simply to the subsidization with federal funds—our tax dollars—of the pin industries of Europe, Japan, and increasingly the Communist bloc countries.

What is needed is the restoration of an effective escape clause—a thing that has not existed for the last six years. To that, our trading partners could not object, for we should only be exercising the same right of escape under the GATT in the same spirit of self-interest as the other GATT signatories. We may be sure that most other countries will not suffer existing significant industries within their territories to be destroyed by imports of competing articles from the United States. The United States can no longer afford to act in anything other than the same spirit.

We urge, therefore, that the Committee weigh most carefully the proposals contained in Mr. Whalley's bill, or in the alternative to extend the President's excellent amended tests of eligibility for adjustment assistance to the escape clause, as well.

The countervailing duty statute—A dead letter which the Congress should revive

In 1903, the United States Supreme Court said:

> "When a tax is imposed upon all [merchandise] produced, but is remitted upon all [merchandise] exported, then, by whatever process, or in whatever manner, or under whatever name it is disguised, it is a bounty upon exportation."[1]

and under the statute (19 USC 1303) requires the imposition of a countervailing duty.

The Treasury states the position which it follows in administering this section—

> "Remission of internal taxes borne by a product is one method by which a bounty or grant can be bestowed indirectly. If the remission does not exceed the amount of taxes previously paid, however, then such remission is not considered a bounty or grant." GATT, *Antidumping and Countervailing Duties*, July, 1958, p. 139.

The countries of the Common Market have erected a system whereunder imports from the United States are subjected, in addition to regular import duty, to the levy of a border tax equal to the amount of internal, "indirect" TVA taxes on competing products manufactured in the importing country. Conversely, exports from that country to the United States benefit from remission of those same taxes upon exportation.

Numerous other countries have analogous methods of stimulating exports and directly or indirectly penalizing imports by remitting or not collecting internal fiscal obligations.

We believe that remission of TVA taxes and similar obligations, which have the effect of making exports from those countries even more competitive in the American market, constitute "grants or bounties" within the meaning of the countervailing duty statute and should be subjected thereunder to offsetting countervailing duties.

However, the Treasury has for many years ignored the manifest intent of the Congress and the interpretation of the Supreme Court, and has proceeded to apply this statute in accord with the wishes of the major GATT signatories employing this detrimental export incentive system, despite the fact that such interpretation and administration grossly contravenes the command of the Congress and the courts.

Effective remedies to unfair import competition must be found. The countervailing duty statute affords at least a partial remedy to one aspect of unfair competition, a remedy *in existence* which does not require new legislation. What is required, however, is something in the nature of a resolution of the Congress reaffirming its intent in such terms that the Treasury will be constrained to administer it in accord with such intent and the plain meaning of the statute.

The President should not be granted authority to extend most-favored-nation duty rates to Communist countries without adequate safeguards to import sensitive industries

Senator Mondale, on May 17th of this year, introduced a bill, S. 3515, denominated the "Czechoslovakian Trade Act of 1968". Anticipating that this question will doubtless come before this Committee, we wish to comment on the purpose of S. 3513.

---

[1] *Downs* v. *United States*, 187 U.S. 500.