

of imports from the United States by a value greater than the reduction under this legislation.

It might be objected that such a device invites a self-defeating trade war. We do not think so. To most of this country's major trading partners, their exports to the United States are relatively more important than are imports from those countries to the United States. For 20 years, the United States has led the world in giving away its markets to stimulate world trade expansion. But the present dramatic payments crisis forceably recalls to us that the balance has gradually shifted—it is time to tighten the protective belt, at reasonable levels, before it is altogether too late.

Accordingly, the proposed general import quota legislation, with the indicated changes would preserve some 58 percent of the U.S. straight pin market to the American industry and some 65 percent of the U.S. safety pin market to the American industry. That is reasonable. We therefore, support this legislation.

However, if mandatory import quota legislation proves to be not possible, then we urge more effective selective remedies in the form of the escape clause and the countervailing duty.

*The criteria for escape clause relief must be revised*

Under the existing escape clause, as contained in section 301 of the Trade Expansion Act of 1962, there appears to be no relief for the safety pin industry, the straight pin industry, or indeed for any other American industry from excessive imports. The ineffectiveness of the escape clause to provide "escape" from the effects of intolerable import competition results primarily from the "major part" and "major factor" tests introduced in the 1962 Act. It is these two criteria which have led the Tariff Commission to deny escape clause relief to some 21 industries since 1962.

If the straight pin and safety pin industries are to have any effective remedy under the escape clause of the GATT, the implementing statute in this country will have to be amended.

The Administration, in its proposed "Trade Expansion Act of 1968", now before this Committee as H.R. 17551, in effect recognizes the unworkability of the present tests. H.R. 17551 would strike from section 301(c) of the Trade Expansion Act under which eligibility of firms and workers for adjustment assistance is determined, the "major part" and "major factor" tests, and would substitute therefor the simple test of "increased quantities of imports" having been "a substantial cause of serious injury, or the threat thereof" to a firm, or "a substantial cause of unemployment or underemployment, or the threat thereof" to workers.

H.R. 17551 does not propose that the criteria for eligibility of an industry for tariff adjustment under section 301(b) of the Trade Expansion Act (escape clause) be similarly amended. The Administration bill would retain, when industry demands tariff relief, the patently unworkable "major part" and "major factor" tests.

There is pending before this Committee a bill introduced by Mr. Whalley in June of last year, H.R. 10729, which would amend the test of eligibility for tariff relief under the escape clause to "increased imports, either actual or relative" have "contributed in any substantial degree toward causing, or threatening serious injury," to a domestic industry, and would make mandatory on the President the finding and recommendation of the Tariff Commission.

The straight pin and safety pin industries believe that the escape clause must be amended along the lines of Mr. Whalley's bill.

It could be objected that this bill would deprive the President of needed discretion in dealing with foreign trade policy questions. If such objection is valid, then at the very least the escape clause should benefit, and import-stricken industries with it, from the same amendments which the President would apply to the criteria for eligibility for adjustment assistance.

We can understand the utility and public desirability of refraining from imposing import restrictions when some part of a domestic industry does not have the market strength to endure intensified competition from increased imports, and working justice instead of financially aiding both firm and workers to make the transition to another line of business and employment.

What public policy is so imperative, however, that *entire* industries, such as the safety pin and straight pin industries, must be erased from the American scene for the sake of so-called free trade? The adjustment assistance device affords no acceptable remedy to situations where, as here, imports are steadily undermining the foundation of the entire industry, not just individual firms and workers. In this instance, the application of adjustment assistance would amount