience." However, HUD Under Secretary Van Dusen was not interested in "sharing" any more information about Cornerstone with this responsible, $27,000 a year subordinate official of his Department. The above quoted report was completely ignored by the Nixon-appointed officials at the Cabinet level instead of investigating Cornerstone and cutting out this nonsense. In 1969 HUD sent 50 supervisory personnel to the Atlanta snake pit. On March 4, 1970 HUD issued a staff bulletin announcing: "Since the experience proved so valuable HUD has increased its participation to 75 employees for calendar year 1970 and is seeking volunteers (senior professions GS–12 through 18, salaries from $13,000 to $33,000 per year) to participate in this program. In 1970 HUD sent not only junior supervisors but high officials at the policy-making level of the Department. Also, the Departments of Commerce, Labor, Agriculture, HEW and OEO beefed up their quotas to this Communistic brain-washing seminar.

On May 13, 1970, a Special Assistant to an Assistant Secretary of HUD, reported to HUD Secretary George Romney: "Having just returned from one of HUD's training programs, Cornerstone, in Atlanta, my sense of loyalty to my country, to my President, and more particularly to you, Mr. Secretary, compels me to report to you (1) the deplorable physical conditions under which the participants live, (2) the outrageous Communistic philosophy expressed in an obscene manner by the Cornerstone staff and its speakers, (3) the atrocious lack of a well-planned, constructive program, (4) the lack of an acceptable level of administration of the shamefully constructed program, and (5) the expenditure of Government funds which permits an anti-democratic philosophy to flourish.

"Soon after receipt of the attached HUD Staff Bulletin 70–28, dated March 4, 1970, I volunteered as a participant for the session commencing April 19th. Having a Master's Degree in Social Service and having worked with poverty-stricken black and white families, together with my experience in housing programs designed to meet the needs of low-income families, I believed this training program would be a productive experience—one in which I could contribute as well as learn."

This official went into the Cornerstone program open-minded and with a liberal viewpoint—which is a prerequisite to qualify for a policy-level job in Mr. Nixon's social uplift programs. Further along in the lengthly report to HUD secretary George Romney, he says: "Any one of the five reasons cited in the second paragraph of this memorandum is sufficient for HUD to cease its payments to Cornerstone. Each of the five reasons could be the subject of a treatise; but I will cite only a few specific incidents I observed: Kelly Kidd, co-director of Cornerstone, presented a two-hour lecture on the development of this country to the present time, which he describes as being in the third stage—the fourth stage being the revolution 'when the Blacks and the Whites will be treated equally and the people are rightfully given that which is theirs rather than in the hands of the Henry Ford's, etc.' He stated that there are really only three things in life: fornicating, defecating, and urinating, and we only need to contribute that which is necessary to make these functions possible. This theme was repeated time and again during his lengthy lecture. He hates two things in life, (1) hard work, and (2) doing anything unpleasant which he is told he has to do. Throughout my stay at Cornerstone, statements concerning 'those ——, ——, ——, Nixon and Romney' were uttered more frequently than I care to remember by most of the members of the Cornerstone staff, speakers and 'guests' of the staff which addressed the eight participants (four male Government employees, one male student from Oregon, and three female Government employees.) One member of the staff admitted he was a Communist and was ready to go to Washington and 'burn the God-damn place down.'

Washington Observer will present more shocking examples of what has been going on in Operation Cornerstone in a subsequent issue.

ULTIMATE RESPONSIBILITY FOR TOMORROW'S WEAPONS SYSTEMS—THE DEFENSE APPROPRIATIONS SUBCOMMITTEE

(Mr. WYMAN asked and was given permission to address the House for 1 minute, to revise and extend his remarks and to include extraneous matter.)

Mr. WYMAN. Mr. Speaker, decisions made today determine weapons available to our armed services as long as 5 years down the road. Often substantial changes in ongoing systems become necessary from newly detected enemy capabilities whether defensive or offensive.

These decisions on what weapons to buy are enormously wasteful if they are wrong. Even when they are right, the cost of research, development, test, evaluation, and ultimate production of even a single weapon can involve billions of dollars. Nowhere is there a greater need for careful forehandedness, prudent restraint, and thoughtful assessment of future need than in the process of funding selected weapons for tomorrow's protection of this Nation.

This responsibility in the final analysis lies with the House Appropriations Defense Subcommittee. First comes the requirement for authorization from the

Armed Services Committee, but ultimately the nuts and bolts of any long-range program is in its funding, and on this the 11 members of the Defense Appropriations Subcommittee are the final word.

Assisted by a highly competent, yet numerically limited staff, the members of this subcommittee are vigilant to survey and evaluate America's weapons systems of tomorrow. It is a never-ending task often involving more money for a single weapons system in a single year than for five poverty programs. This is unfortunate but unavoidable as long as there continues to exist in this world a combination of nations under Communist control bent upon establishing a "dictatorship of the proletariat" by force worldwide. In such an atmosphere the United States must stay on top in its military posture of deterrence.

Indicative of some of the problems of the Defense Subcommittee is the following column by Orr Kelly in Monday's Washington Evening Star:

AIR FORCE IS TUB-THUMPING FOR B-1

(By Orr Kelly)

The Air Force has turned the clock at least part way back to the good old days when the services were out plumping for their favorite weapons.

Within the last three weeks, two top Air Force officers, including Gen. John D. Ryan, the chief of staff, have made major addresses on the need for the B1, as the bomber of the future is now called.

Ryan spoke to the Los Angeles Chamber of Commerce on Oct. 30. His speech was unusual in its emphasis on a single weapons system. Usually, chiefs of staff speak of much broader subjects.

In June, Ryan noted, contracts were awarded for development and testing of the new plane. Under the current contract, five planes will be built for testing in the air and two for testing on the ground.

"I think it was the most important corner that we have turned since the decision on the priority development of the intercontinental ballistic missile," he said. "My reason is that—now as then—we are running out of time."

Brig. Gen. D. T. Elson, project officer for the B1, followed up with a speech on Nov. 10 to the Long Island section of the American Institute of Aeronautics. Again, the entire speech was devoted to the B1 and its place in what the Air Force likes to call the country's deterrent "triad" of land-based missiles, submarine-based missiles and bombers.

Two things distinguish the current tub-thumping from the days of the bomber-aircraft carrier controversy of the late 1940s. For one thing, it is all much lower-keyed. And for another, neither the Navy nor the Army is out promoting, in the same single-minded fashion, its own favorite weapons systems.

Essentially, however, the situation is very similar both to that of the late 1940s, when there wasn't enough money to go around, and to that of the Eisenhower administration, when the services each got roughly a third of the defense budget and had considerable freedom on how it would be spent.

The B1 has always had its critics, both within the Pentagon and on Capitol Hill. The Air Force, probably rightly, fears that the bomber will continue to be a budget-cutting target inside the Pentagon—even though the Pentagon's research chief has said he favors the new bomber—and even among some of those in Congress who are normally friendly to the Pentagon.

The amount of money involved now is not great. The 1971 budget contains only $100 million, compared with a possible eventual cost of $25 billion, and if the bomber program goes along at a normal pace, the figure probably will not be vastly greater in the 1972 budget.

What could happen, of course, is that a relatively minor cut in the 1972 budget could leave the Air Force with roughly its third of the pie, but without its single major new strategic weapons system of the decade.

The Navy, on the other hand, has more flexibility in making its own decisions within its third of the budget. Many of the admirals want desperately both to have a third new nuclear aircraft carrier on the ways and to keep at least 15 attack carriers in the fleet.

It is most unlikely they are going to be able to have either. But a decision to delay a new carrier or to mothball some of those now afloat could later be changed. To the Air Force, a decision to cut back on the B1 would seem much more final. The Air Force, with some justification, fears it may end up in the 1980s with no bomber force at all.

The Army, struggling with the mammoth problems associated with the withdrawal from Vietnam and the deep cut in the size of its forces, has had little time to talk much about new weapons. But it is quietly moving ahead with two of its favorite projects—a new tank and a new helicopter—both of which have already had their share of trouble on Capitol Hill. To the Army, a low profile clearly seems prudent.

A fullscale revival of the open rivalry of the late 1940s thus seems unlikely as things stand now. But underneath it all, there is the tendency, whenever money is in short supply, to put the money into the big, prestige weapons and assume that, if worse comes to worse, someone will find some money to pay for the bullets.

The power to make decisions between prestige weapons and nuts-and-bolts items was largely taken from the services when Robert S. McNamara was defense secretary. It is rapidly being passed back to the services. How well they use the power should be closely watched by those whose business it is to worry about the defense dollar.

NATIONAL FARM-CITY WEEK, NOVEMBER 20–26

(Mr. SEBELIUS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SEBELIUS. Mr. Speaker, I would like to take this opportunity to focus attention on National Farm-City Week, November 20–26. The theme for this year's observance is most appropriate—"Farm and City: Partners in Progress." I think this week with its emphasis on rural-urban understanding, appreciation, and cooperation should be the theme for the 1970's as we strive to solve our country's economic and social problems.

Through the decade of the 1960's the trend was toward urbanization and programs to solve our mounting urban problems. I think the decade of the 1970's should be devoted to a new spirit of rural-urban cooperation and balance.

During the past 20 years the total population has grown by 54 million, with all of the growth taking place in urban areas. We can expect a population increase of 100 million during the next 30 years. The distribution of this increase is the key to unlocking the problems of our cities and rural and small-town areas.

It is becoming increasingly apparent that effective solutions to many of our problems relating to urban congestion, crime, welfare, housing, hunger, and malnutrition in our cities are a healthy agriculture and a new environment of jobs, education, and favorable living conditions in rural and small-town America. Mere recognition of this fact is not sufficient. We must use the interdependence of producers and consumers as the basis for cooperation in building for the future to achieve a more even distribution of our population and economic strength.

The legislation of the 1970's must be characterized by a sound rural-urban balance if we are to effectively solve the interrelated problems of our cities and rural and small-town areas.

This is truly a turning point in our history. Rural-urban balance can mean growth or decay of our countryside and our cities. I urge my colleagues to champion the positive theme of National Farm-City Week—"Farm and City: Partners in Progress"—and carry it on to fruition in the legislation that will shape the decade of the 1970's so that balance and harmony will prevail.

FARMINGTON: 2 YEARS LATER

The SPEAKER. Under a previous order of the House, the gentleman from West Virginia (Mr. HECHLER) is recognized for 5 minutes.

Mr. HECHLER of West Virginia. Mr. Speaker, tomorrow is November 20.

The widows and relatives of the 78 coal miners who perished in the Farmington disaster of November 20, 1968, will gather at Atha's Run Union Hall near Farmington, W. Va., for a memorial service at 2 p.m. tomorrow.

Last year, on November 20, I introduced a resolution to designate November 20 as "Coal Miners' Memorial Day." The widows, relatives, and families are honoring this day, as I am sure they will every year henceforth. Others will join as time progresses.

On the first anniversary of the Farmington disaster, Congress was in the final stages of enacting a very strong coal mine health and safety bill. This legislation is a fitting memorial to the 78 coal miners who lost their lives at Farmington, for it never would have been enacted without the public insistence following the Farmington disaster.

When I addressed the House on November 20, 1969, I stated:

Our work is not finished just by the passage of this legislation. I am not one who feels that legislation is the complete answer to any problem. I am concerned about how well this legislation will be administered. Will the Bureau of Mines in the Department of the Interior aggressively enforce the law? I felt that the authority for enforcement should have been lodged in the Department of Labor, which is employee-oriented, rather than in the production-oriented Department of the Interior. I hope that events prove that I was wrong, and that we do obtain aggressive enforcement of the law by the Department of the Interior.

Unfortunately, the law was not fully enforced, and the grim record of deaths in the mines persists. Over five times as many coal miners have been killed in

the mines since the Farmington disaster as lost their lives on that fateful day of November 20, 1968. As of November 16, 1970, there were 406 coal miners killed since November 20, 1968.

In addition, in the period from the Farmington disaster through June 30, 1970, there were 15,755 coal miners who suffered nonfatal injuries.

Despite the gloomy record of nonenforcement of the Federal coal mine health and safety law, the widows of Farmington look forward to the new administration of the Bureau of Mines with the hope that its new Director will provide the necessary leadership to end the slaughter in the coal mines. Only then can the widows of Farmington feel that their husbands did not die in vain.

KENNETH STANLEY ROBINSON: "THE 1970 OUTSTANDING MALE TEENAGER OF AMERICA"

The SPEAKER. Under a previous order of the House, the gentleman from Tennessee (Mr. FULTON) is recognized for 15 minutes.

Mr. FULTON of Tennessee. Mr. Speaker, this coming Monday in Nashville, Mr. Kenneth Stanley Robinson will be honored by the Citizens' Committee of the State of Tennessee and the City of Metropolitan Nashville-Davidson County, Tenn., for having been named the "Outstanding Male Teenager of America" for 1970.

The events of Kenneth's life which led to this award are truly inspiring. It is the story of how a young man of exceptional ability found meaning and purpose for his life through helping others.

The story is told in an article, "Honors for Kenneth," by Kathy Sawyer which appeared in the November 8, 1970, edition of the Nashville Tennessean.

Mr. Speaker, I include Miss Sawyer's article in the RECORD at this point and commend it to the attention of our colleagues:

HONORS FOR KENNETH

(By Kathy Sawyer)

Five years ago Kenneth Robinson, an unusually bright and gifted boy, met Stanley Crump, who is mentally retarded.

Seemingly poles apart, the two boys formed a friendship which altered both their lives—and led to the selection of Kenneth as one of the two Outstanding Teen-agers of America for 1970.

Now Kenneth, 16, divides his time between maintaining his straight-A status at Pearl High and jetting to Washington weekends to address groups or attend conferences.

His busy schedule and his collection of honors are largely the harvest of his work with the mentally retarded. He had found Stanley, who is 18, the son of his family pediatrician, to be "loyal, free of prejudice and not ashamed of expressing his feelings in a hug." This led him to become actively involved with helping others like Stanley.

"I'm a firm believer in the brotherhood of man," he says.

When he went to New York last summer to address the President's Committee on Mental Retardation, The New York Times devoted a healthy chunk of space to an interview with the Nashville boy.

"Kenneth was summoned to the office of the Governor of Tennessee last week to be honored for his contributions to society, notably in the field of mental retardation," the story said. "Kenneth thought Governor Buford Ellington was going to tell him he had been named Outstanding Teen-ager of Tennessee—and he did. But he also told Kenneth he had been chosen one of two Outstanding Teen-agers of America for 1970."

After organizing three local chapters of the National Association for Retarded Children, Kenneth became, at the age of 13, a charter member of Youth-NARC. He is now president of the group and the only teenage member of the board of directors of the adult NARC.

Unlike the adult members, who are generally parents of retarded children, 70 per cent of the youth group's members have no retardation in their families.

"Knowing we often have more time and patience than adults, we wanted to serve on a one to one basis and become friends with the retardates," Kenneth said. "The relationship between Stanley and me is a classic example of one to one."

Though Kenneth's schedule doesn't leave him much leisure, he takes Stanley bowling when he can. Kenneth's average is 170. "Stanley has a 110 average now. He's really going great. I gave him a bowling shirt for Christmas."

The Youth-NARC program also includes visits to museums, arts and crafts and other activities to enhance the retardates' sense of learning and accomplishment.

Kenneth, poised and articulate beyond his years, but not stuffy, recently added to his list of honors the vice-chairmanship of the Forum on Children With Handicaps, to be hosted by the White House Dec. 13–19, in Washington. Jeannette Rockfeller is the chairman.

"Probably the only reason I was selected is that they are trying to attract people from multidisciplinary backgrounds," he said, "in the past, the Forums had become very professional and limited in scope. Now they are seeking to involve youth."

(The Forums, held every 10 years, are divided into 25 different categories, such as education, law, etc.)

Kenneth also has been nominated to two general boards of the National Methodist Church—the General Board of Worship and the General Board of Evangelism.

His credits include appearances on NBC's "Life With Linkletter Show" and on CBS Morning News to discuss mental retardation. A couple of weeks ago he flew up to New York to tape some WNBC-Radio spots on the subject.

Meanwhile he maintains his A's at Pearl, where he is a senior, plays in the school band, likes dating and parties.

His mother is a teacher and his father, James M. Robinson, is a school principal. His brother, James Jr., 24, also a teacher, is a graduate of Harvard. Kenneth hopes to go there, too, to study medicine. He wants to be a pediatrician, like Stanley's father.

Kenneth is as different from most people his own age as Stanley is. And he confesses he was a bit lonely—until he met Stanley and, as the New York Times headline writer put it, "found a cause."

Mr. Speaker, there are two very important lessons to be learned here from Kenneth Robinson's experiences.

First, the award and honors which he has received are justly due. But it is significant that the adulation and recognition received have not turned Kenneth's heart nor mind from his seen duty to serve his fellow man as a brother. This is a great lesson for any man, regardless of age or circumstance.

Second, Kenneth must stand as a positive example to the concerned and troubled young people of America who want so much to participate and have a voice in making our society a better society.

There is a proper time and place for legitimate protest but it must be followed by positive action if it is to be productive. Kenneth has demonstrated that one can find meaningful work to do right at home if one will just search for it.

Mr. Speaker, Kenneth Robinson is a sterling example to all Americans of what any American can make of his life in terms of serving his fellow man. I join with my fellow citizens of Nashville in saluting this young man and suspect that in the future we will be hearing more of Kenneth Stanley Robinson.

TAKE PRIDE IN AMERICA

(Mr. MILLER of Ohio asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. MILLER of Ohio. Mr. Speaker, today we should take note of America's great accomplishments and in so doing renew our faith and confidence in ourselves as individuals and as a nation. The United States has the world's largest hydroelectric generating plant. The Grand Coulee generating plant has an ultimate capacity more than a third greater than the second-ranked generating plant, Sayansk in the Soviet Union.

UMWA SUPPORTS HIGHER WAGES AND OTHER BENEFITS

(Mr. WAMPLER asked and was given permission to extend his remarks at this point in the RECORD, and to include extraneous matter.)

Mr. WAMPLER. Mr. Speaker, in view of the wage negotiations which the coal industry will face next year, I believe the November 13 news release from the United Mine Workers of America is of interest.

The news release follows:

The profit picture in the coal industry fully supports the United Mine Workers' objective of a $50 daily wage, substantial increases in pensions and improved welfare benefits, W. A. (Tony) Boyle, UMWA president, said today.

Citing the profit picture revealed by the Pittston Company, a leading coal producer, as typical of the industry, Boyle said that the nation's mine workers intend to win a fair share of the coal industry's newly-found prosperity. Pittston last week reported it anticipated 1970 profits of $31 million, nearly double those of 1969. Pittston's sales volume this year is expected to reach $500 million against $419.9 million in 1969 despite lower output.

"We know the profit picture in Pittston because it is one of the few remaining major independent coal producers. There is every indication that coal profits of the huge energy conglomerates which now control much of our industry are even higher," Boyle said. The UMW president asserted that the surging prosperity and high demand for coal is no temporary phenomenon. He noted that the Department of the Interior now is exploring the potential of coal as the cornerstone of a national energy policy.

"Coal is the basic fuel upon which this nation must depend. It is the only fuel with almost unlimited reserves for the next centuries. With modern technology, coal can be converted to natural gas and to other clean fuels. For now and the foreseeable future, the energy potential of this nation is tied to coal and the men who dig it. We intend

to see that the men who dig coal obtain maximum health and safety protection and the high living standards they deserve," Boyle said.

Boyle further stated that he hopes the statement of Nicholas T. Camicia, Pittston president, regarding the 1971 contract indicates that the industry will talk sense in coming negotiations.

"Mr. Camicia has stated that he does not anticipate a strike in 1971. We hope that his anticipation is based upon a desire to talk sense in coming negotiations, and we hope also that such a view prevails among the other operators. We will not, however, settle for less than full economic justice and a fair sharing of industry prosperity with the nation's mine workers," Boyle stated.

THOSE WONDERFUL KIDS FROM MARSHALL

(Mr. HECHLER of West Virginia asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. HECHLER of West Virginia. Mr. Speaker, few people love Marshall University more, or have been closer to its coaches and athletes than George Rorrer, who during his 8 years as sports editor of the Huntington, W. Va., Herald-Dispatch spent most of his time following the Marshall University teams. George left Huntington in July and took a job on the sports staff of the Louisville Courier-Journal, but he writes with deep compassion about Marshall University, its wonderful human beings who were the athletes, and the fine coaches and staff members and the great Marshall supporters who were aboard the ill-fated airplane which crashed last Saturday night. Here is George Rorrer, writing from the heart, about all those wonderful people:

YOU WOULD HAVE LIKED THOSE KIDS FROM MARSHALL

(By George Rorrer)

If you like the clean-cut, serious young men who play college football anywhere, you would have loved the kids who played for Marshall University, and who died tragically Saturday night in a plane crash near Huntington, W. Va.

If you like citizens who involve themselves in causes in which they believe, then you would have loved the townspeople who died with them.

Many of my closest friends were among them, and it is still hard to believe such a thing has happened. It is hard to imagine their not being alive, these people whose very existence personified vitality and spirit and life.

In all the years I have covered college sports, I have never met an athlete with more potential, or a youngster I liked more, than Ted Shoebridge, the quarterback who perished Saturday. Teddy, the kind of kid you pray your daughter marries, was the product of a remarkably ideal family situation. He and his parents and his two younger brothers had a beautiful relationship, full of love and respect.

Teddy could've signed a pro baseball bonus contract out of Lyndhurst, N.J., High School, but he chose instead to first get his education. In the almost two seasons granted him, he set school career passing and total offense records. In his freshman year, he passed Marshall to a convincing victory over the University of Kentucky frosh, an achievement which meant a lot to a football program in the throes of the 27-game winless streak Teddy and his teammates were destined to end last season.

Teddy chose Marshall over Syracuse and Georgia because he wanted to learn to play quarterback under coach Perry Moss, now coach of the pro Chicago Bears' signal-callers. Between Shoebridge's freshman and sophomore seasons, Moss was fired and Marshall was expelled from the Mid-America Conference for rules violations and because its facilities were so poor. Teddy was recruited vigorously by the University of Tampa during this period, but Marshall people worked hard to convince him to return. Even West Virginia governor Arch A. Moore Jr. telephoned to help recruit the gifted athlete. And so, against his father's advice, Teddy returned to Marshall.

Memories of the other kids are plentiful, too . . . Rick Dardinger, who chose Marshall over Kentucky and who stayed on throughout the losing streak even though his twin brother quit the squad; who didn't have to play this season, but who wanted to because he had hoped to win after being so long a loser; who had been married only last Christmas; who was a student of mine, and who would have become a Naval aviation trainee on graduation . . . Roger Childers, a courageous former student of mine who had to drop out last spring for a brain operation, but who was working hard for a possible return to the game and team he loved next fall, and who was married early last summer. . . .

Larry Sanders, Joe Hood, Bob Van Horn and Freddie Wilson, all black athletes of excellent future pro potential who saw a better chance for that future at Marshall and went there from Tuscaloosa, Ala. . . . Bob Harris, Shoebridge's back-up man, who worked as hard as any athlete I have ever seen, and who could have been a starter at many other colleges. . . .

Roger Vanover, who once helped Russell, Ky., to the state basketball tournament and who was also a student of mine; a nice kid whose girl friend wrote to me less than a month ago to ask whether she should marry him. . . .

You'd have liked coach Rick Tolley, who at age 29 accepted The Streak and broke it last year, and who was building for the future. . . . Frank Loria, so recently an all-American defensive back at Virginia Tech, and so recently married. . . . Shorty Moss, the hometown hero who played at West Virginia University, but who had become dedicated to Marshall. . . . Young Al Carelli, who only joined the staff last summer. . . . Young Jim Schrorer, a dapper bachelor who left the University of Cincinnati to become Marshall's trainer.

You'd have liked Deke Brackett, the happy-go-lucky coach who began his football career as successor to the legendary Bobby Dodd as quarterback at the University of Tennessee, and who was an assistant under Red Sanders for 13 years at UCLA. . . . Mike Prestera, the fiery University of Alabama grad and trucking executive who adopted Marshall and led a drive which raised $109,000 for its athletic program last year. . . . Parker Ward, the young, handsome auto dealer who liked to do his own television commercials. . . .

You would have liked Gentleman Gene Morehouse, the sports information director and play-by-play man on the Marshall Sports Network. He came to Marshall after a distinguished career in broadcasting, and this fall he turned down a chance to broadcast the games of the pro New Orleans Saints because he liked it at Marshall. Gene leaves a wife and six children. . . . You'd have liked Ken Jones, a long-time friend of mine who last year was voted West Virginia's outstanding sportscaster. . . . And Charlie Kautz, the athletic director whose dedication to his alma mater was unexcelled; who had patiently worked for years to rise to his position.

You would have loved my family physician, Dr. Ray Hagley, and his wife, Shirley, who left six children, the oldest of whom is 13. Young Doc Ray, known to his friends as the Highlawn Healer, about 35, almost a father to Louisvillean Bob Redd when Bob was a Marshall basketballer, former president of the Marshall Alumni Association; former Golden Gloves champion; former Navy doctor with the Marines in the Cuban crisis; a tremendously involved young leader who lived almost as though he suspected his fate.

You'd have liked Murrill Ralsten, a schoolmate of mine throughout high school and college, and his wife, Flip, a classmate in graduate school. . . . Murrill, who said I'm the only journalist who can spell his name correctly, who established a highly successful clothing store adjacent to the Marshall campus, who involved himself in Marshall's sports program.

BOUGHT TEAM MASCOT

You'd have liked Dr. Pete Proctor and his wife, Courtney, who in August bought a live baby buffalo to serve as a mascot for the Thundering Herd. . . . Pete, who quit teaching school and went back to medical school, who often found time to watch Marshall practice and kibitz with sports writers. . . .

You'd have liked Dr. Joe Chambers, whose daughter, Peggy, was a pretty Marshall cheerleader, and who liked to mix his rooting for the team with his hobby, taking pictures. . . . Jeff Nathan and Gary George, journalism students who were just learning to cover football games.

Together, they made up almost the whole of the football program of my alma mater. And they were dedicated as only those who have shared adversity can be. Their similarity to the people at the University of Louisville, which I now cover, never ceases to amaze me.

You would have loved them. I did, and I'll never forget them.

HEADSTART CRISIS

(Mr. RYAN asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. RYAN. Mr. Speaker, today the Senate is considering H.R. 18515, the Labor-HEW and related agencies appropriations bill for fiscal year 1971.

A major area of concern in this bill is the funding for the Office of Economic Opportunity, and especially for Project Headstart. This program for preschool-children of the Nation's poor provides medical, day care, and educational services.

This is a time when funds for Headstart should be increased by 10 to 12 percent so that the program will be able to serve at least the number of children served last year.

But instead of receiving increased funding, local programs across the Nation have been cut back between 7 and 18 percent. And those children served by the program last year were only 20 percent of those eligible for Headstart services.

In the city of New York, for example, the cutbacks announced by the administration will reduce Headstart funds by 13.5 percent. New York City will lose $1.8 million in Federal aid, a reduction from $13.2 million last year to $11.4 million.

The New York City Headstart program presently reaches only 6,000 children. There are 200,000 children between the ages of 3 and 5 who are in welfare fami-

lies; there are some 300,000 children in families whose income is at or below the poverty level. If these reductions are permitted, as many as 1,000 children now enrolled in New York City Headstart programs will be deprived of early childhood development services.

Congress, in 1969, authorized annual expenditures for Headstart of up to $398 million.

Last year's allocation for Headstart was $326 million. The program reached 262,000 children in the year-round program and 208,000 children in the summer program.

This year, the administration's budget request for fiscal year 1971 was $339 million, but the Office of Economic Opportunity has announced its intention to use only $323 million of those funds cutting some 26,000 children from Headstart programs.

The House version of the bill provides $321 million, which would permit 251,000 children to participate in the program year round, and 125,000 to participate in the summer.

The Senate Appropriations Committee has reported out a bill, the bill presently before the Senate, which appropriates $339 million and would reach 262,900 children during the year and 145,900 in the summer.

Twelve Members of the Senate, led by Senators CRANSTON, JAVITS, MONDALE, and NELSON plan to introduce an amendment today which would increase the Headstart appropriation to $398 million. This appropriation would not only permit the program to remain at its present level, but would also allow it to reach more of those children who so desperately need it: 320,706 children year round and 208,700 during the summer.

I strongly support this amendment, and I am hopeful that the Senate will adopt it.

Last Tuesday, November 17, was declared National Headstart Crisis Day. Concerned mothers, civic and welfare groups, local officials, and concerned citizens used this day to let their Congressmen and Senators know that they are appalled by the Headstart cutbacks and to urge increased appropriations.

Many mothers came to Washington to personally express their concern and deliver their message.

In New York City a coalition of concerned groups and individuals from the private and public sector banned together to issue a statement deploring the cutbacks and to urge support of the Javits-Nelson amendment.

I joined with them in this statement of purpose, having protested vigorously to the Office of Economic Opportunity when I learned of the proposed cutbacks for Headstart.

The administration and the Congress must face the problem of poverty in this Nation and provide the funds which are needed to combat it. The cutback of Headstart funds is another example of the imbalance in our priorities and the failure of the administration to put human needs ahead of the demands of the military-space-industrial complex.

The cut of Headstart funds is an affront to New Yorkers and to all Americans. I urge Senate support of the increased funding for Headstart, and if the amendment is passed, I urge the House conferees to accept it.

I am including in the RECORD a copy of the statement made by public officials and interested groups in New York City on the eve of National Headstart Crisis Day as well as the list of signatories to the statement:

STATEMENT ISSUED ON NOVEMBER 16, 1970, BY NEW YORK OFFICIALS AND ORGANIZATIONS IN CONNECTION WITH NATIONAL HEADSTART CRISIS DAY

A a time when at least three million of the nation's pre-school children—some 200,000 of whom live in New Yorkk City—desperately need good early childhood programs, it is unconscionable for the Federal government to impose further restrictions on funding.

If the Administration is successful in its plans to save Federal dollars at the expense of children, up to 1,000 children could be cut from the New York City Head Start program and all the City's plans for expansion of day care would come to a complete halt.

We urge the Congress and the Administration to support the proposal to be submitted Monday by Senators Javits, Mondale, Cranston and Nelson, which calls for increased funds for anti-poverty programs, including an appropriation of $398 million for Head Start to be given directly to the Federal Department of Health, Education and Welfare.

We also urge defeat of the Administration's proposal to impose a limit of 15% on increased expenditures for other day care and child welfare services.

NEW YORK CITY OFFICIALS

Mayor John V. Lindsay.
Manhattan Borough President Percy B. Sutton.
Bronx Borough President Robert Abrams.
Jule M. Sugarman, Human Resources Administrator.
Jack R. Goldberg, Commissioner of Social Services.
Major R. Owens, Commissioner, Community Development Agency.
David J. Billings, III, Chairman, New York City Council Against Poverty.
Joseph Williams, Model Cities Administrator.
David McPheeters, Director, New York City Head Start.
Muriel Katz, Director, D.D.S. Division of Day Care.
Cynthia Farris, Chairman, Citywide Policy Council to Project Head Start.
Mary Codner, Chairman, Citywide Policy Advisory Committee to Family Day Care.
Franzella Carter, Director, New York City Family Day Care.

CONGRESSMEN

Bella Abzug (elect).
Herman Badillo (elect).
Jonathan Bingham.
Emanuel Celler.
Shirley Chisholm.
Jacob Gilbert.
Seymour Halpern.
Edward Koch.
Bertram Podell.
Charles Rangel (elect).
Benjamin Rosenthal.
William F. Ryan.
James Scheuer.
Lester Wolf.

STATE SENATORS

Paul Bookson.
Robert Garcia.
Roy M. Goodman.
Manfred Ohrenstein
Sydney Von Luther.
Joseph Zaretski.

ASSEMBLYMEN

Albert Blumenthal.
Louis DeSalvio
Anthony DiFalco
Richard Gottfried (elect).
Stephen Gottlieb.
Hulan Jack
Franz Leichter.
George Miller (elect).
Alberto Olivieri (elect).
William Passannante.
Frank Rossetti.
Mark Southall.
Andrew Stein .
John J. Walsh.

CITY COUNCILMEN

Angelo Arculeo, Frank Biondollilio, Carter Burden, Eldon Clingan, Myron Cohen, Michael DeMarco.

Rudolph DiBlasi, Alvin Frankenberg, David Friedland, Carol Greitzer, Kenneth Haber, Arthur Katzman.

Michael Lazar, Donald Manes, Mario Merola, Robert Postel, Aileen B. Ryan, Edward Sadowski.

Barry Salman, Leonard Scholnick, Saul Sharison, Theodore Silverman, Charles Taylor, Matthew Troy, Ted Weiss.

ORGANIZATIONS (LIST IN INFORMATION)

Borough President's Advisory Committee on Day Care (Manhattan), Elinor Guggenheimer, Chairman.
Catholic Charities Family Services.
Citizens Committee for Children, Trude Lash, Executive Director.
Day Care Council of New York, Nancie Stewart, Chairman.
Community Council of Greater New York.
Committee for Community Control of Day Care.
Chinatown Planning Committee.
United Child Day Care Council (L.E.S.) Ours, Inc.
Federation of Protestant Welfare Agencies.
Mobilization for Youth Group Child Care.
East Harlem Block Schools.
Community Development Day Care Centers.
East Harlem Tenants Council.
Goddard-Riverside Day Care.

GENERAL LEAVE

Mr. MEEDS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill H.R. 14252.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. DANIEL of Virginia) to address the House and to revise and extend their remarks and include extraneous matter:)

Mr. FULTON of Tennessee, for 15 minutes, today.

Mr. PRYOR of Arkansas, for 60 minutes, on November 30.

Mr. HECHLER of West Virginia, for 5 minutes, today, and to revise and extend his remarks and include extraneous matter.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. JONAS, to include extraneous material during his remarks today on the bill H.R. 18970.

Mr. FINDLEY, to include extraneous material in his remarks today on the bill.

Mr. GIBBONS, to include extraneous material, charts and tables during debate on the bill today.

Mr. BYRNES of Wisconsin, and to include extraneous matter with remarks made in Committee of the Whole today.

Mr. MEEDS, to extend his remarks following the remarks of Mr. PERKINS during consideration of H.R. 14252.

Mr. MIZELL, and to include extraneous matter during general debate on H.R. 18970.

Mr. CLEVELAND (at the request of Mr. MCCLOSKEY), to revise and extend his remarks and include extraneous matter during general debate on H.R. 18970.

(The following Members (at the request of Mr. MCCLOSKEY) and to include extraneous matter:)

Mr. ZWACH.
Mr. GERALD R. FORD in five instances.
Mr. WYMAN in two instances.
Mr. CARTER.
Mr. LLOYD.
Mr. DON CLAUSEN.
Mr. MICHEL.
Mr. SCHWENGEL.
Mr. DERWINSKI in three instances.
Mr. BUSH in two instances.
Mr. CÓRDOVA.
Mr. SCHADEBERG in two instances.
Mr. SCHMITZ in three instances.
Mr. BOB WILSON.
Mr. BROYHILL of Virginia in two instances.

(The following Members (at the request of Mr. DANIEL of Virginia) and to include extraneous matter:)

Mr. RARICK in three instances.
Mr. ROONEY of Pennsylvania.
Mr. BIAGGI in 10 instances.
Mr. PICKLE.
Mr. CELLER in two instances.
Mr. MANN in four instances.
Mr. MOORHEAD in six instances.
Mr. MONTGOMERY in two instances.
Mr. FULTON of Tennessee.
Mr. RODINO.
Mr. BARRETT.
Mr. SLACK in three instances.
Mr. COHELAN in four instances.
Mr. TIERNAN in two instances.
Mr. DOWNING in two instances.
Mr. MCCORMACK.
Mr. BENNETT in three instances.
Mr. MILLER of California in five instances.

ENROLLED JOINT RESOLUTION SIGNED

Mr. FRIEDEL, from the Committee on House Administration, reported that that committee had examined and found truly enrolled a joint resolution of the House of the following title, which was thereupon signed by the Speaker:

H.J. Res. 1255. Joint resolution to authorize and request the President to proclaim the period January 10, 1971, through January 16, 1971, as "National Retailing Week."

BILL PRESENTED TO THE PRESIDENT

Mr. FRIEDEL, from the Committee on House Administration, reported that that committee did on November 15, 1970, present to the President, for his approval, a bill of the House of the following title:

H.R. 13978. An act to amend the Agricultural Adjustment Act of 1933, as amended, and reenacted and amended by the Agricultural Marketing Act of 1937, as amended, to authorize marketing research and promotion projects including paid advertising for almonds.

ADJOURNMENT

Mr. DANIEL of Virginia. Mr. Speaker I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 51 minutes p.m.), under its previous order, the House adjourned until Monday, November 23, 1970, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

2555. A letter from the Secretary of State, transmitting a draft of proposed legislation to amend the Foreign Assistance Act of 1961; to the Committee on Foreign Affairs.

2556. A letter from the Secretary of the Army, transmitting a report on a study of drift and debris removal from the public harbors under his jurisdiction, pursuant to section 102(2)(c) of the National Environmental Policy Act of 1969 and section 120 of the River and Harbor Act of 1968: to the Committee on Public Works.

RECEIVED FROM THE COMPTROLLER GENERAL

2557. A letter from the Comptroller General of the United States, transmitting notice that the General Accounting Office will be unable to meet the requirement of Public Law 91–121, section 408, that a report be filed by December 31, 1970, covering a study and review of profits made by contractors and subcontractors on negotiated contracts entered into by various departments and agencies; to the Committee on Armed Services.

2558. A letter from the Comptroller General of the United States, transmitting a report on the adverse effects of large-scale production of major weapons before completion of development and testing. Department of the Navy; to the Committee on Government Operations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

Mr. EVINS of Tennessee: Committee on Appropriations. H.R. 19830. A bill making appropriations for sundry independent executive bureaus, boards, commissions, corporations, agencies, offices, and the Department of Housing and Urban Development for the fiscal year ending June 30, 1971, and for other purposes (Rept. No. 91–1616). referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ANNUNZIO:

H.R. 19826. A bill to amend the Labor-Management Reporting and Disclosure Act of 1959 with respect to the terms of office of officers of local labor organizations; to the Committee on Education and Labor.

By Mr. MIZE:

H.R. 19827. A bill to amend title 5, United States Code, to correct inequities in connection with the loss by employees of entitlement to travel and transportation expenses under travel agreements which have expired while the employees remained on duty outside the continental United States; to the Committee on Government Operations.

By Mr. PATMAN (for himself, Mr. BARRETT, Mrs. SULLIVAN, Mr. REUSS, Mr. ASHLEY, Mr. MOORHEAD, Mr. ST GERMAIN, Mr. GONZALEZ, Mr. MINISH, Mr. HANNA, Mr. GETTYS, Mr. ANNUNZIO, Mr. REES, Mr. BRASCO, and Mr. HARRINGTON):

H.R. 19828. A bill to help small business and combat inflation; to the Committee on Banking and Currency.

By Mr. ULLMAN:

H.R. 19829. A bill to suspend for a temporary period the import duty on tungsten ore and calcium tungstate; to the Committee on Ways and Means.

By Mr. EVINS of Tennessee:

H.R. 19830. A bill making appropriations for sundry independent executive bureaus, boards, commissions, corporations, agencies, offices, and the Department of Housing and Urban Development for the fiscal year ending June 30, 1971, and for other purposes.

By Mr. BENNETT:

H.R. 19831. A bill to prohibit use of military facilities for public relations purposes; to the Committee on Armed Services.

By Mr. BROWN of California:

H.R. 19832. A bill to amend section 620 of the Foreign Assistance Act of 1961, to suspend, in whole or in part, economic and military assistance and certain sales to any country which fails to take appropriate steps to prevent narcotic drugs, produced or processed, in whole or in part, in such country from entering the United States unlawfully, and for other purposes; to the Committee on Foreign Affairs.

By Mr. HAWKINS:

H. Res. 1265. Resolution providing for the consideration of the bill (H.R. 17555) to further promote equal employment opportunities for American workers; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BROWN of California:

H.R. 19833. A bill for the relief of Nga Thi Nguyen-Le; to the Committee on the Judiciary.

By Mr. BURKE of Massachusetts:

H.R. 19834. A bill for the relief of Luis Fernando Requena Camacho; to the Committee on the Judiciary.

By Mr. GUBSER:

H.R. 19835. A bill for the relief of Col. Harold B. McCullough, U.S. Air Force (retired); to the Committee on the Judiciary.

By Mr. HAGAN:

H.R. 19836. A bill for the relief of William M. Starrs; to the Committee on the Judiciary.

By Mr. LOWENSTEIN:

H.R. 19837. A bill for the relief of Isaac

Wilner; to the Committee on the Judiciary.

By Mr. MEEDS:

H.R. 19838. A bill for the relief of Donald L. Bulmer; to the Committee on the Judiciary.

By Mr. SCHMITZ:

H.R. 19839. A bill for the relief of Jaime Pena-Pena; to the Committee on the Judiciary.

By Mr. TEAGUE of California:

H.R. 19840. A bill for the relief of Fumihiro Morikawa; to the Committee on the Judiciary.

By Mr. BOB WILSON:

H.R. 19841. A bill for the relief of Ruben Platte; to the Committee on the Judiciary.

EXTENSIONS OF REMARKS

PUBLIC LAND LAW REVIEW COMMISSION REPORT

HON. LEN B. JORDAN

OF IDAHO

IN THE SENATE OF THE UNITED STATES

Thursday, November 19, 1970

Mr. JORDAN of Idaho. Mr. President, on November 6, in Boise, Idaho, I spoke at a statewide discussion forum conducted by the Idaho Commission on Federal Land Laws concerning the Public Land Law Review Commission report issued earlier this year. I ask unanimous consent that my remarks be printed in the RECORD.

There being no objection, the remarks were ordered to be printed in the RECORD, as follows:

REMARKS BY SENATOR LEN B. JORDAN

Soon after I reported for duty on the Public Land Law Commission back in 1964, I learned that at least some of the public members of the commission regarded the public lands of the nation as belonging to all the people and not to the private fiefdom of that state whose boundaries enclosed the public lands.

Having grown up in the public land states of the West I had assumed, like most Westerners, that even though some of our lands were designated as federal, they did belong, for all intents and purposes to the people of the public land states rather than to the whole U.S. public at large.

Those members from the non-public land states lost no time in attacking our concept which they regarded as parochial and proprietary.

Admittedly there is considerable diversity of opinion on land-use problems. Many people are not aware, for instance, that Gem state residents control only about one-third of the acreage in this so-called sovereign state. The remaining 64 percent of Idaho, as you who are attending this conference are well aware, is Federal domain.

This percentage of Federal ownership is not the highest among the 50 states. The Federal ownership is slightly larger in neighboring Utah and rises to 86 percent in Nevada and to 97 percent in Alaska. The Federal District of Columbia, by contrast, is only 28 percent Federally owned.

In the two centuries which have elapsed since the 13 colonies became a nation, a considerable body of statutory and administrative law has developed pertaining to the Federal acreage. Back in 1964, when I was assigned to the Public Land Law Review Commission, we embarked on a four-year study of some 5,000 laws relating to the public lands. Our study period ultimately stretched out to six years and involved expenditure of nearly $7 million in public funds.

One of my first discoveries as a member of this Commission was that this was not the first study of this kind. Similar reviews were conducted in 1879, in 1904, and in 1931, and, ironically, these previous studies had reviewed many of the basic public land laws that are in effect today.

The present review and report differ from the earlier studies in at least two respects:

(1) It is more thorough than any previous studies.

(2) As never before, the awareness of public land use as a factor in maintaining the quality of our environment has been properly recognized and emphasized.

Some early critics of the Report labeled it as a sell out to special interests. Those who make such criticism simply could not have read the Report. In order to refute such unwarranted attacks I shall quote several excerpts directly from the Report:

(1) Environmental quality should be recognized by law as an important objective of public land management, and public land policy should be designed to enhance and maintain a high quality environment both on and off the public lands.

(2) Federal standards for environmental quality should be established for public lands to the extent possible, except that, where state standards have been adopted under Federal law, state standards should be utilized.

(3) Congress should require classification of the public lands for environmental quality and enhancement and maintenance.

(4) Congress should specify the kinds of environmental factors to be considered in land use planning and decisionmaking, and require the agencies to indicate clearly how they were taken into account.

(5) Congress should provide for greater use of studies of environmental impacts as a precondition to certain kinds of uses.

(6) Existing research programs related to the public lands should be expanded for greater emphasis on environmental quality.

(7) Public hearings with respect to environmental considerations should be mandatory on proposed public land projects or decisions when requested by the states or by the Council on Environmental Quality.

(8) Congress should authorize and require the public land agencies to condition the granting of rights or privileges to the public lands or their resources on compliance with applicable environmental control measures governing operations off public lands which are closely related to the right or privilege grants.

(9) Federal land administering agencies should be authorized to protect the public land environment by (a) imposing protective covenants in disposals of public lands, and (b) acquiring easements on non-Federal lands adjacent to public lands.

(10) Those who use the public lands and resources should, in each instance, be required by statute to conduct their activities in a manner that avoids or minimizes adverse environmental impacts, and should be responsible for restoring areas to an acceptable standard where their use has an adverse impact on the environment.

(11) Public land areas in need of environmental rehabilitation should be inventoried and the Federal Government should undertake such rehabilitation Funds should be appropriated as soon as practical for environmental management and rehabilitation research.

I mentioned the earlier studies as a reminder that recommendations of Federal Review Commissions are not necessarily followed by implementing changes in the statutes. But this observation should be followed with the cautionary statement that perhaps never before has there been such active public interest and momentum generated in the effort to revise and modernize our public land laws.

The interest taken by the Idaho Federal Land Review Commission in this incipient legislative phase is well warranted, and I hope that it will continue unabated as the Congress begins consideration of potential legislation beginning next January. This legislative follow up to the PLLRC Report is tremendously important to Idaho and the other eleven public land states of the West, which average more than 50 percent Federal ownership, and I am interested in official and informal comment and participation from a broad segment of interests within the State.

You will be discussing details of the Public Land Law Review Commission report in your conference sessions, so I shall try to avoid duplication by confining these remarks to a few general conclusions and recommendations.

First, I feel that the most important public lands legislation that will be brought up in the forthcoming session of Congress will be a proposal to make payments to the states in lieu of taxes for acreage to be retained permanently under Federal control and therefore immune to state taxation.

The merits of such compensation have been recognized in the Forest Highways, Public Lands Highways, Impacted Aid to Education, and other programs. In-lieu payments also have been incorporated in specific legislation for large Federal withdrawals, such as the Teton National Park legislation in neighboring Wyoming.

The in-lieu payment proposal of the Public Land Law Review Commission has urgent interest to Idaho in view of the large acreages of multiple-use National Forest land in this spectacularly beautiful State which have been proposed for preservation in a wild or natural condition in Wilderness and Wild River systems set aside for a single purpose use.

Before leaving Washington for the current election recess, I asked the Bureau of Outdoor Recreation to sketch in on a map of Idaho some of these proposed or potential wild areas. The areas delineated by BOR—and the list is by no means complete—involve about 4½ million acres of prime forest land, and scenic upland country, some of which may be mineralized. The land areas and the river stretches also lie athwart roads, drainage basins, and communications corridors and presumably could deny access to State and private lands and otherwise increase the costs of developing our natural resources or utilizing our precious water supplies. Also suggestions have been advanced that these protected areas be surrounded by "buffer zones" of varying size.

If the value of the economic interests which are to be diminished or eliminated in such land withdrawals is correctly assessed and reflected in in-lieu payments, Idaho will be better able to continue to operate the affairs of the 13th largest State in geographic size while preserving as a national asset some of the world's choice natural areas. Hence this legislation is of serious interest to both the taxpayers of Idaho and to conservationists who are sincerely interested in helping us preserve some of