

Throughout the history of trade agreement legislation the Congress has consistently affirmed and reaffirmed its determination that the program be administered in such manner as to protect the interests of domestic industries. In order to carry out this determination Congress in 1951 established the peril point and escape clause procedures, designed to protect domestic industry from serious injury resulting from increased imports encouraged by trade agreement concessions.

This policy was an acknowledgment of a fundamental principle of our form of government and our Constitution—that property shall not be taken for public use without just compensation. There is little distinction between taking a person's real property for use as an interstate highway, and taking a person's job or business away from him in order to provide job opportunities for others, or to provide a market for the goods manufactured by others.

In 1962 the Administration asked Congress to reverse this policy and to authorize the President to sacrifice such domestic industries as he might determine should be sacrificed in the interests of the over-all national welfare. Administration spokesmen—the Secretaries of Commerce and Labor—acknowledged that the proposal would deprive 90,000 workers of their jobs and would cause 800 firms to go out of business during the next five years. The sacrifice was “justified” by the Administration on the ground that it would provide jobs for an even larger number of other workers. Congress was assured that these 800 firms and 90,000 workers would be “assisted” under the terms of the proposal.

The Congress, in obvious recognition of its obligation not to sacrifice any domestic industry for the benefit of any other industry or for the benefit of the national economy as a whole, without providing adequate and reasonable compensation to the industry sacrificed, insisted upon adjustment assistance provisions which it felt would provide adequate and reasonable assistance to workers, firms and industries injured or sacrificed by the exercise of the tariff-cutting powers included in the proposal.

The proposal was enacted as the Trade Expansion Act of 1962, and these powers have been exercised by cutting the rates of duty on most industrial items by 50%.

The purpose of this statement is to demonstrate to this Committee:

1. that the “peril point” procedure in effect prior to 1962 was ineffective to avoid injury to domestic industries,
2. that the “escape clause” procedure in effect prior to 1962 was ineffective to remedy injuries to domestic industries resulting from trade agreements,
3. that the “adjustment assistance” procedure which has been in effect since 1962 is virtually worthless in providing necessary assistance to workers, firms and industries which have been injured in past trade agreements and which will be further injured, if not destroyed, by the reduced rates of duty being put into effect under the GATT agreement,
4. that action by Congress is essential if we are to avoid imposing unnecessary and unfair hardships on countless workers, businesses and small towns, and
5. that the proposed changes in the “adjustment assistance” procedure incorporated in the President's message to the Congress dated May 28, 1968 are completely inadequate.

PERIL POINT PROCEDURE

As the Committee well knows, the basic purpose of the peril point procedure was to provide advance protection to domestic industries against the granting of concessions which would, in the opinion of the United States Tariff Commission, result in serious injury. The procedure involved the establishment by the Commission, after public hearings and investigation, of peril points, which were the lowest rates of duties which could be fixed for specific items without endangering domestic producers. The President was prohibited from granting concessions below such peril points without reporting his reasons for doing so to the Congress.

The best illustration of the effect of this “safeguard” is found in the President's report to the Congress of March 7, 1962 on his action in granting concessions below the peril points on a number of items in connection with trade agreements previously negotiated in Geneva. His reasons for doing so boil down to one—that the negotiators were “grievously short of bargaining power”. In other words,