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THE PRESIDENT SHOULD NOT BE GIVEN FURTHER AUTHORITY TO REDUCE DUTIES

Under the proposed Trade Expansion Act of 1968 (H.R. 17551) the President is seeking further authority to reduce duties. Under the Trade Expansion Act of 1962 the President was given authority to reduce the rates of duty on imported merchandise to 50 per cent of the rates which existed on July 1, 1962. The authority expired on June 30, 1967.

Under the auspices of the so-called Kennedy Round of negotiations most of the authority granted to the President to reduce rates of duty was used. It is believed that the reductions in the rate of duty applying to imports into the United States were predicated not so much on the concessions we received from the negotiating parties of GATT, but took into account the domestic industry involved in its relation to the country, its relation to the community, the protection needed (if any) from competitive imports, capital invested, number of employees, etc. If it is a fact that those factors were taken into account, then the reductions in duty under the Kennedy Round were probably the maximum reductions possible, even if less than the full 50 per cent permitted. Therefore, to permit the President to have authority to further reduce duties for any reason would be imposing an undue hardship by the mere threat of further reductions on those domestic industries subject thereto.

The results of the Kennedy Round have hardly been realized and the mere authority to further reduce duties could result in a mass exodus of domestic industries to low wage countries.

For example, the domestic window shade industry is one that is economically operated with the most modern techniques, up-to-date machinery and the best quality of plastic sheeting produced. The most competitive single country is Formosa and despite all the American know-how, etc., it is virtually impossible to compete due to the low cost of foreign labor. Plastic window shades are strictly a price item and the American housewife is concerned only with the price when shopping for the article. Assuming (but certainly not admitting) that Japan or Formosa produces a comparable window shade, the cost of the imported window shade is so much lower, including the present reduced rate of duty, that the domestic industry may find it necessary to resort to legislative relief to stay in business. When the full effect of the Kennedy Round reductions is felt by this industry, it may become very difficult to continue to manufacture plastic window shades in this country.

No one is disadvantaged if the President is denied at the present time the authority to further reduce duties. If in a specific instance, for a specific purpose it is necessary, Congress can authorize such authority. Blanket authority to the President at this time can only be detrimental to domestic industries.

TO LIBERALIZE ADJUSTMENT ASSISTANCE CRITERIA PROCEDURES FOR FIRMS AND WORKERS WITHOUT LIBERALIZING THE ESCAPE CLAUSE FOR DOMESTIC INDUSTRIES WOULD BE LESS THAN A NULLITY

A. History Of The Escape Clause

From the beginning of the Trade Agreements Program there has been concern that as a result of a decrease in import restrictions there would be such an increase in imports as to seriously injure or to threaten serious injury to domestic manufacturers. When the President was given authority in 1934 to reduce import restrictions he committed himself to use the authority in such manner as not to injure sound and important American industries. However, in administering the Trade Agreements Act it soon became apparent that some domestic industries would be seriously injured. An "escape clause" was, therefore, included in trade agreements which permitted the United States to withdraw a concession under certain conditions.

The Trade Agreements Extension Act of 1951 for the first time had an "escape clause" procedure provided for by statute (Sec. 7). This provision in substance held that the Tariff Commission should investigate all escape clause applications; imposed a time limit for the investigation; and allowed an actual as well as a relative increase in imports to satisfy the procedural criteria. The Tariff Commission pursuant to the investigation then had to determine if as a result