FOREIGN TRADE AND TARIFF PROPOSALS

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BEFORE THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND SESSION

ON

TARIFF AND TRADE PROPOSALS

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FOREIGN TRADE AND TARIFF PROPOSALS

WEDNESDAY, JUNE 26, 1968

House of Representatives,
Committee on Ways and Means,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman of the committee) presiding.

The Chairman. The committee will please be in order.

Our first witness this morning is our esteemed colleague from Massachusetts, the Honorable William H. Bates. Mr. Bates, we appreciate your being with us and you are recognized.

STATEMENT OF HON. WILLIAM H. BATES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. Bates. Thank you, Mr. Chairman.

Mr. Chairman. I am grateful to you and the members of the committee for affording me this opportunity to be here today. As you and the members of the committee know, your distinguished colleague, Mr. Burke, and I have for many years led efforts through myriad avenues to help protect the American shoe industry from the ravages of imported footwear from the cheap labor countries of the world.

I am, therefore, grateful for this opportunity to come before you today and particularly to see Mr. Burke on the bench with you, as the labor and management leaders of the U.S. footwear and leather industries appear here to detail the frightening—and I emphasize, Mr. Chairman, the word "frightening"—import problem as they see it.

Perhaps I can best set the scene for this presentation by recalling that even before the Kennedy round agreements were reached at Geneva, the volume of footwear imports was rising at an alarming rate and threatening the livelihood of domestic shoe workers. But, since the Kennedy round, the shadows have already begun to broaden in this area.

Consider, gentlemen, that in 1955 leather footwear imports amounted to 7.8 million pairs valued at $13.6 million. Yet, by 1967 the total imports of nonrubber footwear had soared to 129.1 million pairs worth $217.6 million. That was an increase of 35 percent in pairs and a 41-percent increase in dollar value over 1966.

Then, in January of this year, 78 percent more foreign-made shoes came into the United States than in January of 1967. For the first 4 months of 1968, these imports totaled 69 million pairs valued at about $112.7 million.

Now, this means that shoe imports are up 47.5 percent this year over last year in numbers of pairs and 58.4 percent in dollar value. If this trend continues—and there is every indication that it will—imports, which represented only 1.2 percent as a percentage of U.S. production in 1955, could equal 35 percent of total domestic production in 1968, possibly 50 percent in 1969 and, almost certainly wreck the U.S. shoe industry, a large segment of which is in the Massachusetts districts which Congressman Burke and I represent, within the next few years.

I think, Mr. Chairman, the figures that have been presented here are alarming.

Similar disaster faces our leather manufacturing industry which is largely dependent upon a healthy domestic shoe manufacturing industry.

To avoid that prospect, Mr. Burke and I introduced H.R. 13616, a bill which would provide for orderly trade in leather footwear. Other measures are before you, including Congressman Herlong's Fair International Trade Act, H.R. 16936, which would establish ceilings on imports of a wide variety of products.

Also still before this committee is the earlier Orderly Marketing Act proposal, incorporated in H.R. 87 and H.R. 88, which I and Congressman Burke, respectively, introduced.

At the same time, these legislative proposals would permit foreign producers to share in the orderly growth of the domestic market.

The bills I have mentioned by number all potentially would benefit the American shoe and leather industries. It is apparent that what may emerge from the Ways and Means Committee is a composite plan to help maintain many different American industries while permitting international trade to expand. Toward that end, I sincerely hope that you gentlemen on the committee will give the most serious attention to the data and views you will hear today and include provisions in any new legislation which will help preserve the jobs of American shoe and leather workers.

Also, the trade adjustment assistance provision of the Trade Expansion Act of 1962 must be strengthened so as to make them effective. I can think of no better way to emphasize this point than to quote from the resolution adopted by the Seventh Constitutional Convention of the American Federation of Labor and Congress of Industrial Organizations endorsing the concept of import quotas.

It says:

"The AFL–CIO conditioned its support for the Trade Expansion Act on the promise that American workers and firms, adversely affected by imports, would be safeguarded and/or assisted. As a result of the Tariff Commission's rigid interpretation of that law, all petitions for trade adjustment assistance have been rejected.

"The AFL–CIO reaffirms its conviction that a workable and effective adjustment assistance program is essential as one solution for some trade-related problems."

The Tariff Commission study requested recently by President Johnson to determine the effect of imported shoes on the American footwear industry is, of course, a welcomed sign that the facts already known to many of us have caused concern in our Government.

This study was asked after a unique exhibit of comparable domestic and imported shoes took place on Capitol Hill, which I know you saw yourself Mr. Chairman, and was seen by many of you in addition.

The statistics revealed at that exhibit by the National Footwear Manufacturers Association showed that in 3 short years, shoe imports leaped from 87,063,000 pairs worth $118,478,000 in 1965 to 129,134,000 pairs valued at $217,593,000 in 1967.

Thus, Mr. Chairman and gentlemen of the committee, I think you can readily see why Congressman Burke and I feel we must continue to press for effective steps in every possible area, even as the Tariff Commission study progresses, to provide urgently needed relief for the American shoe and leather industries. The legislation you are considering can be a major factor in that regard.

Mr. Chairman, I have had extensive experience with the impact of imports from overseas. I saw the fishing industry of the United States destroyed. With the shoe imports I predict the same kind of a picture for the shoe industry of the United States—imports 1 percent of domestic production in 1955, anticipated 50 percent in 1969.

Mr. Chairman, this cannot continue if we are to have a shoe industry in the United States of America.

Thank you, Mr. Chairman, for your kind attention.

The CHAIRMAN. Thank you very much, Mr. Bates, for coming to the committee and giving us the benefit of your thinking on this matter. Any questions?

Mr. HERLONG. I would just like to compliment the gentleman on a very fine statement.

Mr. BATES. Thank you.

Mr. HERLONG. I appreciate it.

The CHAIRMAN. My Byrnes.

Mr. BYRNES. I too want to join in complimenting the gentleman. He has been very helpful to the committee.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. I also wish to commend your colleague, Mr. Bates, and no one knows the shoe problem any better than Congressman Bates because he has been working with it for many, many years.

I would like to ask the Congressman if it isn't true that we in New England learned a long time ago as a result of what happened to the textile industry and the fishing industry, what can happen to other industries, and it is because of this that you take the strong stand that you do here this morning.

Mr. BATES. Yes. Thank you, Mr. Burke. I have seen it all happen in my own district, the shoes, the hats, the fish, the textiles, electronics, and the shoes are now going down the road of the fishing industry unless we do something about it. The hour is very, very late.

Mr. BURKE. Do you agree with the statement made by the head of the shoe industry here in America if imports continue at the present rate this year—I know you are acquainted with the fact that in January there was a 73-percent increase in imports over the same month of a year ago—the imports will then represent approximately 35 percent of the domestic market.

Mr. BATES. Yes, this year and it is expected probably next year, 1969, up to 50 percent. There is nothing to stop them from going that high and a lot higher. We are on the road to the destruction of the shoe industry in America unless we do something.

The CHAIRMAN. Thank you again, Mr. Bates, for a very fine statement.

Mr. BATES. Thank you very much, Mr. Chairman.

The CHAIRMAN. Senator Javits——

Mr. BURKE. Mr. Chairman, at this time I would like to have unanimous consent to have placed in the record a statement by Congressman William D. Hathaway of Maine. (See p. 4010.)

The CHAIRMAN. Let those statements appear in the record at the conclusion of the members who are testifying this morning. Also at that point in the record I would ask that the statement of the Hon. Robert McClory be included also. (See p. 4011.)

Senator Muskie, we appreciate your coming over on this side commisserating with us about some of our problems. You are welcome.

STATEMENT OF HON. EDMUND S. MUSKIE, A U.S. SENATOR FROM THE STATE OF MAINE

Senator MUSKIE. Thank you very much, Mr. Chairman and members of the committee. I must say this is unfamiliar water for me.

The CHAIRMAN. You feel right at home.

Senator MUSKIE. Thank you very much. Mr. Chairman and members of the committee, I appreciate very much this opportunity to appear before you to testify in support of H.R. 88, the Orderly Marketing Act, introduced by Congressman Burke, and H.R. 13616, the Orderly Footwear Marketing Act. I should also like to note my support of H.R. 17674, introduced by Congressman Collier.

Mr. Chairman, the last decade has witnessed a swift and remarkable change in the conditions of world trade. In a number of industries, particularly the shoe industry, the complex problems of high labor input, narrow profit margins, and limited capital resources have helped low-wage foreign competition to gain major inroads on the American domestic market.

This situation has threatened the existence of many American manufacturers, particularly the small ones, and their workers.

Although we all recognize the need for expanded world trade, as I do in my northeasterly State, we do not think it makes sense for our workers or our industrialists, or in the long run, for industrialists and workers in other countries, to depend on erratic, unstable trade developments as a vehicle for economic growth.

In our domestic markets we use a number of devices, including minimum wage and hour laws, for example, to insure fair competition. We cannot apply similar requirements to foreign countries.

In 1955, footwear imports were approximately 8 million pairs, or 1.2 percent of domestic production. In 1967, we imported 131 million pairs, a dramatic increase over 1955. For the first 4 months of 1968, we imported 69 million pairs, or 30.7 percent of domestic production.

This shocking increase in imports is most significant to me, Mr. Chairman, because footwear manufacturers are the largest employers of labor in the State of Maine. It is important, I take it, to my colleagues in Massachusetts, New Hampshire, Pennsylvania, New York, Missouri, Tennessee, Arkansas, Illinois, and Ohio, where substantial numbers of workers in the manufacturer of footwear are employed.

It is particularly serious to the American economy because it strikes at small business the foundation of our economy, and the type of economic enterprise that we are trying to preserve.

The majority of footwear factories are in small towns where they are the major source of employment and income. There are over 1,200 footwear-producing plants located in over 600 communities in 42 States. While the industry employs over 230,000 workers and has a payroll of almost a billion dollars a year, these plants are typically small business operations, many of them struggling for existence.

They employ somewhere in the neighborhood of 200 workers per plant, and the total industry employs almost 235,000 workers. Another 75,000 people are employed in the tanning and allied industries which provide leather, machines, materials, and supplies for footwear. This is not an unimportant industry. The total sales of footwear at retail approximate $6 billion.

Mr. Chairman, how could the import situation in footwear have developed so rapidly that it has absorbed all the growth that the domestic footwear industry should have enjoyed in the past decade? How could this happen in the greatest industrial nation of the world, the supposed leader in productivity and efficiency? How could imports of foreign footwear grow from literally nothing to a point where they are equal to almost a third of our domestic production in a little over a decade?

The answer is simple. Imports increased at this rate, and will continue to increase rapidly, because they are produced at wage and hour costs that are illegal in the United States. They are being produced in plants rebuilt with American dollars in Japan and Western Europe following World War II.

Footwear manufacture employs relatively simple machines to cut, sew, and cement footwear materials into a shoe. Techniques are practically the same from one country to another. Even with these new plants, foreign footwear manufacturers have but one advantage, and that is cheap labor. Their wage rates are from a third to a fifth of the wages that footwear manufacturers pay in the United States.

And let me emphasize that imports are not due to inefficiency in the American footwear industry. Various studies have shown that American footwear manufacturers' productivity exceeds that abroad by anywhere from 25 to 35 percent in pairs per worker per day.

American wage rates in footwear are the highest in the world, although among the lowest in American manufacturing. American production workers in nonrubber footwear manufacturing plants at the present time average an estimated $2.41 an hour including fringe benefits.

In the rubber footwear industry, U.S. workers receive $2.62 an hour, not including fringe benefits and allowances. Footwear workers in Japan make an estimated 63 cents an hour, and in Italy, 78 cents an hour including fringe benefits and bonuses. The labor cost advantage is so great that domestic footwear manufacturers, no matter how efficient, cannot compete.

Footwear imports have meant the export of jobs which should have been performed by American workers. If all imported shoes had been produced in the United States, in 1966 there would have been 39,000 more job opportunities.

As imports increase, a greater number of job opportunities will be lost. Is it more important to make jobs for Japanese or Italian workmen than for American workmen? How, with these conditions, will we be able to absorb the workers coming on our labor market in years to come?

The footwear industry has been seeking recognition and relief on this problem since 1959, when it presented an extensive exhibit of imported footwear to Senators and Congressmen from important footwear-producing States, and to representatives of various Government agencies.

In fairness to the officials involved, it should be pointed out that when the footwear industry showed the need for better marking of imported footwear which were mismarked in order to avoid proper tariff duties, some action was taken to correct this problem. There is more to be done in this direction, and I urge customs officials to give this matter their attention.

In 1961, the footwear industry again invited Senators and Congressmen to visit an exhibit of imported footwear and to appraise its impact on the domestic industry. Well over 100 Senators and Congressmen took advantage of this opportunity.

Following this meeting, I introduced Senate bill 1735, the Orderly Marketing Act of 1961. I have again introduced this bill as S. 1446. This was not, and is not, a protectionist bill. It was not a bill to roll back imports or raise tariffs or provide any other unrealistic treatment of imports under existing world conditions today.

It recognizes the administration's desire to increase and promote international trade. It is based on a live-and-let-live philosophy. It follows general practices which have prevailed in certain other countries and, in fact, is much fairer than certain of these practices.

It calls for the establishment of voluntary quotas which would guarantee to all nations the share of the U.S. market which they had earned over a recent period.

Furthermore, they could continue to share in the normal growth of the U.S. market.

There was no action on this bill in 1961, and there has been no action taken on S. 1446, this year's bill. Congressman Burke and other Members of the House recognized this serious problem years ago.

The situation in footwear and other commodities calls for a thorough review by this Congress.

At the various hearings on trade policy or international monetary problems, we are inundated with views which go back to the views of Adam Smith that "the prudent man will never make at home what it will cost him more to make than to buy" and to John Stuart Mill that "the benefit of international trade is a more efficient employment of the production forces of the world."

We can admit that the gains from international trade are important and that trade should be encouraged while at the same time, admitting that the realities of trade in today's world—what Oscar Gass, the noted economist, called a world of quotas and buying discrimination—may call for some modification of the 18th- and 19-century thinking.

No one with any understanding of international relations today would argue for a major curtailment in innternational trade, or even high traiffs, or rolling imports back to some former base. But the time has come when we must consider the impact of imports on certain of our industries and agriculture and adopt policies which may, when necessary, be used to regulate the growth of imports to some live-and-let-live basis.

Other nations do not hesitate to protect their domestic industries. Congress recognized the realities of the import situation a few years ago in setting up protection for the domestic meat industry. Similar protection has been set up for the oil industry. The long-term cotton agreement was inaugurated by Congress when imports were around 6 percent of domestic production or a quarter of the present level of imports to footwear.

President Johnson recognized the impact of imports on the dairy industry recently when he imposed by proclamation drastic restrictions on the imports of dairy products.

I think this Congress needs to know a great deal more about the details of our international trade, the flow of dutiable and nondutiable goods and the effect of tariffs on this flow, as well as the restrictive practices of our trading partners.

I want to commend this committee for holding these hearings on foreign trade, and hope that productive legislation will result to better regulate the flow of goods into this country.

This administration has used monetary and fiscal policies to achieve gains in the GNP in 1 year equal to or greater than the total of our annual merchandise exports. Our continuing problem is to maintain a viable economy at home.

Otherwise, we shall not be able to help less fortunate countries. And I emphasize again this appeal is a far cry indeed from 18th- and 19th-century "protectionism" charge that is usually hurled at anybody who raises a warning voice against rapidly increasing imports.

I will conclude my presentation with just this observation. When I introduced this legislation in 1961 for the reasons that I have outlined here and for the objectives which I have described here the footwear industry was virtually alone in seeking this kind of relief which was consistent with expanded trade but at the same time which permitted an orderly transitional period enabling the domestic industry to adjust.

Since that time the same reason which created the problem for the shoe industry has increasingly created a similar problem for an increasing number of other industries.

This suggests, Mr. Chairman, that we have not really in developing our trade policies focused upon the adjustment problem of American industry. I think we must, first of all, in the interest of expanded trade, but, secondly, in the interest of protecting vital American industries and vital American jobs.

The orderly marketing approach I think is the best device yet conceived to achieve this twin objective.

May I, since I am on this side, pay my compliments to Congressman Burke and Congressman Bates for their interest in the problems of the shoe industry. What we have undertaken to do and what we have undertaken to develop legislatively I think is also of importance to other industries in our own area.

There are wood turning industries in my State which are concerned with this. The textile industries, both cottom and wool, are concerned with this. The same approach I think can be taken constructively, and consistent with expanded trade, to protect the legitimate interests of American industries against real grievances.

Thank you very much, Mr. Chairman.

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The CHAIRMAN. Thank you, Senator Muskie. We do appreciate your coming to this side of the Capitol to discuss with us your views and of course these matters will be fully considered by the committee.

Are there any questions? Mr. Burke.

Mr. BURKE. Mr. Chairman, I would like to compliment Senator Muskie for his excellent statement here today. He really has covered the entire subject matter and particularly that part where you have emphasized the fact that we are not asking for a cutdown or rollback of imports.

In fact, we are recommending a flexible increase as long as it is a reasonable increase and this is something that many people are overlooking. They are making the charge of protectionism and actually it isn't. We don't mind them continuing their industries over there as long as they don't glut the market to such an extent that it would make the shoe business extinct.

Senator, I believe you are acquainted with the problems in New England as well as anyone of us and you remember in Nashua, N.H. when the textile mills closed down there how long it took, about 10 years, for that city to get back on its feet.

Most of these shoe companies up in our area, I believe, are small companies, maybe with 200 or 300 employees, family-owned businesses, and if they go out the towns go down completely.

Senator MUSKIE. And this is what has been happening, Congressman, as you know. First of all, as the textile industry dried up in New England a lot of these small towns disappeared. We are concerned these days with urban problems and one reason that we have these problems in the cities is because of the influx of these people from small towns that have been dried up in the backwash of our economic growth in this country, so the one-horse town, as we described it in Maine, is terribly important not only to its own people but to the problem of dealing with the urban crisis.

We have to find ways for people now to make a living and to find opportunities in the rural areas of América if we are to slow down the tide of people moving into the cities.

You know, one of the things that frustrated me about the Trade Expansion Act of 1962 was the provisions to provide economic relief for workers who lost their jobs as the result of industry closings related to imports.

The fact is that there is no effective way of providing relief when a single factory in a one-horse town in New England closes its doors. I don't think there is any way effectively of reaching into all these small towns and finding substitute industries of this kind which die and close their doors as a result of import competition.

So I think we have to consider their vitality in the long run.

Mr. BURKE. Thank you.

The CHAIRMAN. Any further questions?

If not, again Senator, we thank you very much.

Senator MUSKIE. Thank you very much, Mr. Chairman and members of the committee.

The CHAIRMAN. Is Senator Javits in the room now? I see our colleague from Pennsylvania, the Honorable John Dent, present.

Mr. Dent, will you please come forward?

STATEMENT OF HON. JOHN DENT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. DENT. Mr. Chairman and members of the committee allow me first to thank you for the opportunity to present a few views here this morning at this important decisionmaking conference.

The CHAIRMAN. We are pleased to have you with us and you are recognized.

Mr. DENT. Mr. Chairman, I don't intend to take any time giving you a lot of massive figures. I think you are getting as many figures as you can possibly absorb from those who are identified with the affected industries both pro and con.

However, I have come here to present to the committee a compilation of all of the nontariff barriers that have been set up by our 58 trading partners in GATT. You will find every country—52 of the countries are listed here—with the barriers that they have against U.S. imports.

By the passage of time and the history of the international trade movement we find that if there is any hope at all of ever getting what the dreamers call "free trade" it will take a greater lifetime than any of us can hope to live to be able to iron out the nontariff barriers which are a greater barrier to American imports in other countries than all the tariffs and customs that were ever assessed.

We have talked about trade without giving much attention to the phenomena that have taken place in our generation. There have been three steps in this trade movement that have been serious and apparently overlooked by many of the observers who are on the scene and have been writing about trade for so many years that they have become "experts" because of their publications.

First, this Nation attained a very enjoyable position in world trade in that it was the major distributor of mass produced goods, thereby enabling America to open its borders up to millions of untrained workers from all over the world who were able to fit into our industrialization plan and who became trained and skilled people in our economy.

Up until World War II we had what was practically known as an exclusive export business in that it was without a doubt the largest man had ever seen coming from any one country.

However, this was caused by two things. One: we were able to produce because we recognized the dependence of one upon the other, wages paid and the purchase of goods. We recognized this and probably the one outstanding example was when Henry Ford decided to pay $5 a day compared to 80 cents and 90 cents a day in the coalfield, recognizing that unless people had money that couldn't buy the products of industry.

This lesson has yet to be learned in foreign countries, although there are those who come and testify before the many committees of this

Congress and say that a certain nation's wages have increased 27 percent while ours only went up three and a half percent.

Twenty-seven percent of a 10-cent wage doesn't come near being what 3 percent of a $3 and $4 wage amounts to. We find ourselves then in this position: That after World War II we started to help other nations become self-sufficient. I will remember as long as I live that every President that I have served with and every President before I served here in asking for the renewal and the first passage of the Foreign Aid bill starting out years ago based it upon the plea that the world in order to be free had to be self-dependent on its own ability to produce for its people the goods that they needed.

We went out and helped unselfishly, probably more so than any other nation ever dreamed of helping. Then the second stage of this trade evolution took place, and when the foreign countries started to become able to produce goods for themselves this reacted against our export volumes and our export ratios.

When it became a difficult task for American industry to export into a country because of that country's emergence as a producing nation of its own, American industry then started planting its own production facilities in the foreign countries, presumably to meet competition within that country, saving both the labor cost and the transportation cost on their products.

Well, as the foreign country's productivity expanded and it became more proficient it then started to come into our market with products in competition with our own domestic production. Consequently, we find ourselves now in a position where American industries are climbing over each other to build plants in foreign countries, not exclusively for the purpose of penetrating and staying within markets that they once held, but in order to ship back to the United States, escaping our fair labor standards.

My interest started when I became a Member of Congress and one of our largest plants shut down on the claim that it was injured by importation of flat glass and window glass. I became chairman of the ad hoc committee studying the impact of imports in 1960 and have held hearings ever since under one gaze or another, and thanks to the chairman of this committee I was given a wide latitude in the hearings that my committee held.

I have learned that it is impossible for any high-cost nation to compete in a free trade world where the mandated cost of production cannot be compensated for at some point in the retail distribution of products.

I mean by that that we can beat world competition by one of two methods. We can do what this Government thinks now is the answer, and that is to subsidize our foreign exports by giving aid to industry to meet foreign competition. That would be very good except for the fact that we have established in this country by law certain minimum standards in labor and we have established another phenomenon in a civilized world, a minimum standard of income for a family to live with, and so if they don't get their pay by working and producing goods we take from those who are working and producing goods to provide the necessary incomes for the families that are deprived of work because of either automation or importation.

Our committee showed that the two are related. Excessive imports compel a company to automate beyond its need. Automation is a blessing to humanity only if it beats demands for goods. It is not a blessing but becomes a curse when it deprives a man of an opportunity to buy the goods that automation produces.

Anybody that kids himself that these foreign countries aren't equipped to meet us technically because their technology is not up to ours is just a fool, and I use the word "fool" because I would hate to use the word that I really believe would fit better. In my trips investigating this particular subject matter all over the world, both as a private citizen and as a Member of Congress, I ran into one plant, for example, with 5,500 employees in Hong Kong producing electronics apparatuses owned and operated by an American company, one of the largest in the United States—I think its stock went up from $14 to well over $200 at one time—and all 5,500 employees were native Chinese without minimum wages, without social security as such, without unemployment compensation as such, without any of the so-called labor conveniences and labor mandates that we have in the United States, and yet the entire production of that plant was sent back to the United States commingled with their American production and flowed into the trade circles of the United States without any distinction whatsoever between foreign made and American made.

Today with the differential of $150 to $210 per automobile, you walk into any sales agency and I defy anybody to tell me which car was made in Canada and which was made in the United States.

It is all right if we were not tied to a situation where, as was predicted in 1961 on the floor of the House, and the article is before me, within 6 years, within 5 years before the end of the Kennedy round, we would find our gold flow taking a reverse course; we would find ourselves in a position where the dollar would be in jeopardy and static unemployment would become a way of life in the United States. We hear all these rosy stories about how many jobs we have created but we have yet to have been able to keep up job opportunity with the GNP in this country.

We have a greater growth in the GNP than any nation has ever achieved but at the same time the youth of this country, and especially the untrained people, cannot find jobs because, the labor-intensified job opportunities have been given to the foreign producer.

In the year of our Lord 1968 we have discovered an increase of 48$\frac{7}{10}$ percent in the first 3 months of this year of shoe importation in the United States. When you find that in the first 3 months you have imported 89 million pair of shoes in the United States with a population of 200 million you are reaching a position where you will not be producing the goods that make the daily income of the American people.

We are, yes, way ahead in sophisticated goods, they say. But we are not that far ahead. We are now beginning just to hold our own because we have shipped our technology, we have shipped our ability, we have shipped our financial stability over to the producers, and the sophisticated goods are dependent entirely upon whim: the will of the wisp of style, the will of the wisp of utility, the will of the wisp of desire and personal selection—but they don't create the jobs that we need to keep this country moving forward.

The jobs are created in mass-producing industries where we took untrained foreigners, my father included, who did not know the language or the customs, and threw them into our industrial mill in this country and they produced the steel, they produced the mechanical goods, and they produced the machinery, without any previous training.

We are now emphasizing the spending of billions of dollars to train people to do jobs that in most cases could be learned right on the job. I became a machinist at the age of 12 by working 6 weeks at the job in an industrial plant and later became a millwright and a toolmaker.

We need the jobs. We will spend to rehabilitate the job economy of a community with 7,000 people that loses its only industrial plant, and such communities are losing them as American industry pushes itself out from under the mandated cost in America of the Fair Labor Standards Act, and the Federal taxes for poverty, the Federal taxes for relief, the Federal taxes for clean streams, and clean air and all of these things.

We are pushing the small community out because of another phenomenon in our midst—the conglomerate that has developed, the so-called multicorporation and the conglomerate base. An ice cream company will buy a steel company. A steel company will go out and buy a dry cleaning plant.

We have reached the stage where they buy them, take their customers, and their mailing list, and so on, and eliminate them. Small communities cannot survive. They will not survive if we don't do something on the order of H.R. 470, which the chairman was gracious enough to let us work on in the House of Representatives, which establishes a base on an individual product, an individual community, an individual worker, and an individual plant.

Unless you do that, gentlemen, unless we do something along that line, believe me, what I predicted 6 years ago will come true with a vengeance.

I would pray to you that I was wrong, but I say to you at this moment when this war is over and we go back to the production of domestic goods we will find ourselves in a position in this country where all the talk about trade will become the last thing we want to hear.

And another thing I warn you about, and I don't think you need the warning, is the great mushroom of publicity groups and propaganda groups that will be established and are being established at this moment.

There was a new one just established under the leadership of the head of Gillette, which incidentally established one in 1960 when this committee was working on the 5-year plan; and it died as soon as they got their 5-year plan and it will die now as soon as they succeed, as they hope to do, in keeping any restrictive covenants from being put on steel. You know the figures. I don't need to tell you the figures. But this is one reminder I want to give you.

When you shut down a plant in a small town that has 100 employees, 400 wageearners lose their income. You take a desert with nothing on it and you put 1,000 people to work producing goods and 7,000 people will live in that desert spot but, believe me, when I say to you that while the big companies will be able to meet the challenge they will only meet it by moving overseas and producing in areas like the Mexican territory along the Rio Grande that is now tax-exempt for American industries.

I am sorry. I don't want to give you a lecture and I am getting way out of line.

I want to thank the committee. If there are any questions I would like to answer them.

The CHAIRMAN. We appreciate very much, Mr. Dent, your coming to the commitee. I am going to suggest that the material you brought with you be made a part of the record at this point. It isn't complete.

Mr. DENT. No, it is only 1967, October. Since that time, Mr. Chairman, I might say to you after the Geneva pact was signed Germany increased its border tax from 8 to 10 percent and there have been three new barrier type taxes put on by Common Market countries in specific areas where they were affected by the reduction in their tariffs under the agreement at Geneva.

The CHAIRMAN. But it does deal with selected items.

Mr. DENT. That is right. That is the most important feature of that report.

The CHAIRMAN. If there is no objection this will go in the record.

(The information referred to follows:)

U.S. DEPARTMENT OF COMMERCE
BUREAU OF INTERNATIONAL COMMERCE

NON-TARIFF TRADE BARRIER INVENTORY BY COUNTRY

October 1967

The attached Tables 1 through 52 identify, describe, and to the extent possible determine the significance of the more important non-tariff trade barriers on industrial products imposed by the 52 GATT contracting parties listed below. This survey is an updated version of a similar 1963 study and is the result of the combined efforts of country and regional specialists, tariff analysts, and reports and complaints received by Government agencies from the business community regarding non-tariff trade barriers. The analysts have estimated the impact of specific restrictions on U.S. trade and, where possible, the increase in U.S. trade which might be expected in the absence of the restrictions. Attempts were made (without the benefit of legal advice) to determine the legal status under the General Agreement on Tariffs and Trade (GATT) of each restriction as well as the possible negotiability of the specific barrier. Where tariff bindings relative to products covered by the restrictions were readily discernible, these too have been noted.

As indicated above, this inventory is limited to industrial products. With the exception of certain processed goods, such as alcoholic beverages and tobacco products, agricultural products are not included. The information presented is divided into three general classifications for each of the countries covered: "Non-Agricultural Quantitative Restrictions," "Health, Sanitary and Safety Restrictions," and "Other Restrictions."

The tabulations are included in Tables 1 through 52, as follows:

EUROPE
1. Austria
2. Belgium-Luxembourg
3. Denmark
4. Finland
5. France
6. Germany
7. Greece
8. Italy
9. Netherlands
10. Norway
11. Portugal
12. Spain
13. Sweden
14. United Kingdom

WESTERN HEMISPHERE
15. Argentina
16. Brazil
17. Canada
18. Chile
19. Dominican Republic
20. Haiti
21. Nicaragua
22. Peru
23. Trinidad & Tobago
24. Uruguay

FAR EAST
25. Australia
26. Indonesia
27. Japan
28. Korea
29. Malaysia
30. New Zealand

NEAR EAST-SOUTH AISA
31. Burma
32. Ceylon
33. Cyprus
34. India
35. Israel
36. Kuwait
37. Pakistan
38. Turkey

AFRICA
39. Cameroon
40. Central African Republic
41. Chad
42. Congo (Brazzaville)
43. Gabon
44. Ghana
45. Kenya, Tanzania, Uganda
46. Malawi
47. Nigeria
48. Sierra Leone
49. South Africa
50. Southern Rhodesia
51. Upper Volta
52. Zambia

TABLE 1

AUSTRIA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Controlled goods include such products as:				
a. Antibiotica and medicaments containing antibiotics	Quantitative import restrictions	Not significant	Tariff concession obtained; special GATT waiver	Imports are divided for licensing purposes into three major categories: "free merchandise," for which no license is required; "liberalized goods;" and "controlled goods." Liberalized goods from the U.S. are licensed automatically; controlled goods, in most cases, are licensed under global quotas. The controlled goods listed here are defacto liberalized if shipped from the U.S.
b. Penicillin, tyrothrium	Quantitative import restrictions	Not significant	Special GATT waiver	
Valuation and Taxes				
All imports	1. Turnover equalization tax: (a) certain foodstuffs 1.8% (b) certain semi-finished products 5.25% (c) certain finished products - 6.75% (d) certain other finished products 8.25%	Significant, but groups too broad to permit trade summary	Legal and negotiable, affects bound items	Tax intended to compensate for taxes levied on similar goods when produced and sold domestically. Inclusion of duty in value base inflates tax. Law to change value-added tax now in preparation.

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes (Continued)				
All imports (cont.)	2. "Organschaft" principle of turnover tax system	Significant, but groups too broad to permit trade summary	Legal and negotiable, affects bound items	Products imported and resold by subsidiaries of foreign, including U.S., firms are subject to a domestic turnover tax of 5.25% (the tax rate for sales by manufacturers). By comparison, goods imported and resold by an independent Austrian importer are subject to a 1.8% turnover tax (the tax rate for wholesale transactions). The "Organshaft" principle of taxation will be eliminated with the changeover to the value-added tax system.
Health, Sanitary & Safety Restrictions				
Many industrial, canned and packaged goods	Industrial standards, marking and labeling requirements	Not significant	Legal, but not removable. Affects bound items	Regulations intended for consumer protection.

TABLE 2

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Coking Coal	Quota, imports are licensed. 1967 quota for U.S. 807,000 metric tons	Severe, 1966 imports from U.S. $20.6 million (includes an estimated $6-7 million of non-quota coal for processing) Est. imports if removed - $40 million	Illegal, GATT binding in KR	Reduction of coal quota result of deterioration in Belgian coal industry. 1966 quota, 1,185,000 metric tons. Steel slow-down and improved efficiency resulted in lower requirements. Easing of restrictions could be expected if steel production and economy show upturn
Valuation and Taxes				
All imported goods	Transmission tax or lump-sum tax - generally 7% but may vary on certain commodities from 1% to 15%	Significant, 1966 imports from U.S. $569 million (includes items subject to luxury tax)	Legal2/ and negotiable	Turnover tax is same on both domestic and imported goods. A number of imported goods are subject to higher rates due to imposition of additional charge (majoration) to compensate for taxes assessed on the like domestic product during manufacture. A 17%, 18% or 20% luxury tax is levied on some goods in place of transmissions tax depending on time of collection - at port or consumer sale. Taxes are levied on landed duty-paid value.

1/ The foreign trade of Belgium is combined with that of Luxembourg within the framework of the Belgium-Luxembourg Economic Union. Yet, while the 2 countries have a common system of foreign trade controls, they also maintain separate regulations which are applied only domestically. Items applicable to both countries are marked herein with the symbol, BLEU.

2/ There are some features of the majoration tax which may conflict with the terms of the GATT.

TABLE 2

BELGIUM-LUXEMBOURG

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agric. Quantitative Restrs. (Cont'd)				
Anthracite	Quota, imports are licensed. 1967 over-all quota for third country imports, 200,000 maximum. Antici-pated 1967 total quota allotments, 185,000 metric tons. Est. 1967 U.S. quota, 20,000 metric tons. (1966 U.S. quota, 20,000 metric tons).	Not significant. Trade data n.s.s. but included with other coal.	Illegal, GATT binding in KR	Quota established "tempo-rarily" Apr. 1965. Subse-quent deterioration of coal industry led to con-tinuance of quota. U.S. allocation for 1st half of 1967, 11,500 metric tons. Of minor importance to U.S., since U.S. pro-duces little of quality demanded by Belgian market
Penicillin, its salts and compounds, and products thereof (BLEU)	Benelux global quota (1966 quota, 2,550 billion Oxford units, same as in 1965. 1967 quota presumed to be same as 1966.)	Not sifnificant 1966 imports from U.S., $672,740. Est. imports if re-moved - no change	Illegal, items bound	Quota established on be-half of Netherlands. As partner in Benelux Ec. Union, Belgium maintains quota to prevent diver-sion of Belgian imports to Netherlands. Belgian im-ports for reexport outside Benelux considered outside quota.
Lignite; coke; semicoke; petroleum and products; certain chemicals; basketwork; a number of textile fibers, yarns and fabrics; women's synthetic hose; jute sacks; natural and synthetic precious and semiprecious stones and dust; tube, pipe, and hollow bars of gold; zinc plate, sheet and strip; X-ray apparatus; firearms, other arms and parts; ammunition and military ordnance. (BLEU)	Import licensing	Not significant, group too broad to permit trade summary	Illegal, affects bound items	Licenses have been granted without exception for shipments from the U.S. which have been properly documented

TABLE 2

BELGIUM-LUXEMBOURG

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes (Cont'd)				
Automobiles	Road tax based on fiscal horsepower	Not significant, 1966 imports from U.S. $12.9* million (U.S. data)	Legal and negotiable	More burdensome on higher horsepower U.S. automobiles.
Health and Sanitary Restrictions				
Pharmaceutical products	Health and sanitary regulations	Not significant, 1966 imports from U.S. $4.7 million	Legal, but not negotiable	General health measures requiring testing, purity controls, marking requirements and prohibition of certain additives. Purpose of the regulations is to protect the public health and welfare.
Other Restrictions				
Motion picture films	Subsidy (Belgium)	Not significant - 1966 imports from U.S. $304,900. Est. imports if removed - no change	Legal and negotiable, item bound	Ministry of Economic Affairs authorized to pay cash subsidies to Belgian producers based on exhibition tax, collected at showing of Belgian films, i.e., 70% for feature films, 25% for short subjects and documentaries, and 5% for newsreels. Special conditions must be met to establish eligibility for subsidy.

*U.S. and Belgian data concerning automobiles differ. U.S. figure shown is comprised of $9.05 million of chassis and assembled and unassembled automobiles, and $3.85 million of parts and accessories for assembly, whereas Belgian data is comprised of $3 million in cars (no chassis imports from U.S. reported) and well over $8 million in parts (no parts for assembly from U.S. reported in Stat. No. 8706.95), most of which are undoubtedly used in the Belgian automobile assembly industry.

TABLE 3

DENMARK

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Health, Sanitary and Safety Restrictions				
Electrical equipment, e.g., coffeemakers, toasters, socket-powered radios, T.V.'s, phonographs, etc.	Rigid technical standards	Significant, but groups too broad to permit trade summary	Legal, but not removable	Electrical equipment for use in or supplied from low voltage utilization systems must be tested and approved by DEMKO. Current in Denmark is of higher voltage than many countries. 15 European countries recently adopted common safety standards for electrical equipment. There is no evidence to indicate these regulations are for the purpose of restricting imports.
Other Restrictions				
Pharmaceutical products	Price-fixing provision of Dispensing Chemist Act	Not significant, 1966 U.S. exports $1.5 million	Legal	After expiry of 8 years from date when a proprietary medicine is first marketed, its price may be fixed to not exceed that of a corresponding medicine prepared by dispensing chemists. After a 5 year period, registration may be extended for 10 years. To date, no U.S. requests for extensions have been refused.

DENMARK

Product	Type of Restrictions	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Other Restrictions (con't)				
Approximately 24 products including electrical machinery; certain publications; cleaning powders; furniture; pencils; brushes; building fittings; hand tools; wire, nails and tacks.	Marking regulations	Not significant	Legal, but not removable	Requires indication of place of production or origin. For publications, name and address of printing office must be stated. This regulation is not for the purpose of restricting trade. Provisions for these specific articles are contained in the Unlawful Competition & Misleading Commodity Description Act. (No general requirement exists that imports be marked as to the country of origin.
All products purchased for the public account.	Government procurement practices	Possibly significant, groups too broad to permit trade summary	Legal and negotiable	No legislation in effect; discrimination favoring domestic procurement is accomplished by administrative action. Government procurement is largely on direct purchase or solicited bid basis.

DENMARK

DENMARK

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes				
Nearly all manufactured goods	10% Value-Added Tax	Possibly significant	Legal and negotiable	Tax intended to compensate for taxes applied to like goods when produced and sold domestically.
Motor Vehicles	Excise Tax	Not significant 1966 U.S. exports of motor road vehicles, $3.3 million.	Legal and negotiable	The tax is applied equally on domestic and imported goods. The tax on passenger vehicles is highly progressive and falls more heavily on the more expensive American automobiles.

TABLE 4

FINLAND

FINLAND

Product	Type of Restriction	Estimate Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Certain gasolines; some chemicals; certain textile fabrics; some clothing, headgear and footwear; certain articles for household use; certain precious metals; and jewelry; passenger cars, trucks, toys, games;	Global quotas	Significant for selected textiles, wearing apparel, and household articles.	Legal under GATT Article XII, affects bound items	The vast majority of goods subject to controls fall under the Finnish global quota system, which governs imports from countries which are participants in a multilateral trade and payment agreement with with Finland. U.S. is not a signatory, but is granted benefits. Most remaining global quotas are scheduled to be abolished January 1, 1968. Quotas significant to U. S. exports will probably be eliminated at that time.

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Product	Type of Restriction	Estimated Impact On U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions (con't)				
Mineral fuels, oils, waxes; coal, briquettes, ovoids; coke, semi-coke of coal, lignite; petroleum and shale oils, crude oil, predistilled motor gasoline, heating and lighting fuel	Import licensing	Significant but groups too broad to permit trade summary	Legal under GATT Article XII, affects bound items	Licenses issued on ad hoc basis. Licensing procedure related to bilateral arrangements with Soviet Bloc, particularly in the cases of coal and petroleum.
Valuation and Taxes				
Nearly all manufactured goods	Turnover tax - 12.4%	Not significant	Legal and negotiable, affects bound items	Tax intended to compensate for taxes levied on similar goods when produced and sold domestically. Inclusion of duty in base inflates tax.
Automobiles & motorcycles	Excise tax - 155% of cif duty-paid value minus Fmk 2,250 ($703).	Significant, 1966 U.S. exports $2.0 million. Tax has sharply reduced U. S. sales in 1967.	Legal and negotiable, affects bound items	Tax is based on cif duty-paid value. Has inordinate impact on higher priced vehicles. Further increase in tax rate anticipated in late 1967.

FINLAND

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes (cont'd)				
Alcoholic beverages, confectionery; matches, automobile tires, tobacco products, mineral waters, liquid fuels, sugar, and certain fats for foods	Excise tax	Not significant	Legal and negotiable, affects bound items	Taxes are levied on both domestic and imported goods. For imported products, tax is levied on c.i.f. duty-paid value.
Health, Sanitary and Safety Restrictions				
Electrical equipment, appliances	Safety and technical standards	Significant, 1966 U. S. exports approximately $2.7 million. Est. of increase not possible	Legal but not removable	15 European countries recently adopted common safety standards for electrical equipment. Regulations are imposed for safety reasons.
Pharmaceuticals, drugs, poisons	Safety Standards	Not significant, 1966 U. S. exports $0.7 million.	Legal, but not negotiable	These products may only be approved for importation by druggists, manufacturers, wholesalers, etc. Proprietary medicine labels must bear quantitative formulas, dosage, date of production and manufacturers' name.

FINLAND

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Other Restrictions				
Alcoholic beverages, fertilizers, grains, crude petroleum, radioactive materials	State trading	Not significant	1/. Affects bound items	Under certain conditions, the import procurement policy followed by the state-owned and state-controlled organizations which import their commodities may impede imports from the U.S.
Consumer goods, e.g. washing machines, TV sets, passenger cars, household articles, textiles, footwear, clocks and watches, furniture, tractors, tires, Also a few capital goods, e.g. vending machines.	Credit restrictions	Significant, but groups too large to permit trade summary	Legal and negotiable, affects bound items	Bank of Finland may regulate terms of payment on imports of goods. Has required that importers of specified commodities pay for goods or deposit their value at the Bank of Finland before the goods may be cleared through customs. List was greatly expanded April 20, 1967.

1/ State trading is permitted under Article XVII, but with certain qualifications. Finland may not meet these qualifications.

TABLE 5

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Assemblies of parts of radio-electric apparatus containing crystal diodes, triodes, including transistors. Crystal diodes, triodes, including transistors and parts.	Quotas, Import licensing	Insignificant. 1966 imports from U.S. $23 million.	Illegal, items bound	U.S. has taken action under GATT Article XXIII to obtain removal of quotas and licensing requirement. Licenses currently being granted beyond the quota.
Airplanes and parts	Quotas for airplanes 2,000 kg. or less, Import licensing	Significant in the past. Currently insignificant since licenses are being readily granted	Illegal. Item bound.	U.S. has taken action under GATT Article XXIII to obtain removal of quotas and licensing requirement.
Valuation and Taxes				
Cigarettes	Monopoly Operation	Insignificant. 1966 imports from U.S. $3.6 million. Est. imports if removed $4.5 million. (decrease in trade mainly attribuable to increase in tariff).	Legal and negotiable, item bound	As a result of moving toward CXT, retail prices of U.S. cigarettes have been increased proportionately more than those of comparable domestic brands. The increase in price is in contravention of a valid concession obtained from France in 1947. Representations are being made in France. Question is also currently being discussed in GATT Article XXIV:6 negotiations with EEC on manufactured tobacco products.

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes (Continued)				
Automobiles	Annual Usage Tax	Significant, 1966 imports from U.S. $7.9 million. Est. of increase not possible	Legal and negotiable, item bound	Amount of tax depends on fiscal horsepower & age of vehicle. Standard U.S. cars fall in the highest "special rate" bracket. Highly progressive rates seriously restrict sales of larger U.S. cars.
Most Imports	"Value Added Tax"(TVA) Standard rate: 25% of duty paid value. Rate will become 20% as of Jan. 1, 1968 following Gvt. reform of TVA.	Believed to be severe, but estimate of increase not possible	Legal 1/ and negotiable	Tax intended to compensate for taxes levied on similar goods when produced and sold domestically. Inclusion of duty in value base inflates tax.
All Imports	Customs Stamp Tax, 2% of customs charges	Not significant	Legal - affects bound items	Tax is levied by French customs on duty plus taxes-excluding TVA tax. As result of U.S. representations, tax was reduced from 3 to 2 percent as of 1/1/61, a level consistent with GATT.
Health, Sanitary and Safety Restrictions				
Pharmaceutical products	Approval of French Ministry of Public Health required on both domestic and imported items	Significant, 1966 imports from U.S. $1.8 million. Est. of increase not possible	Legal but not negotiable	Purpose of the regulation is to protect the public health.

1/ There are some features of this tax which may conflict with GATT provisions.

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Other Restrictions				
Coal, briquettes, ovids & similar solid fuels of coal manufacture	State traded	Insignificant.1966 imports from U.S. $31.8 million.	Illegal 1/ and items bound. Restriction not in conformity with Article XVII	Exporters and U.S. Govt. have protested. Little chance to get fundamental change in controls, but licenses are being granted in increasingly liberal fashion.
Petroleum and shale oils other than crude; preparations	State Traded	Significant. 1966 imports from U.S. $3.7 million. Est. of increase not possible.	Illegal 1/ and item bound	Licensing practices restrict imports of lubricating oils (most of which are bound in GATT) if available domestically. U.S. has taken action under Article XXIII. Trade damage for this sub-group is estimated at $50,000 per year.
Paper, paperboard and newsprint	State Traded	Insignificant. 1966 imports from U.S. $12.1 million.	1/ and bound item	
Airplanes and parts	State Traded	Significant in the past. Currently insignificant since licenses are being readily granted	Illegal 1/ and item bound	U.S. has taken action under GATT Article XXIII to obtain removal of quotas and licensing requirement.

1/ State trading is permitted under Article XVII of the GATT, but with some qualifications. It is extremely doubtful that France meets these qualifications.

FRANCE

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Spirits distilled from grain, i.e. whiskey, vodka, etc.	Advertising restriction	Significant, 1966 imports from U.S. $0.3 million. Est. of increase not possible	Illegal and affects bound item (whiskey)	Advertising of grain spirits, which are mainly imported, is prohibited, while fruit distilled spirits, which constitute the bulk of domestic production, may be freely advertised. U.S. Embassy had been requested to make representations.
All products purchased for public account	Government procurement practices	Significant, but estimate of increase in imports not possible	Legal and negotiable	Unofficial Govt. practice favors domestic suppliers.
Motion picture films	(a) Subsidy	Not significant. 1966 imports from U.S. $4.8 million	Legal and negotiable	Admissions and film release taxes provide cash subsidies and no-interest loans and advances against future receipts for French productions on the basis of 5.5% of domestic receipts and 23% of receipts earned abroad.
	(b) Screen-time quota 41.5%	Not significant	Legal and negotiable	By Government decree, exhibitors must show French features at least 5 weeks per quarter.

1/ State trading is permitted under Article XVII of the GATT, but with some qualifications. It is extremely doubtful that France meets these qualifications.

TABLE 6

FEDERAL REPUBLIC OF GERMANY

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Hard coal-not briquetted; briquettes and similar sold fuels and coke, except for the manufacture of electrodes	Subject to tariff quotas; over-quota rate is prohibitive	Significant, U.S. had duty free quota in 1966 or 6 million metric tons. Estimate imports if removed 7 million tons	Legal and negotiable	Strictly speaking not non-tariff barrier, but prohibitive over-quota duty rate has same effect. Bilateral representations made by Embassy. Some easing should be expected only if steel production and demand for power increase.
Valuation and Taxes				
All manufactured products	Turnover equalization tax (4 to 9.5%)	Estimate of impact on U.S. trade not possible	Legal and negotiable.	Tax is intended to compensate for taxes levied on similar goods when produced and sold domestically. It will be superseded by the value-added tax which will become effective on Jan. 1, 1968
Other Restrictions				
Motion picture films	Subsidy	Not significant. Little if any increase could be expected.	Legal and negotiable, item bound.	Cash awards or prizes for quality films, either before or after completion.

TABLE 7

GREECE | GREECE

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
List "A": Products such as cosmetics; textiles, including used clothing; T.V. receivers; automobiles, trucks, buses, jeeps, special purpose vehicles and truck and passenger trailers	Import licensing	Significant, but groups too broad to permit trade summary	Legal under GATT Article XVIII, affects bound items	Licenses for "List A" items are issued on an ad hoc basis on instruction from the Ministry of Commerce.
List "B": Products such as agricultural, mining, food processing and electrical machinery and spares; used machinery and spares except used earthmoving & roadbuilding equipment	Import licensing	Significant, but groups too broad to permit trade summary	Legal under GATT Article XVIII, affects bound items	Licenses for "List B" items are seldom issued.
All imports	Advance deposit requirement and other credit controls	Not significant	Legal under GATT Article XVIII, affects bound items	Requirement is more severe for luxury items and less stringent for products considered essential. Credit controls range from payment terms of 24 months for purchases of machinery and parts to cash deposits of 126% of c.i.f. value for such items as textiles, meat preparations, confectionery, and furniture.

GREECE

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes				
All industrial products	Turnover tax on imports 2.25% - 8.75%	Significant, but groups too broad to permit trade summary	Legal[1/] and negotiable, affects bound items	For imported goods, tax is assessed on c.i.f. duty--paid value. Locally produced goods are taxed on gross receipts from the sale of goods in Greece. Some products (mainly agricultural) but including shoe leather, are exempt from local taxes.
Most imports	Luxury and consumption taxes ranging from 10% to 70% of c.i.f. duty-paid value	Significant, but groups too broad to permit trade summary	Legal and negotiable, affects bound items	Tax is applied to like domestic products also, but not on an inflated base.
Other Restrictions				
Passenger cars used as taxis	Permissible length for taxis in Athens--Piraeus area is 5.0 meters	Possibly significant but restrictions have been in effect so long that a market for large cars cannot be estimated. 1966 imports from U.S.: $719,767	Legality somewhat questionable	Recently been successful in raising limit from 4.6 meters. Six American compact cars now qualify as taxis.
Cigarette paper, kerosene	State trading		Presumably legal under GATT Article XXII	

1/ Some aspects of this tax may be inconsistent with the GATT.

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Other Restrictions (Continued)				
Motion Picture Films	Screen-time quota, subsidy	Not significant, 1966 imports from U.S. $420,900. Estimated imports if removed $490,000	Legal and negotiable, affects bound items	First-run theaters in Athens amd Thessalonike area must show local films at least one week per quarter. Other theaters in these and other areas required to show a number of Greek films per quarter equal to their number of program changes. Cash refunds of percentage of admission taxes for Greek producers. Cash awards or prizes also made from special levy on all feature films imported or locally made.
Plastic containers used in the packing of food products	Ban on the use of coloring materials	Not significant	Legal	Containers made of polyethylene, propylene, and polyvinylchloride may not contain coloring materials or carbon black.

 TABLE 8 ITALY

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Citric Acid and crude calcium citrate	Import licensing	Significant, but estimate of increased imports not possible.	Inconsistent with GATT provisions. Items bound.	
Tetraethyl lead and anti-knock preparations	Quota - 240 metric tons (U.S.-U.K. only) import licensing	Significant, but estimate of increased imports not possible.	Inconsistent with GATT provisions. No binding.	Automatic licensing to EEC countries.
Essential oils of lemons	Import licensing	Significant, but estimate of increased imports not possible.	Inconsistent with GATT provisions. Item bound.	Not under license to former OEEC countries.
Elemental Sulphur	Quantitative import restrictions	Significant, estimated annual imports from U.S. if restriction removed - \$1.5 million.	Inconsistent with GATT provisions. Item bound.	Italy maintains complete embargo on imports of elemental sulphur in an attempt to shield an uneconomic domestic industry
Valuation and Taxes				
Practically all products	Turnover tax on import sale of 4%.	Significant, but estimate of increased imports not possible	Legal 1/ and negotiable, affects bound items	Tax is levied on duty-paid value of goods and thus discriminates against importer by amount of duty plus other customs fees.

1/ Some aspects of this tax may be inconsistent with GATT provisions

TABLE 8

ITALY

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes (Cont'd)				
Majority of items imported	Compensatory import tax of up to 7.8%	Severe on many important goods, but estimate of increased imports not possible	Legal[1/] and negotiable, affects bound items	Tax is levied to compensate for internal "Turnover Tax" but no clear relation between two seems to exist. Moreover, base is c.i.f. plus discount allowance plus duty, which inflates base. It will be replaced by a value-added tax to become effective not later than January 1, 1970, which will eliminate the discriminatory features of the present turnover tax system.
Automobiles	Road Tax	Severe, but estimate of increased imports not possible	Legal and negotiable.	Based on cylinder displacement, this tax applies heavily on powerful American vehicles. At the recent Kennedy Round negotiations an agreement was reached to consider elimination of the discriminatory features of the tax in return for U.S. modification of the American valuation system for imports

TABLE 8

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Other Restrictions				
Motion picture films	Screen-time quota - 38%	Not significant	Legal and negotiable	Exhibitors must show Italian features at least 100 days per year. Italian short subjects must be included in each performance for at least 180 days per year.
Motion picture films	Law which passed in 1965 grants tax rebates to exhibitors of national feature films, qualifying under the national film quota amounting to 18 or 35% of the admission tax, depending on the admission price of the theater.	Not significant	Legal and negotiable	No complaints of U.S. film exporters received.

TABLE 9

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Alcohol and certain other industrial chemicals; penicillin; coal & coke; certain cotton fabrics; artificial textile fibers and certain fabrics thereof; wool and fine hair; flax; hemp; zinc sheets and strips	Import licensing	Not significant, group too broad to permit trade summary	Illegal, affects bound items	Licenses have been granted freely to shipments from the U.S. which have been properly documented, except in the case of coal
Penicillin, its salts and compounds, and products thereof	Benelux global quota	Not significant, 1966 imports from U.S. - $16,753 Est. imports if removed - no change	Illegal, items bound	A quota of 2,550 billion Oxford units per year for imports of these items for the entire Benelux area from non-EEC sources for the year 1966
Valuation and Taxes				
All items whether imported or produced domestically, except "necessities of life"--food, fuel, medicine, clothing,etc.	Turnover tax. Rates vary from 1-18%, the majority being at 5%	Significant, 1966 imports from U.S. $879 million. Est. of increase not possible	Legal and negotiable	Tax is levied on each commercial transaction up to, but not including, retail sale. Total turnover tax (which may include small supplemental surcharges) is levied on the tax and duty-paid value of imports.

NETHERLANDS

NETHERLANDS

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Manufactured tobacco products; ethyl, propyl and isopropyl alcohol; beer; sugar; petroleum products; and wine	Excise tax	1966 imports from U.S. $9 million. Est. imports if removed - little change	Legal and negotiable	Imports taxed at same rates as domestic products.
Motor vehicles	Annual road tax	Not significant, 1966 imports from U.S. $11 million Est. of increase not possible	Legal and negotiable	Tax is based on weight and is therefore more burdensome to larger U.S. automobiles. However, the difference in levies is not enough to deter a prospective car buyer from purchasing a U.S. make.
Health and Sanitary Restrictions				
Upholstery fabrics, shoe dyes, various pharmaceuticals and cosmetics, and oils and fats	Certificates of inspection, advertising restrictions, labeling regulations	Not significant	Legal, but not negotiable	Purpose of regulations is to protect the public health and welfare.

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TABLE 10

NORWAY

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes				
Nearly all manufactured goods	Turnover tax - 11.11%	Not significant	Legal and negotiable	Tax intended to compensate for taxes applied to like goods when produced and sold domestically.
Motor vehicles	Excise Tax Motor vehicles: 35% on first $840, 60% of amount over $840	Not significant	Legal and negotiable	Rates may vary as conditions change. Progressive nature of automobile tax weights more heavily on expensive U.S. models
Health, Sanitary and Safety Restrictions				
Electricity-consuming apparatus including electrical appliances	Rigid electrical standards	Significant, but groups too broad to permit trade summary	Legal but not removable	Appliances must be tested and approved by State Agency. Fifteen European countries recently adopted common safety standards for electrical equipment. Regulations applied for safety purposes.
Other Restrictions				
Alcohol, alcoholic beverages, medicines and pharmaceuticals, fishing gear	State trading	Not significant	Legal when conducted in conformity with GATT Article XVII.	Under certain conditions, government procurement policy may discourage imports.

NORWAY

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
All products purchased for the public account	Government procurement practices	Possibly significant, but groups too broad to permit trade summary	Legal and negotiable	Preference is given to domestic over foreign bidders on contracts for the supply of goods for public works. This preferential system has been abolished for other EFTA countries in conformity with Article 14 of the EFTA Convention. Elimination on a global basis will probably be considered in the future on a reciprocal basis.

TABLE 11

PORTUGAL

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Certain natural or processed raw materials, some textile fibers, automotive vehicles and apparatus, miscellaneous manufactured goods	Global or bilateral quotas	Unknown	1/ Affects Bound Items	About 62 tariff items are non-liberalized and may only be imported within quota; application for import license made on individual basis. Certain of these items may be imported freely from EFTA countries.
All other goods	Import license	Insignificant		Licenses usually granted automatically for liberalized goods. Portuguese Government may exercise certain amount of administrative control over automatic licensing of so-called liberalized products.
Valuation and Taxes				
Automobiles	Sales tax	Not significant since imports already tightly restricted by licensing	Legal and negotiable, no binding	A progressive sales tax on automobiles is particularly burdensome to the higher priced U.S. product.
Health, Sanitary and Safety Restrictions				
Pharmaceutical preparations	Marking and labeling regulations	Not significant	Legal, but not negotiable	Although complicated, regulations for the protection of public health.

1/ Legality is questionable since Portugal has not yet justified these QR's.

PORTUGAL

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Food and other products containing saccharine	Imports Prohibited	Unknown		Sale of food or other products containing saccharine are not considered to be in public interest by Ministry of Health.
Other Restrictions				
All purchases for the public account	Government procurement practices	Possibly significant, but groups too broad to permit trade summary		No formal restrictions on foreign firms bidding on contracts for the supply of goods for public use, but Portugese firms are favored. It is reported that association with Portugese firms is necessary for foreign firms to bid on public contracts

TABLE 12

SPAIN

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
All liberalized goods (includes raw materials, capital goods and equipment, manufactured and consumer goods)	Import declaration	Usually insignificant	None	Declarations, are usually issued freely for liberalized goods. Ministry of Commerce can suspend selected imports when evidence of dumping is found. For balance of payments reasons, imports can be restricted through administrative slow-down in processing import declarations.
All used machinery and equipment	Import license	Unknown	Not justifiable under GATT	Spanish Government opposes expenditure of foreign exchange for older equipment (used, reconditioned or surplus), believing Spanish industry should equip itself with new and modern equipment. Licenses generally not granted.
Arms - Sporting weapons	Bilateral import regime	Unknown		Authorization from War Department needed before applying for license, which is often difficult to obtain.

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Motion pictures	"Baremo system" Screen-time quota	Significant - but exact amount not known	1963 Concession to U.S. legal and negotiable	Baremo allocates import licenses according to weighted index for each foreign country. Problem has been discussed at length in OECD (Invisibles Committee), GATT (KR) and by U.S. motion picture officials who appear content with status quo. One Spanish film must be exhibited for every three Spanish dubbed foreign films. Foreign films, not dubbed, are excluded.
All imports other than those listed above	Global quota or bilateral import regime	Insignificant	1/	Global quotas in effect on about 65 categories. Quotas opened every six months; import licenses allocated at beginning and middle of each year. Licenses issued freely up to amount of quota and, for many commodities, for amounts greater than base quota. Licenses granted first for imports from country with which Spain has bilateral trade agreement. Approaches made by Embassy and in GATT (KR) -- no results.
V. luation and Taxes				
All imports	Compensatory Import Tax Range: 3% to 15% Average: 5% to 10% Assessed on duty-paid value	Significant, but groups too broad to permit trade summary	Legal2/ and negotiable	The tax on imported goods is designed to compensate for sales, excise and turnover taxes applied to like goods produced and sold domestically.

1/ Spain justifies under Articles 12 and 18 of GATT

2/ Some aspects of this tax may be inconsistent with GATT

SPAIN

SPAIN

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Motion pictures	Dubbing tax	Significant, but exact amount not known	1963 Concession to U.S.	Tax varies with country of origin, the charge on U.S. films being the highest. Films from Spainish speaking countries exempt. Discussed in OECD and in GATT (KR).
Health, Sanitary and Safety Restrictions				
Pharmaceutical and cosmetic preparations	Registration with Public Health Dept.	Possibly significant, but trade summary not possible	Legality questionable	Registration is complicated and regulations are arbitrary. In the past registration of foreign products has been halted entirely pending revision of regulations. New food and drug code to be issued shortly.
Other Restrictions				
Certain types of coal, petroleum and derivatives, cotton	State trading	Not significant	Presumably legal	Treatment of imports liberal. No complaints from U.S. industry.
All products	Use of imported goods prohibited in projects involving state or other local Government funds; includes national or quasi-national firms.	Significant, but exact amount not known.		Application for import license may be made when Spanish goods are unavailable or do not meet necessary specifications.

TABLE 13

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Automobiles, including special vehicles	Import license	Not significant	Illegal, items bound	Import licenses have been granted freely in the past.
Valuation and Taxes				
All imports	Turnover tax - 11.1%	Not significant	Legal and negotiable	Tax intended to compensate for taxes levied on similar products produced and sold domestically.
Gasoline, motor spirits, coal, coke, fuel oil	Energy tax: (a) Coal - \$1.14 to \$2.66 per metric ton. (b) Gasoline - 0.57 crowns per liter (about 65% of retail price) (c) Electricity - 10% on industrial consumption: 7% on other use	Not significant	Legal and negotiable	Tax applies to domestic products also.
Certain rugs, articles of gold and silver, precious stones, phonograph mechanisms and records	Sales tax. Rate varies according to product. Jewelry - 20%	Not significant	Legal and negotiable	Tax applies to domestic products also.
Passenger automobiles, trucks	Automobile sales tax. 155% of service weight expressed in Sw. crowns plus 195 crowns for each 50 kg. over 1,600 kg.	Not significant	Legal and negotiable	Domestic product bears same tax.

SWEDEN

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Certain Furs	Fur tax: 2-10%	Not significant	Legal and negotiable	Domestic product bears same tax.
Toilet articles, cosmetics, and similar preparations	Commodity tax: 20-65%	Not significant	Legal and negotiable	Domestic product bears same tax.
Playing cards	Stamp tax: $.19 per pack	Not significant	Legal and negotiable	Domestic product bears same tax.
Health, Sanitary and Safety Restrictions				
Electrical equipment and appliances	Rigid application of electrical standards	Significant, but groups too broad to permit trade	Legal but not removable	Imports must be approved by SEMKO. 15 European countries recently adopted common safety standards for electrical equipment. Regulations applied for safety purposes.
Pharmaceuticals, drugs and poisons	Pharmaceutical	Not significant. 1966 U.S. export $2.7 million.	Legal, but not negotiable	Products may be imported only by approved druggists, drug wholesalers or manufacturer. Regulations applied to protect the public health and welfare.
Lawn mowers (motor-driven, rotary blade)	Safety regulation	Not significant, 1966 U.S. exports $346,000	Legal, but not negotiable	Safety standards are rigidly applied, but not for the purpose of restricting imports

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Other Restrictions				
Spirits and wines	State trading	Not significant	Presumably legal under GATT Article XVII	Purchases are apparently made on a commercial basis.
Articles of precious metals	Hallmarking	Not significant	Legal, but not removeable	All such articles must be hallmarked by Swedish Assay Office prior to customs clearance.
Imports in general	Marks of origin	Not significant	Legal, but not removable	Country of origin must be designated. Special requirements for pharmaceuticals, poisons and shoes. Regulations intended to protect the public health, safety and welfare.

TABLE 14

UNITED KINGDOM

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Coal & solid fuels manufactures of coal	State Trading (de facto). Import license required. No licenses issued--virtual prohibition of imports	Severe U.S. exports of coke in 1966, $12,716. No coal exported. Est. exports if removed $30 million	Illegal 1/but not bound	Global restrictions--Embassy has made unsuccessful bilateral representations--was considered in OECD Trade Committee and in KR without result.
Cigars	Quota £50,000 for 1966-67 from dollar area of which not more than £30,000 for hand-made cigars	Not significant	Illegal, but no binding	Special dollar quota is maintained for cigar imports from Cuba
Bottled and canned grapefruit	Dollar area quota of £450,000 for period October 1, 1966 to September 30, 1967.	Moderate	Unauthorized	Consultations under Article XII of the GATT were held with Jamaica and Trinidad. Bilateral U.S.-U.K. discussions were also held. Major emphasis was placed on fresh grapefruit for which the U.K. agreed to lengthen the import period.
Orange and grapefruit juice	Dollar area quota of £300,00 for 12 month period beginning October 1, 1966.	Moderate	Unauthorized	Quota does not include frozen orange concentrate, imports of which were freed from quota restrictions.

UNITED KINGDOM

TABLE 14

UNITED KINGDOM

Product	Type of Restriction	on U.S. Trade	Trade Agreement Status	Remarks
Other Restrictions (continued				
Timber (Douglas Fir)	Government procurement	Moderate, U.S. exports in 1966, $1.7 million. Estimated exports if removed $2.2 million.	Legality questionable under Article XVII:2. Affects bound items.	British Admiralty requires that lumber for which tenders invited must originate in British Colombia. Admiralty has agreed, however, to discuss with U.S. producers the possibility of supplying U.S. timber. Producers have not chosen to meet and discuss the matter.
Aircraft weighing more than 4,500 lbs.	Import license required	Insignificant	Unauthorized	Import licenses freely granted.

TABLE 15

ARGENTINA

ARGENTINA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Automotive Products	Prohibited	Significant		All consumer goods were formerly prohibited. In March, 1967, list modified to include only automotive products
Nearly all imports except raw materials and capital goods	Prior deposit 40% c.i.f.	Not significant, and a growing number of commodities are exempted	LAFTA concessions are automatically exempted	Held without interest for 180 days.
Capital goods	Payment schedule prescribed by Central Bank for shipments exceeding $10,000. Minimum payment terms range from 2 years for goods valued up to $30,000 to 5 years for goods valued up to $1,000,000.			Previously, the Central Bank regulated payments on all capital good shipments, regardless of value.

ARGENTINA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes				
Affecting imported goods:				
All goods	Statistical tax: 1.5% c.i.f.			If the good is exempted from import duty the surcharge is .3% c.i.f.
All goods	Surcharge: 4% ocean freight charges		LAFTA concessions exempted	
All goods	Consular fee: 1.5% of f.o.b.	Significant as the value of the shipment increases and the amount charged is out of line with service performed.		This paid by the exporter to the consulate nearest origin of the goods. Argentina agreed at the last bilateral talks to allow this fee to be paid at port of export, in the future.
Products made of Iron and Steel	Iron & Steel Tax: .20 to 2.00 pesos/NK			
Forest Products	4% to 10% of c.i.f. value			
Incadescent bulbs	Minimum official valuation in determining import duty		May be contrary to Art. VII of GATT if items bound in the Kennedy Round are affected.	Prior to July, 1967, index values on all commodities were used for valuations, when they exceeded invoice values. This has been eliminated but the Executive now has the authority to establish minimum values.

ARGENTINA

ARGENTINA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Affecting National and Imported Goods:				
Sales Tax:				
Electric shavers Air conditioners Televisions Radios Phonographs Sound Recorders Phonographic equipment Binocular and similar apparatus Pleasure boats	20% duty paid value	Minor Significance		
Most automotive products Household electrical goods Watches	15% duty paid value	"		
All other commodities	10% duty paid value	"		
Additional Excise Taxes:				
Alcoholic beverages Cards Matches Tobacco and its products Cosmetics Various toys Petroleum products	These excise taxes range widely and are based on the quantity or strength of the goods sold.			

ARGENTINA

ARGENTINA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Health, Sanitary and Safety Restrictions				
Animals, Plants, and their products	Notarized sanitary certificate			
Pharmaceuticals, cosmetics, foods	Subject to prior registration in Argentina			
Used Machinery	Notarized Certificate of Safety			

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TABLE 16

BRAZIL

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes				
All imports	Customs Clearance 5% of c.i.f. value	Not significant	Legal and negotiable	Abolished January 1, 1968
	Port Improvement tax: 1% of c.i.f. value	Not significant	Legal and negotiable	
	Merchant Marine Improvement tax: 10% of freight charges	Not significant	Legal and negotiable	
Wide variety of processed or manufactured goods e.g., industrial chemicals and chemical products; machinery and mechanical appliances electric and electronic equipment; automotive and other vehicles, cigarettes	Industrialized Products tax: 4% - 30%; majority of rates under 10%	Significant, but groups too broad to permit trade summary	Legal and negotiable	Tax is applied equally to imports and domestically produced goods. However, tax on imported goods is assessed on c.i.f. duty-paid value, including other taxes and the cost of foreign exchang
About 200 items	Minimum valuation	Same as above	Probably illegal	
Other Restrictions				
All imported items declared to be "similar" to goods produced domestically	System of "Similares" requiring formal registration of specific products	Significant, but groups too broad to permit trade summary	Illegal, affects bound items	Products may be declared "similar" if proven commercially acceptable, produced domestically in sufficient supply to satisfy domestic demand, and manufactured from Brazilian raw materials when available

BRAZIL

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
All imports	Documentation and procedural requirements	Significant, but groups too broad summary	Legal 1/, affects bound items	Consular visas, statements of origin, import declarations and vouchers, etc. Fines may be incurred for violations or errors in preparation.
Motion picture films	Screen-time quota - 12%	Not significant	Legal and negotiable, item bound	Exhibitors must show one Brazilian feature for each eight non-Brazilian films. Brazilian features must be shown at least 42 days a year including two Saturdays and two Sundays in each quarter.

1/ May be inconsistent with the spirit of Article VIII.

TABLE 17

CANADA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Aircraft - Used	Import Prohibition	Severe - No trade data available. Estimate of increased imports not possible	Legal and negotiable, but see "Remarks"	Prohibited, with some exceptions. Applied globally and predates GATT. Very little chance of removal.
Automobiles - Used	Import Prohibition	Severe - No trade data available. Estimate of increased imports not possible	Legal and negotiable, but see "Remarks"	Vehicles of all kinds manufactured prior to calendar year in which importation is made are, with some exceptions, prohibited. Very little chance of removal.
Valuation and Taxes				
All products	Automatic antidumping provisions	Significant, but estimate of increased imports not possible	Legal and negotiable, but see "Remarks"	Antidumping provisions operate without regard to injury. GATT requires injury finding but Canadian provisions antedate the GATT.(Canada has agreed to adopt the antidumping code negotiated during the Kennedy Round. This code requires a show of injury.)

CANADA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Manufactured goods	Arbitrary Valuation	Significant, but	Legal and negotiable, but see "Remarks"	Legislation antedating the GATT permits application of arbitrary value for duty and anti-dumping duties whenever authorities believe actual values do not reflect "normal" price. Its use would be illegal. (Canada has agreed to adopt the antidumping code negotiated during the Kennedy Round. This code has some safeguards against arbitrary valuations.)
Health, Sanitation & Safety Restrictions				
Forest products, drugs, insecticides, cosmetics, fertilizers, upholstery	Sanitary Regulation	Significant, but group too broad to permit trade summary	Legal but not negotiable	Similar to U.S. regulations for the purpose of protecting the public health, safety & welfare.
Electrical equipment	Safety Regulations	Significant, 1964 imports from U.S. $261 million. Estimate of increased imports not possible	Legal but not negotiable	Certificate of Canadian Standards Association required for electrical equipment sold and used in Ontario Province. All other provinces will accept, but do not require, CSA approval. Hardship primarily on small U.S. manufacturers.

CANADA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Other Restrictions				
Alcoholic beverages	Monopoly operated by Canadian Provinces - QR's licensing	Significant, 1966 imports from U.S.- $2.7 million. Est. of increased imports not possible	Illegal and affects bound items	Canadian provinces reluctant to carry U.S. liquor brands in Govt. operated monopoly stores. All liquor subject to licensing. Bilateral representations have been made on Federal and Provincial levels.
Contractor's machinery and equipment	Uncertain valuation	Significant, but groups too broad to permit trade summary	Legality questionable, affects bound items	Equipment needed in Canada on a temporary basis is subject to full duty and tax unless similar Canadian equipment is not available. Reduced valuation is contingent on this qualification.
All imports	Tourist duty-free allowance	Significant - 1966 tourist imports from U.S.(before restrictions) $60 million. Current level under restrictions $29 million. Estimate of increase from current level - $45 million annually	Legal and negotiable, affects bound items	Canadians returning from the U.S. are restricted to $25 duty-free entry every 4 months. U.S. tourists returning from Canada may enter $100 duty-free every 30 days.

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Coal	Transport subsidy on domestic coal	Significant but competition from gas and petroleum makes estimate impossible. Efficient low-cost U.S. production could displace a good share of the 11 million tons of bituminous coal produced annually in Canada	Legal and predates the GATT	As a Kennedy Round concession, Canada will remove the 50¢ per ton duty on bituminous coal but has indicated that the domestic transport subsidy would continue in effect.
Containers	Canned goods are permitted import only if in cans of sizes established by the Canadian Government	Significant, according to the National Canners Association.	Legal and negotiable	In response to U.S. representations, Canada said that changes in requirements will be considered as part of a world-wide auspices of the United Nations Joint FAO/WHO Codex Alimentarius Commission.

TABLE 18

 CHILE

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Many imports (Permitted List)	Advance deposit 5% to 10,000%	Significant, but groups too broad to permit trade summary	Legality not yet determined. Affects bound items	Advance deposit of varying rates levied depending on the essentiality of the product. The deposit is returned in not less than 90 days.
Many Imports (Prohibited List)	Prohibited list-embargo	Significant, but groups too broad to permit trade summary	Illegal 1/ and affects bound items	These items are subject to an embargo.
Many Imports (not on either list)	Conditionally prohibited	Significant, but groups too broad to define		Some conditionally prohibited items are permitted to be imported through free ports, but shipment to the remainder of Chile is not permitted until such goods are processed or assembled at these ports.

1/ Not consistent with the principle of minimum commercial quantities under Article XVIII.

TABLE 18

CHILE

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	CHILE Remarks
Other Restrictions (Continued)				
All Imports	Shipping restriction	Not significant	Legality not yet determined	50% of shipping of imports must be on Chilean flag ships. Fines are levied on shipping lines, not the importer.
Imports of items included on Chile's LAFTA concession list	Preferential treatment	Significant, but groups too broad to permit trade summary	Legality not yet determined	LAFTA countries receive reduction in or elimination of prior deposit requirements

TABLE 19

DOMINICAN REPUBLIC

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non Agricultural Quantitative Restrictions				
All imports	Exchange control	Probably significant	Legality doubtful; affects bound items	Control of foreign exchange is exercised by central bank. All exchange purchases by commercial banks must be reported. Importer pays commercial bank in pesos and receives foreign exchange when it is released to the commercial bank by the central bank.
Passenger cars valued at over $2,000	Import prohibition	Not significant	Illegal in absence of waiver.	
Passenger cars valued at less than $2,000; most electric household appliances (including used stoves, refrigerators and freezers), air-conditioners, clothing, footwear and leather goods, cosmetics, alcoholic beverages, fresh and canned fruits and vegetables, paints and enamels, varnishes, soaps and detergents, and most plastic products.	Exchange quotas limiting importers to 25% of the foreign exchange total granted during the previous 12-month period; effective until December 31, 1967	Significant; groups too broad to permit trade summary	Probably illegal in part in absence of waiver	
A wide range of luxury goods, including prepared cereals, smoked or dried fish, evaporated and condensed milk, alcoholic beverages, crystal and glassware.	Importable only under prepaid letter of credit.	Significant; groups too broad to permit trade summary.	Legality not determined	

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Wide range of luxury goods, such as household electrical appliances, clothing, footwear, furniture, bedding, jewelry, toilet preparations, alcoholic beverages, confectionery, fruit juices and preserves, cigars and cigarettes, and passenger cars.	Prior import deposit of 40% of FOB value for 6 months' period.	Limited	Legality doubtful as applied to Bound Items	
Most other imports, except essential foodstuffs, medicinal and pharmaceutical goods, agricultural machinery and equipment, most raw materials, and related goods.	Prior import deposit of 20% of FOB value for 6 months' period	Limited	Legality doubtful as applied to Bound Items	
Wide range of food products	Prior import deposit of 10% of FOB value for 6 months period	Limited	Legality doubtful as applied on Bound Items.	

TABLE 20

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Butter and margarine, rice, shoe polish, cotton cloth and manufactures of cotton cloth, old newspapers and other old papers	Import licensing	Not significant	1/ Cotton cloth is bound; illegal in absence of waiver.	
Christmas trees; used clothing, rags, hats, shoes, household linens and furnishings	Importation Prohibited	Not significant	Not determinable	
Tobacco, matches, soap, detergents, cosmetics, various foodstuffs, textiles, tires and tubes, cement, various agricultural chemicals, and household appliances	State trading; such imports are controlled by the Government Tobacco Monopoly.	Not determinable Groups too broad to permit trade summary	Antedates GATT. Presumably legal under Article XVII of GATT	
Television sets	Private monopoly	Not significant		An American citizen has established two firms to sell TV receivers. Government granted a monopoly concession for at least ten years.

1/ Legality is questionable since Haiti has not as yet justified these QR's.

TABLE 21

NICARAGUA

NICARAGUA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Many imports	Advance deposit	Not significant	Legality may be questionable, affects bound items	Advance deposit required for all goods considered "less essential" and "non-essential" (100%). Imports considered essential by the government do not require advance deposit. Although Nicaragua is a contracting party to GATT, reduced or bound-duty rates extended by Nicaragua to the U.S. and other GATT countries as a result of GATT negotiations are not currently being applied. In 1959 Nicaragua obtained a GATT waiver permitting increased duties for balance of payments reasons and in 1961 another waiver was obtained to enable Nicaragua to effectively participate in the Central American Common Market.
Cotton ginning plants; industrial plants for pasteurizing and sterilizing milk; equipment for the slaughter of cattle and hogs, and other slaughter house equipment	Approval for importation by Ministry of Economy required	Not significant	Legal, no binding	

NICARAGUA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes				
Gasoline	Excise tax - C$0.05/ Gallon*	Significant, but estimate of increase not possible	Legal and negotiable, no binding	
Alcoholic beverages of 40% or over	Excise tax - U.S. $.62 per liter	Combined taxes on alcoholic beverages, beer and bottle caps, significant. 1965 imports from U.S. $40,000. Estimate imports from U.S. if removed $105,000	Legal and negotiable, affects bound items	
Beer	Excise tax - C$0.60 per liter		Legal and negotiable, no binding	
Bottle caps and crown caps	Excise tax - 2 centavos		Legal and negotiable, no binding	
Liquor	Stamp tax: (A) Containers over 500 grams: C$2.00 (B) Containers 240-500 grams: C$0.75 (C) Containers less than 240 grams C$0.40		Legal and negotiable, champagne, other sparkling wines, brandy, whiskey, bound	
All imports	Consular fee - 7%	Significant, but groups too broad to permit trade summary	Legality not yet determined, affects bound items	Consular fee of 7% of the f.o.b. value, port of exit, is collected when duties are paid. This fee is refunded on goods which come in under the Central American Common Market agreements, approximately 95% of all tariff classifications.

* 7 Cordobas = to U.S. $1.00

NICARAGUA

Product	Type of Restriction	Estimated Impace on U.S. Trade	Trade Agreement Status	Remarks
Health, Sanitary and Safety Restrictions				
Propellent powders, prepared explosives and hunting or sporting ammunition and fuses, primers and detonators (non-ordinance) except pyrotechnical articles; caffein, quinine, and other alkaloids; coloring materials used in beverages and foodstuffs; pharmaceutical specialities and biological products	Prior authorization	Not significant	Legal, but not negotiable. Affects bound items	Specific authorization for importation is required from the appropriate goverment agency. Regulations imposed for health and safety reasons.

TABLE 22

PERU

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Textile Machinery	Import License	Not significant. Estimate of increase not possible. U. S. exports $2,024,563 in 1966.	Illegal, bound in part	Licenses required on all unused textile machinery. Peru wishes to insure importation of high quality machinery for establishment of efficient textile industry. (Further restrictions or used equipment and cars expected soon)
Valuation and Taxes				
Approx. 50 tariff classifications, with future lists expected soon.	Minimum valuations	Significant, but trade estimate not available.	Illegal	GATT waiver not obtained.
All goods	Statistical tax: 1.5% c.i.f.			If the good is exempted from import duty the surcharge is .3% c.i.f.
All goods	Surcharge: 4% ocean freight charges		LAFTA concessions exempted in some cases.	

TABLE 22

PERU

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Health, Sanitary and Safety Restrictions				
Pharmaceuticals, firearms, explosives and similar items	Prior authorization required	Not significant	Legal, bound in part	Safety requirement usually granted. Pharmaceuticals and medical products must be registered; importation denied if priced higher than similar domestically produced items.
Other Restrictions				
Products produced for public account	Government procurement practices	Significant, groups too broad to permit trade summary	Legal and negotiable	Regulations prevent government agencies and institutions receiving government funds from importing goods produced domestically.

PERU

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TABLE 23

TRINIDAD--TOBAGO

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
A large and growing number of home and other consumer products, particularly in textiles, leather and plastic goods and automobile accessories	Specific import license	Significant, although estimate of impact not possible. Total imports from U.S. for 1966, $59 million; estimated total for 1967, $61 million.	Illegal as applied to GATT items.	Specific import licenses are required in order to limit or preclude imports of items which are generally competitive with domestic industries. A number of criteria are applied in issuing such licenses: quotas; price range; local production levels; seasons, etc.

TABLE 24

URUGUAY

URUGUAY

Product	Type of Restriction	Estimated Impacts on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Most imports, e. g., automobiles and parts, gas ranges, clocks and watches, gas refrigerators, electric shavers, T.V. sets, slide projectors, apparel	Advance deposit requirement	Significant, but groups too broad to permit trade summary	Legal, affects bound items	All imports subject to a surcharge of 150%, 225% or 300% require the importer to make a prior deposit upon application for an import license of 200% of the invoice value.
Valuation and Taxes				
Most goods except essential items of an industrial, agricultural or medicinal nature	Balance of Payments Surcharge: 30% to 300%	Significant, but groups too broad to permit trade summary	Legal - applied pursuant to GATT waiver; affects bound items	Imports are subject to surcharges of 30, 60, 90, 150, 225, and 300% of the c.i.f. value. Purpose is to conserve foreign exchange by discouraging imports. To curb under-invoicing, a complete schedule of fixed c.i.f. prices for calculating surcharges has been instituted.

TABLE 24

Product	Type of Restriction	Estimated Impacts on U. S. Trade	Trade Agreement Status	Remarks
All imports	Port handling fee: $.0.25 per 100 kg. of gross weight or $.33 per 100 pesos of valuation	Not significant	Legal	
Other Restrictions				
Most imports	(180 Day Prohibition)	Significant, but groups too broad to define	Illegal and affects bound items 1/	Effective July 17, 1967, the Government of Uruguay closed all import registration for 180 days with the exception of items on which LAFTA concessions have been granted on special lists for Paraguay and Ecuador or in complementation agreements, and raw materials urgently needed by domestic industries. All exceptions are determined on a case by case basis.

1/ Not consistent with principle of minimum commercial quantities under Article XVIII.

TABLE 25

AUSTRALIA

, AUSTRALIA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Roller and ball bearings	Import licensing	Not significant	Legality questionable. No binding	Restriction antedates the GATT. Licenses issued on *ad hoc* basis.
Second-hand or disposals machinery or equipment and parts for earth-moving or construction purposes	Import licensing	Not significant	Legality questionable. No binding	Restriction antedates the GATT. Licenses issued on *ad hoc* basis.
Aluminum	Import licensing	Not significant	Legality questionable. No binding	Restriction antedates the GATT. Licenses issued on *ad hoc* basis.
Valuation and Taxes				
Wide range (several hundred) of industrial and consumer items	Sales tax - 12.5%	Not significant	Legal and negotiable	Sales tax is applied equally to both imports and domestic products. Tax is collected for revenue purposes.
Other Restrictions				
Cellulose acetate flake	Subsidy - 10 pence per pound	Not significant	Legal, no binding	Bounty is payable on sales of flake for use in local manufacture of rayon yarn. Bounty is designed to protect infant industry.

TABLE 25

AUSTRALIA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Other Restrictions (continued)				
Sulphuric acid	Subsidy	Not significant	Legal, no binding	Bounties, subject to 12.5% profit limitation, payable to domestic producers
Tractors	Subsidy	Not significant	Legal, partially bound	Bounty, subject to 10% profit limitation, paid to domestic producers when value-added is 55% or more.
All packaged goods	Weights and measures regulations	Not significant	Legal and negotiable, affects bound items	Embassy believes weight limitations to be arbitrary restraints affecting imports, and should therefore be negotiated.
Motion picture films	Screen-time quota	Not significant	Legal and negotiable	Quota is applied in New South Wales which represents approximately half the theater seating capacity of Australia, requiring by law that 15% of all films shown be British and 2% be Australian.

TABLE 26

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
No quota restrictions on imports				
Licenses for individual imports no longer required	Imports handled through exchange certificate system			Export bonuses (B.E.), available on open market, used to finance wide range of essential commodities on B.E. list.
Indonesia has a prohibited list of domestically-produced items and some luxury products incl.: 1/ Plaiting and carving materials; other raw vegetable materials and products. Ethyl alcohol and certain liquids containing ethyl alcohol. Black printing ink. Prepared paints, other than ship and spray paints. Shoe polish. Old leather and leather waste. Scouring and Polishing paper. Silk and artificial silk waste; silk and artificial silk shoddy. Various textile items such as sarongs, kains, and scarves made of silk, wool, cotton, or other materials. Knitted and crocheted cotton articles (vests, pants, shirts). Rags and cloth waste. Writing and drawing slates.	Special permit issued by Minister of Trade	Significant, but group too broad to permit trade summary	Presumably justified under Art. XVIII for balance of payments and economic development reasons. Affects bound items.	Small amount of DP, or complementary foreign exchange accruing chiefly from invisibles available on open market to finance all non-essential commodities except prohibited items. BE and DP are in effect both a right to exchange and a right to import these designated commodities.

1/ This list was in effect a list of prohibited items although Indonesia claimed to permit token amounts. Along with other changes in the trade regulations made on July 28, 1967, the prohibited list was revised. The revised list has not yet been transmitted by the Embassy.

TABLE 26

INDONESIA

Product	Type of Restriction	Estimated Impact of U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Rubber-tapping cups of earthenware and white porcelain.				
Drinking glasses, various other glass bottles, cups, containers.				
Hoes, sickles, picks of iron or steel.				
Certain kitchen utensils of iron or steel (other than enamelled ware) or of aluminum including cooking pots, kettles and casseroles.				
Aluminum tubes used as packing or as bottle stoppers.				
School slates and various writing and drawing equipment.				
Dry batteries (sized about 60 MM in length; 33 MM in diameter).				
Radio-television receiving sets not in knocked down condition.				
6/12-volt accumulators, with highest amperage of 150.				
Passenger cars, U.S. $2,000 or more				

TABLE 26

INDONESIA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes				
All items on GATT Schedule	Special Levy (BLLD Contribution)	Significant, but groups too broad to permit trade summary	Illegal and affects bound items	BLLD contribution is equivalent to the difference between GATT rate and tariff rate
All imports	1% BLLD levy	Not onerous		By incl. numerous other nuisance contributions in this single levy import regulations have been simplified
Wide range of non-essential items and domestically produced goods	Surcharge (50% and 100% based on import duty) Excess Profit Levy ranging from Rp.10 to Rp.200 per US dollar.	Significant, but groups too broad to permit trade summary		Surcharges apply to some 300 items and excess profit levies to 10. About 60 are on commodities providing severe competition to domestic industry, including textiles. Charges apply mostly to higher duty items.
Other Restrictions				
Many essential items incl.: rice, cloves, cambrics, fertilizers, raw cotton, weaving yarn and thread, textiles and dyes, tinplate, paper cement, reinforcing rods and other capital goods.	State trading	Groups too broad to permit trade summary	1/	9 state trading co & the Food Bd. handled 80% of total imports in 1964. New leadership now giving increased opportunity to private traders & state trading co. are not receiving any preferential treatment.

1/ State trading is permitted under GATT Article XVII, but with some qualifications.

TABLE 27

JAPAN

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-agricultural Quantitative Restrictions				
As of March 1967, coal; gas oils, heavy fuel and raw oils, and other petroleum oils; some chemicals and pharmaceutical products; leathers (excluding raw) and leather products, especially footwear; alcoholic beverages; color film; some alloy tool steels; large steam boilers and turbines, some types of diesel engines, and certain large electric generators; internal combustion engines and parts, and certain large electric generators; aircraft and aircraft motors and parts; office machinery, including digital type computers and parts; among other items, still r in under the Import Quota (IQ) licensing system.	Quota-Import (Licensing)	Negligible to moderate; severe for leather products Import figures impossible to obtain for these items since many of them are "ex" out items and do not show (in statistics) in any identifiable manner.	Illegal and not negotiable	Much progress has been made in persuading Japan to remove import items from the "Negative List", as the Import Quota (IQ) items have come to be known. Information necessary to the application for individual quotas is publicly announced from time to time by the Ministry of International Trade and Industry. However, under the IQ licensing system, which replaced the former Fund Allocation system, individual quotas are, in principle allocated on the basis of past performance. The liberalization of imports in Japan has nevertheless evolved rapidly in the course of the last several years. There has also been progress in making the remaining restrictions more flexible, especially in the continuous efforts to increase the quotas for import licensing.

JAPAN

TABLE 27

JAPAN

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
<u>Valuation and Taxes</u>				
Whiskey	Internal tax of 150% on high-priced whiskies and brandies and tax.	Significant, not possible to estimate the increase. 1966 imports $56,000.	Legal and negotiable	This is a discriminatory tax in effect against imports though local production would be subject to the same rates if the value exceeded ceilings established. Competing Japanese whiskies are subject to lower rates of taxation due to lower prices.
Automobiles	Commodity (sales) tax of 15, 30 or 40%.	Significant 1966 approximately $4 million. Degree of impact difficult to estimate.	Legal and negotiable	Taxes levied according to cylinder capacity, wheel base, and width thereby subjecting most U.S. cars to highest rate. More equitable tax rate would improve level of exports.
<u>Other Restrictions</u>				
Cigarettes	State Trading	1966 imports from U.S. $2.2 million. Impossible to determine impact.	1/	Restrictions believed to be applied under legislation antedating the GATT.
Ethyl alcohol	State Trading	Not significant	1/	Restrictions believed to be applied under legislation antedating the GATT.
Salt	State Trading	Not significant	1/	Restriction believed to be applied under legislation antedating the GATT.

1/ State Trading is permitted under Article XVII of the GATT, but with some qualifications. In the case of cigarettes and ethyl alcohol, there is evidence that these qualifications are not being met. The case of salt is also suspect.

TABLE 28

KOREA

KOREA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Since July 25, 1967, Korea has had an import plan based on a negative list of items which require licenses under a quota requiring approval of the competent ministry for importation.	(1) Quota, import (Licensing)	Severe	Legal and not negotiable	In order to protect domestic industries Korea has maintained a policy of restricting the inflow of foreign goods; however, on July 25, 1967, the GOK announced a policy of gradual liberalization of its restrictive attitude toward imports and foreign exchange.
In addition, there is also a list of items that are prohibited importation. Textiles and textile products, among others are on the prohibited list.	(2) Prohibition.	Severe	"	Korea acceded to the GATT in April 1967, and participated in the Kennedy Round negotiations.

MALAYSIA

TABLE 29

MALAYSIA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Amusement machines, arms and ammunition	Import licensing	Not significant	Legal and negotiable	Purpose of regulation is to protect the public and morals.
Other Restrictions				
Motion picture films	Screen-time quota	Not significant. Estimate of increase not possible Approx. $12,800.	Legal and negotiable	
Goods purchased for the public account	"Buy National" policy	Not significant	Legal and negotiable	Government departments are directed to procure locally manufactured goods at a differential up to 5% above foreign-produced goods.
Automobiles	Ad valorem registration fee: (a) 15% for UK origin (b) 25% for other Commonwealth origin and other Country--	Not significant. U.S. direct export cars not as suitable for market. 1965 imports from U.S. $100,000.	Legality questionable 1/	
Trucks and buses used for business or public purposes	Ad valorem registration fee: (a) None for Commonwealth origin (b) 15% for non-Commonwealth origin.	Not significant, 1965 imports from U.S. $38,000.	Legality questionable 1/	

1/ Fees are prescribed in Motor Vehicle Rules of 1959, but may be a continuation of earlier mandatory policy, thus antedating the GATT.

TABLE 30

NEW ZEALAND

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Most imports, including the following which have been subject of complaint by U.S. exporters: flavored drinking straws; pumps; industrial sewing machines; commercial refrigerators; textile products; photographic equipment; reel-bar side rakes; beer; musical instruments	Import licensing; quotas	Significant, but group too large to permit trade summary	Legal under Article XII and affects bound items	Four of the six main licensing categories outline specific quotas based on past trade.1/ Two categories provide for licenses to be considered on an ad hoc basis with no established quota.

1/ Licensing based on past trade favors British goods.

TABLE 31

BURMA 1/

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
All imports	Government monopoly of imports	Impact varies for different commodities, but total impact not significant. 1965 imports from U.S.- $17million.	Legal under GATT Article XVIII and affects bound items	Government is the sole importer, procuring most requirements on open international tenders. Allocations for imports determined on basis of exchange availability and economic needs, with priority to essential development and consumer goods.
Valuation and Taxes				
All goods imported for sale	Sales tax: (a) Luxury goods- 18.75% (b) Standard goods- 12.50% (c) Privileged goods- 6.25%	Not significant	Legal and negotiable. Affects bound items.	A 20 percent discount is granted if tax is paid within 3 months of customs clearance. Presently not clear whether tax is being collected with Government the only importer.

1/ Burma's current tariff is being held confidential by the Government and is not available to the U.S. Embassy. This would appear to be inconsistent with the obligations of a contracting party.

BURMA

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Other Restrictions				
Imports, general	Bilateral reparations agreement	Not significant	Legal. Affects bound items	A high percentage of imports is restricted for import under the Japanese Reparations Program. A new 10-year agreement was concluded in 1962.
Industrial plants and related equipment	Bilateral loan agreement	Not significant	Legal. Affects bound items	$84 million loan extended in 1961 to Burma by Communist China for procurement of industrial plants and technical assistance.
All products purchased for the public account	Government procurement practices - short bid deadlines	Possibly significant, but group too broad to permit trade summary	Legal and negotiable, affects bound items	Government purchasing agencies often issue tender notices with advance bid deadlines of 30 days or less, making it difficult, if not impossible, to transmit specifications to U.S. firms in time to submit bids ahead of the deadline.

TABLE 32

CEYLON

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
All imports	Individual import licensing, exchange quota	Significant, but group too broad to permit trade summary	Legal under Article XVIII and affects bound items	Individual import licenses are required for all imports except those by government departments. Overall exchange allocations are assigned to various classes of importers in the annual foreign exchange budget. Priority is given to development and essential consumer goods, with non-essential and luxury items prohibited or severely restricted.
Non-essential items, including: Sunglasses; cigarette lighters; cigarette lighter flints; perfumery; bangles and beads; wall paper; waste paper and oil paper; floor tiles; domestic ware; ball-point pens; plastic sheets with floral designs; floor covering; chilled and frozen fruits; bicycle parts, electric lamps; photographic and cinematographic apparatus; watches and clocks; footwear; and automobiles	Prohibition	Exclusion of U.S. product. Group too broad to permit trade summary	Illegal 1/	
Textile products	Requirement that domestic product must be purchased in specified ratio to imported product	Significant, but group too broad to permit trade summary	Legal. Applied pursuant to GATT authorization under Article XVIII	

1/ GATT Article XVIII:10 provides that restrictions are "not to prevent unreasonably the importation of any description of goods in minimum commercial quantities the exclusion of which would impair regular channels of trade."

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Health, Sanitary and Safety Regulations				
Cotton rugs, used clothing	Sanitary	Not significant	Legal, but not negotiable	Products must be disinfected upon arrival unless accompanied by a certificate indicating disinfection prior to shipment. Regulation imposed to protect the national health.
Drugs and pharmaceutical preparations	Health	Not significant	Legal, but not negotiable	Products must conform to British Pharmacopoeia, International Pharmacopoeia, or the British Pharmaceutical Codex. Purpose of the regulation is to protect the national health.
Other Restrictions				
Various ite	Bilateral agreements	Probably not significant	Legal, and may affect bound items	Agreements mostly of commercial treaty type; only rubber-for-rice agreement with Mainland China involves purchase commitment.
Cereals; flour; pulses; sugar; fish; certain other foodstuffs; cement; textiles; newsprint; paper and paperboard; petroleum products; caustic soda; animal feedstuffs	Government monopoly imports	Not significant	Affects bound items	Impr[illegible] of listed products are a monopoly of Government's Food Commissioner or government corporati[illegible]ns.

TABLE 33

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Meat and poultry; certain dairy products; wheat and flour; fruits and vegetables, fresh or dried preserved; prepared animal foods; common soap and detergents; certain chemicals; wood creosote, pitch, and tar; wooden boxes and cases; builders' woodwork; cardboard and paper containers; certain textiles; iron wire, wire netting, and wire nails; portland cement; mosaic floor tiles; iron and steel buckets for household use; crown corks; steam generating boilers and engines; metal-and wood-working machinery; centrifugal pumps; paper mill and pulp mill machinery and machinery for paper manufactures; printing machinery; textile machinery; industrial sewing machines; certain other non-electrical machinery; electric amplifiers; wood furniture and fixtures; table, household, and decorative articles of plastics, except flooring tiles; artificial teeth	Import licensing	Not significant	Balance of payments status not yet determined. No binding.	Imports other than those listed are imported under open general license in any quantity and from any country other than those with which Cyprus has trade agreements of a clearing type.

TABLE 34

INDIA

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
All imports except government orders, imports under open general license, and passenger baggage	Import license, import fees, exchange control quotas	Significant, but product groups too broad to permit trade summary	Legal under GATT Article XVIII and affects bound items	All commercial imports require an import license. Essential commodities and raw materials are given priority. Imports of luxuries or non-essentials and such goods as are produced locally in adequate supply, are either prohibited or severely curtailed. Exchange controls are merged with licensing controls, affecting same range of products. For licensing purposes, importers are divided into three categories: "established importers," "actual users," and "other." Licenses are issued to "established importers" on the basis of fixed percentage of their historical imports, during a selected period. "Actual users" are accorded licenses on the basis of their certified requirements. "Other Importers" include educational and research institutions and receive licenses on an ad hoc basis.

TABLE 34

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	
Capital goods, heavy electrical plant, and machine tools valued at $100,000 or more 1/	Special licensing terms	Significant, but group too broad to permit trade summary	Legal under GATT Article XVIII and affects bound items	Imports are permitted if: covered by long-term (10 year) foreign loans or investments, private or governmental; financed by the National Small Industries Corp. of India, a government institution; imports against earmarked exports; imports against medium-term credits related to export promotion; imports for maintenance and replacement and purposes requiring small cash payments; or provided under a bilateral trade payments agreement.
Valuation and Taxes				
Imports in general	Tax liability because of business connection	Not significant	Legal and affects bound items	Where title of goods passes outside India and payment is made outside India, no business connection exists, and no income tax will arise. Where such sales are made through agents, branch offices, Indian distributors, or subsidiaries, a portion of the profits from sales would therefore be taxable. A proposed U.S.-India treaty would amend this clause.

1/ Many of these items are imported under tied procurement aid agreements with the U.S. and other foriegn countries. Considerable amounts of U.S. exports of these items are supplied under AID loans.

TABLE 34

INDIA

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Tobacco and tobacco products; salt; petroleum products; vegetable oils and fats; pigments, colors, paints, enamels, varnishes, blacks, and cellulose lacquers; soda ash; caustic soda; sodium silicate and glycerin; synthetic organic dyestuffs; organic luminophores; patent medicines; cosmetics and toilet preparations not containing alcohol or narcotics; nitric, hydroclhoric and sulphuric acids; compressed, liquified, or solidfied gases; soap; plastics; organic surface-acting agents; cellophane; tires and certain other rubber products; plywood and paperboard; paper; cotton twist, yarn, and thread; rayon and synthetic fibers and yarn; woolen yarn; cotton, woolen, silk, and synthetic fabrics; jute manufactures; cement; glass and glassware; asbestos cement products; silver; iron in crude f[illegible]; steel ingots; copper and copper alloys; iron and steel products; zinc; aluminum and products; lead; tin plate and tinned sheets; internal combustion engines; refrigerating equipment; electric motors; batteries; lighting bulbs and tubes; electric fans; wireless receiving sets; motor vehicles; cycles and parts; footwear; cinematograph films; record players, matches; and mechanical lighters.	Excise tax	Not significant	Legal and negotiable	Any article imported into India is subject to an "additional" duty equal to the excise duty levied on a like article if produced in India, or, if the like article is not produced in India, on the class of articles to which the imported article belongs, and where such duty is leviable at varying rates, the highest duty shall apply to the imported article. Exception rates granted to domestically produced items manufactured under certain conditions or for a certain use are discriminatory against imported items.
Health, Sanitary and Safety Restrictions				
Pharmaceuticals, medicines	Health regulations	Not significant	Legal, but not negotiable	Patent and proprietary medicines must be analyzed, registered and certified. Other con-

TABLE 34

INDIA

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
				trols apply to labeling, advertising, sales and pricing. Regulations are applied to protect the national health and welfare.
Other Restrictions				
Artificial silk yarn and thread, caustic soda, soda ash, newsprint, cement, fertilizer, petroleum products, other items as might be determined from time to time such as capital goods and industrial raw materials	State trading	Not significant	Legal 1/ and affects bound items	State Trading Corp. is reported to conduct bargaining on other than commercial basis, exacting price and payment terms which may be unpalatable but the only means for doing business. In barter transactions, U.S. business is often at a disadvantage because transactions are on a rupee payment basis.
Products purchased for public account	Government Procurement Practices: (a) Price differential (b) Erratic bidding practices	Not significant	Legal and negotiable. Affects bound items.	(a) Price preference of 20 to 40% is accorded indigenous products available in adequate quantities and satisfactory quality.

1/ State trading is permitted under GATT Article XVIII with certain qualifications. It is extremely doubtful that India meets these qualifications.

TABLE 34

INDIA

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
				(b) Practices are of administrative nature consisting of issuing bid invitations on short deadlines, failing to identify sources of financing, restricting quotations or specifications to British and Indian standards, and renegotiating bids. In the case of steel, India insists on firm offers instead of usual "escalator clause" quote.
Engineering goods; chemicals, drugs, and pharmaceuticals; tires and tubes; paper, paper products; leather and leather goods, plastics; fish and fish products; sports goods; woolen carpets and rugs; woolen textiles and hosiery, and mixed fabrics and ready-made garments thereof; unmanufactured tobacco and cigarettes; processed foods; cotton textiles and apparel; cashew kernels; gem and jewelry items; cinematograph films	Export subsidies (a) import entitlements (b) 25% rebate on domestic rail charges	Not significant	Legal under Article XVI	Import licenses are granted to registered exporters at specified percentage of exports, for replenishment of raw materials, intermediates, components, and spares components of exported goods.
Imports in general	Bilateral agreements	Significant, but group too broad to permit trade summary	Legal and affects bound items	Virtually all foreign aid granted bilaterally to India is tied to purchases in the donor country. Special payments agreements with Soviet bloc countries permit payment in rupees.

TABLE 34

INDIA

Products	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Motion picture films	Restriction on transfer of film earnings	Significant, but estimate of increase not possible	Legal and negotiable	25% of the net earnings may be remitted while balance is held in blocked accounts and may be withdrawn only for specific negotiated uses such as: purchase or rental of Indian films, production costs in India, travel expenses.
Ammonium nitrate fertilizer	Dock unloading restrictions	Possibly significant	Legal and negotiable	Classification as dangerous cargo at certain Indian ports places a limit of 560 pounds on consignments that may be unloaded at the dock.
Engineering goods, iron and steel, china clay, plywood products, absorbent cotton, woolen carpets, cotton textiles	Cash subsidies	Not significant	Legal under Article XVI	Cash assistance to exporting industries ranging from 10-25% of f.o.b. value of exports.
Flameproof mining machinery	Specifications	Significant	Legal and negotiable	Specifications drawn according to British standards have precluded U.S. exports. Problem is being resolved after negotiation; at present time, new draft rules have been drawn up.

TABLE 35

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Imports in general	Import licensing	Significant, but group too broad to permit trade summary	Legal under Article XII and affects bound items	A little less than 50 percent of all imports require individual licenses, and many such items are licensed freely. Availability of local production may influence level of liberalization. Government favors countries with which it has bilateral agreements in issuing licenses for goods available from these sources (wool products are particularly affected).
Valuation and Taxes				
Most imported goods	Purchase tax: 5% to 100%; few items over 100%	Significant, but group too broad to permit trade summary	Legal and negotiable	Purchase tax is levied on most imported goods as well as like goods produced and sold domestically. Tax on imports is applied to c.i.f.-plus-duty base.

ISRAEL

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes - Cont'd.				
Numerous items, including many foodstuffs; edible oils and fats; alcoholic beverages; tobacco; crude petroleum; fuel oils and gases; certain chemicals and plastics; hides, skins, and leather; certain wood products; certain paper products; many textile products; certain glass products; a few products of base metals; electric refrigerators; transformers up to 2,500 [illegible]; certain electric apparatus; musical instruments	Import surcharge	Possibly significant, but group too broad to permit trade summary	Legal and negotiable	Tax levied at varying rates for the following purposes; regulation of demand; price maintenance; absorption of excess profits; protection of Israeli products against unreasonable import competition.
Health, Sanitary and Safety Restrictions				
Medicines and pharmaceutical preparations; cosmetics	Health restrictions	Not significant	Legal, but not negotiable	Controls cover analysis, labeling and advertising, sales, and pricing and are imposed to protect the national health and welfare.
Other Restrictions				
Motion picture films	(a) Subsidy	Not significant	Legal	Government production subsidies and export premiums are available to producers.

TABLE 36

KUWAIT

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Firearms, munitions, poisons, pork and alcoholic beverages	Import Licensing	Not significant	Items not bound 1/	These items require an import license. These are issued on a nondiscriminatory basis. All other imports enter freely.
Other Restrictions				
All imports	Arab boycott of Israel	Impact significant for affected companies, but impact on total U. S. exports not believed to be substantial	Legal only if Kuwait has invoked Article XXXV against Israel.	An exporter is required to guarantee that goods will not be shipped on blacklisted ships or ships that stop at Israeli ports. The importer may sue the exporter for losses if the guarantee is not met and the goods are held up in customs. The guarantee should be included as part of the certificate of origin. Kuwait also boycotts products of certain U.S. companies with business interests in Israel.
All imports	Agency requirements	Not significant	Legal	To sell in Kuwait one must appoint a Kuwaiti agent, or if one wishes to sell through one's own outlets, one must form a partnership with a Kuwaiti individual or firm.

1/ Legality is questionable since Kuwait has not as yet justified these QR's.

TABLE 37

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
All commercial imports except a few items on Free List (composition of Free List varies in successive licensing policies) and imports by government departments	Import and exchange licensing	Significant, but group too broad to permit trade summary	Legal under GATT Article XVIII and affects bound items	Control system maintained for balance of payments and economic development reasons. Except for goods imported under Free List, all imports require licenses - usually issued to importers on the basis of past performance. Under an export bonus scheme, exporters receive certificates up to a certain percentage (20-30%) which permit them to import essential goods and some consumer goods not ordinarily licensed.
Valuation and Taxes				
Most products imported for sale	Sales tax - 15% in most instances	Significant, but group too broad to permit trade summary	Legal and negotiable. Affects bound items.	Single-point sales tax, generally levied on both imported and domestically produced goods, levied at import, manufacturer, or wholesale point (but only one of these). Exemption for capital goods and certain other items. On a few items, tax is levied on imported but not on domestically produced goods.

TABLE 37

 PAKISTAN

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
All imports except for exempted items of machinery and parts, components and apparatus for use with machinery.	Customs surcharge - 25% of customs duty	Not significant	Illegal unless waiver obtained. Affects bound items	Calculated so as not to disturb preference margins on items carrying preferential rates.
Health, Sanitary and Safety Restrictions				
Pharmaceutical preparations, medicines	Health regulation	Not significant	Legal, but not negotiable	Controls cover analysis, registration, and licensing and are applied to protect the national health and welfare.
Other Restrictions				
Motion picture films	(a) Remittance restriction	Significant, but estimate of increase not possible	Legal and negotiable	U.S. industry has complained that only one-third of remittable earnings was remitted in 1961. Blocked funds totaled $2.2 million in 1965.
	(b) Import restriction	Significant, but estimate of increase not possible		MPEA agreement expired 1964, imports U.S. films held up in dispute over GOP demand that blocked rupees be used to produce films locally. A few independently produced U.S. films imported in last 2 years, but these allowed only against bonus vouchers, which greatly increases their cost.

TABLE 37

PAKISTAN

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Automobiles	Value limitation	Possibly significant	Legal	Only autos with a landed cost of up to $2331 may be imported. Policy favors small, lower priced cars from non-U.S. sources

PAKISTAN

TURKEY

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes (cont't)				
Motion picture films	Film tax (a) Foreign films- 70% (b) Domestic films- 25%	Significant, but trade summary not possible	Legal 2/ and presumably negotiable, affects bound items	Since total admissions price, including tax, is the same for both foreign and domestic films, distributors and theater owners realize higher profits from local films.
Methyl alcohol	Monopoly tax	Not significant		Tax of $0.011 per liter on imports for manufacture of pharmaceutical and pest control products.
Automobiles	Surtax	Possibly significant	Illegal unless waiver obtained	Surtax on imported automobiles, varying according to weight and age.
Health, Sanitary and Safety Restrictions				
Medicines, pharmaceuticals; baby foods; medical equipment; some chemicals, insecticides, weed killers; magazines, books, newspapers	Special administrative controls requiring approval of certain government agencies for importation	Not significant	Legal but not negotiable	Regulations are applied to protect the public health, safety and morals

2/ Some aspects of these taxes may be inconsistent with the GATT.

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Other Restrictions				
Tobacco and tobacco products; cigarette paper; various alcoholic beverages	State trading	Not significant	3/	
All imports	Advance deposit	Not significant	Presumably justified under GATT Article XVIII	Full Turkish lira equivalent must be deposited in advance for goods on the liberation list and for quota list goods imported against letter of credit. Deposit is 50% for quota list items imported cash against documents.
All imports	Guarantee deposit	Possibly significant	Presumably justified under GATT Article XVIII	Guarantee deposits at 10,30,70 or 100% depending on the import list, in addition to advance deposit.

3/ State trading is permitted under Article XVII with some qualifications. It is questionable whether Turkey meets these qualifications.

TABLE 38

TURKEY

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
All permissible imports	Import licensing	Significant, groups to broad to permit trade summary	Legal under Gatt Article XVIII, affects bound items	Licenses are required for all imports. Products for importation catagorized: (1) "liberation list" - items for which licenses are granted freely and (2) "quota list" - items for which specific quotas are established. Items not on either list are not ordinarily importable. Special consideration is given items to be traded with bilateral agreement countries.
Some chemicals, paints, and pharmaceuticals; explosives; some photographic equipment; plastics and certain rubber goods; some wood, paper and textile products; some glass products and most manufactures of copper, aluminum and zinc; certain tools; some tractors and trucks, trailers, and motorcycles; planes for spraying; clocks and watches; musical instruments; tape recorders and tape; certain scientific and technical instruments; many types of industrial, agricultural, and electrical machinery and apparatus; office machines, certain iron and steel products; certain, vegetable oils; asbestos; and certain petroleum products.	Quotas	Significant, groups too broad to permit trade summary	Legal under GATT Article XVIII, affects bound items	Licenses are required for all imports. The quota list, as distinct from the liberation list, establishes fixed monetary global quotas for the affected items for each 6-months licensing period to be distributed among commercial importers and/or industrialists.

TURKEY

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Valuation and Taxes				
All imports	Surtax - 15% of the assessed duty	Not significant 1/	Legal 2/ and presumably negotiable, affects bound items	Municipal tax applied to all imports
All goods imported by sea	Port tax - 5% of c.i.f. plus duty, surtax and customs clearance costs	Significant but group too broad to permit trade summary	Legal 3/ and presumably negotiable, affects bound items	
All imports	Stamp tax - 10% of c.i.f. value	Significant, but group too broad to permit trade summary	Possibly illegal (see remarks), affects bound items.	Increase in stamp tax from 5% to 10% in February 1967 is in violation of terms and conditions of 1963 GATT waiver of Article II:I obligations (allowing 5% tax), which expires December 31, 1967.
Most imports	Production tax ranging from 10% to 75% of sum of c.i.f. value, customs duty, customs surtax, port tax, and customs clearing expenses	Significant, but group too broad to permit trade summary	Legal 2/ and presumably negotiable, affects bound items	Some manufactured goods produced domestically are not subject to this tax, although the same products when imported are taxed. The tax is exempted on exported goods, and the tax paid on materials used in the production of products which are exported is refunded. Tax base for domestic goods is the producer's selling price, while base for imported products is c.i.f. plus duties and all other customs charges.
All imports	Consular invoice fee ranging from 0.3% to 0.5% of f.o.b. value	Not significant 1/	Legal, but not negotiable, affects bound items	Fees are imposed for legalization of combined certificate of origin-consular invoices

1/ Taxes not significant when considered separately, but become meaningful when aggregated with other taxes.
2/ Some aspects of this tax may be inconsistent with the GATT.
3/ Increase in port tax in 1967 from 2.5% to 5% may be inconsistent with GATT Articles VIII unless there is reasonable relationship to services rendered. It may also be inconsistent with Article II with respect to items in Turkey's GATT schedule, on which concessions are impaired.

TABLE 39

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
All imports	Import licensing and exchange quotas	Signifi[illegible]nt, but groups too bro[illegible] to permit trade summary	1/ No bindings	An import license and exchange license is required for all imports from countries outside the Franc Zone. Such licenses are not ordinarily issued for the import of commodities available from within the Franc Zone. For licensing purposes all trade is classified into three categories: the Franc Zone (free of restrictions); Common Market countries (separate import quotas are established); all other countries (more restrictive "global import" quotas are established).
Valuation and Taxes				
All dutiable imports	Turnover tax - 10%	Significant, but groups too broad to permit trade summary	Legal and negotiable, no bindings	Tax intended to compensate for tax on like goods when produced and sold domestically.
Many items	Additional tax 5% to 35%	Significant, but groups too large to permit trade summary.	No bindings	Serves as both a protective & revenue device.

1/ Legality is questionable since Cameroon has not as yet justified these QR's.

TABLE 39

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Other Restrictions				
Various items	Bilateral trade agreements	Significant, but groups too broad to permit trade summary	No bindings	U.S. not in a position to make licensing or exchange-type trade agreement. Trade agreements generally provide licensing guarantees to specified amounts of goods listed. Are in effect with: West Germany, Nigeria, Greece, Austria, Lebanon, Iraq and Poland.
All imports	Discriminatory tariff	Significant, but groups too broad to permit trade summary	Legality not yet determined, no bindings	CXT discriminates in favor of EEC. Treaty of St. Germain-en-Laye (non-discrimination in Congo Basin) is not considered binding. Relaxation of quota and licensing restrictions would have little effect unless tariff discrimination was removed.

CAMEROON

TABLE 40

CENTRAL AFRICAN REPUBLIC

CENTRAL AFRICAN REPUBLIC

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
All imports	Import licensing and exchange quotas	Significant, but groups too broad to permit trade summary	1/ No bindings	For licensing purposes all trade is classified in three categories: the Franc Zone (free of restrictions); Common Market countries (separate import quotas are established); all other countries (more restrictive "global import" quotas are established).
Valuation and Taxes				
All dutiable imports	Turnover tax - 10%	Significant, but groups too broad to permit trade summary	Legal and negotiable, no bindings	Tax intended to compensate for taxes on like products when produced and sold domestically. On imports tax is applied to duty-paid value.
Selected items	Additional tax 5% to 25%	Not significant	No bindings	Serves as both a protective and revenue measure.
Other Restrictions				
All imports	Discriminatory tariff	Significant, but groups too broad to permit trade summary	Legality not yet determined, no bindings	CXT discriminates in favor of EEC. Treaty of St. Germain-en-Laye (non-discrimination in Congo Basin) is not considered binding. Relaxation of quota & licensing restrictions would have little effect unless tariff restriction was removed.

1/ Legality is questionable since Republic has not as yet justified these QR's.

TABLE 41

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
All imports	Import licensing and exchange quotas	Significant, but groups too broad to permit trade summary	No bindings 1/	For licensing purposes all trade is classified into three categories: the Franc Zone (free of restrictions); Common Market countries (separate import quotas established); all other countries (more restrictive "global import" quotas are established)
Valuation and Taxes				
All Imports	Turnover tax - 10%	Significant, but groups too broad to permit trade summary	Legal and negotiable, no bindings	Tax intended to compensate for taxes on like products when produced and sold domestically. Tax on imports is applied to duty-paid value.
Selected Items	Additional tax 5% to 45%	Not significant	No bindings	Tax is primarily a small revenue measure.
Other Restrictions				
All Imports	Discriminatory tariff	Significant, but groups too broad to permit trade summary	Legality not yet determined. No bindings	CXT discriminates in favor of the EEC. Treaty of St. Germain-en-Laye (non-discrimination in Congo Basin) is not considered binding. Relaxation of licensing & quots restrictions would have little effect until tariff discrimination was removed.

1/ Legality is questionable since Chad has not as yet justified these QR's

TABLE 42

CONGO (BRAZZAVILLE)

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
All imports	Import license and exchange quota	Significant, but groups too broad to permit trade summary	1/. No bindings	For licensing purposes all trade is classified into three categories: the Franc Zone (free of restrictions); Common Market countries (separate import quotas established); all other countries (more restrictive "global import" quotas are established).
Valuation and Taxes				
All imports	Turnover tax - 10%	Significant, but groups too broad to permit trade summary	Legal and negotiable, no bindings	Taxes intended to compensate for taxes levied on similar goods when produced and sold domestically. Tax on imports applied to duty-paid value.
Selected items	Additional tax 5% to 15%	Not significant	No bindings	
Other Restrictions				
All imports	Discriminatory tariff	Significant, but groups too broad to permit trade summary	No bindings. Legality not yet determined	CXT discriminates in favor of the EEC. Treaty of St. Germain-en-Laye (non-discrimination in Congo Basin) is not considered binding. Relaxation of quota & licensing restrictions would have little effect unless tariff discrimination was removed.

1/ Legality is questionable since the Congo has not as yet justified these QR's.

TABLE 43

GABON

GABON

Product	Type of Restriction	Estimated Impact on U.S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
All imports	Import licensing and exchange quota	Significant, but groups too broad to permit trade summary	1/. No binding	For licensing purposes all trade is classified into three categories: the Franc Zone (free of restrictions); Common Market countries (separate import quotas are established); all other countries (more restrictive "global import" quotas are established).
Valuation and Taxes				
All imports	Turnover tax - 10%	Significant, but groups too broad to permit trade summary	Legal and negotiable, no bindings	Taxes are intended to compensate for taxes levied on similar goods when produced and sold domestically. Tax on imports levied on duty-paid value.
Other Restrictions				
All imports	Discriminatory tariff	Significant, but groups too broad to permit trade summary	Legality is not yet determined, no bindings	UDE Common External Tariff is very highly discriminatory in favor of the EEC. Treaty of St. Germain-en-Laye (non-discrimination in the Congo Basin) is not considered binding. Relaxation of quota & licensing restrictions would have little effect until tariff discrimination was removed.

1/ Legality is questionable since Gabon has not as yet justified these QR's.

TABLE 44

GHANA

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Most imports	Import licensing	Significant, but groups too broad to permit trade summary	Legal under Article XVIII, no bindings	Medicinal and pharmaceutical products, chemicals, industrial parts and some food and miscellaneous items enter under Open General License. All other goods require specific licenses.
Valuation and Taxes				
Vehicles	Purchase tax - 5% to 100%	Not significant	Legal and negotiable, no bindings	Amount of tax depends on type of vehicle imported, its f.o.b. value and the extent of assembly.
Most imports	Sales Tax - 11½%	Significant, but groups too broad to permit trade summary	Legal and negotiable	No distinction is made between imported and domestic goods.
Selected items	Excise tax - 2½% to 75% ad valorem	Not significant	Legal and negotiable	Average tax is 15%; applies to imported & domestically manufactured goods.

TABLE 45

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Certain dairy products, cereals fruits & vegetables, food-stuffs, fertilizers, animal and vegetable oils, bags & sacks, cement, jewelry, matches and gold	Import licensing	Not significant	1/ No binding	Although Kenya, Tanzania & Uganda are separate political areas, they have a common customs union. All goods other than those listed enter under Open General Licnese, except those which are excluded, such as counterfeit money, obscene literature, etc.

1/ Legality is questionable since Kenya, Tanzania and Uganda have not as yet justified these QR's.

TABLE 46

MALAWI MALAWI

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Some textile products; secondhand clothing; jute bags; gold; matches; certain knives; second-hand accounting machines; radioactive elements; explosives; arms & ammunition; game traps; trophies	Import licensing	Not significant	1/. No bindings	Most other products enter under open general licensing.
Valuation and Taxes				
Cigarettes, Alcohol & alcoholic beverages, soaps & soap substitutes	Excise tax	Not significant	Legal and negotiable	Tax levied on domestic as well as imported commodities.

1/ Legality is questionable since Malawi has not yet justified these QR's.

TABLE 47

NIGERIA

NIGERIA

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Cotton and cotton by-products, soybeans, article manufactured of gold, coal, petroleum products, second-hand clothing and cement	Import licensing	Not significant	1/. No binding	Coal is not normally imported. Petroleum products are freely licensed to major oil companies. All imports not listed enter under Open General License.
Health, Sanitary & Safety Regulations				
Pharmaceuticals	Discriminatory classification	Significant, 1966 imports from U. S. constitute only 3.3% of total pharmaceutical imports of $16.4 million.	Legality is questionable, no binding	Products must be labeled as conforming to specifications of the British Pharmacopoeia or the British Pharmaceutical Codex or be subject to a 20% duty.

1/ Legality is questionable since Nigeria has not as yet justified these QR's.

TABLE 48

SIERRA LEONE

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Certain foodstuffs, medicinal and pharmaceutical products, firearms, ammunition and explosives, some jewelry and products similar to those produced locally.	Import licensing	Not significant	1/. No binding	These items require a specific import license. All others enter under open general license.

1/ Legality is questionable since Sierra Leone has not as yet justified these QR's.

TABLE 49

REPUBLIC OF SOUTH AFRICA

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Other Restrictions				
Motion picture films	Domestic subsidy	Not significant	Legal under Article XVI of GATT.	State aid is available for locally produced films up to double the amount of admission taxes collected from the showing of the fil[illegible]

TABLE 49

REPUBLIC OF SOUTH AFRICA

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Most imports	Import licensing	Significant, but groups too broad to permit trade summary	In view of South Africa's record foreign exchange reserves, this restriction is at best of questionable justification. However, South Africa legally applies Article XII of GATT.	Except for goods on a "free list", imports from all countries into South Africa require an import license. Licensed goods fall into two categories depending on whether or not they are licensed on the basis of exchange allocations (quotas). Non-quota goods are licensed on the basis of the reasonable requirements and include capital equipment, industrial raw materials, and specified consumer goods. Quota goods are licensed on the basis of exchange allocations to registered importers and include mainly consumer & luxury items. A "restricted list" for which licenses are issued on a 3 for 1 ratio of the importer's basic exchange allocation reportedly includes only non-essential & luxury items, but in fact, includes items which indicate that protection for local industry has been a consideration in its composition.

TABLE 50

SOUTHERN RHODESIA | SOUTHERN RHODESIA

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
N[illegible]ricultural Quantitative Restrictions				
Ma[illegible] commodities of a luxury nature or if similarly produced in Southern Rhodesia	Import Licensing	Not Significant	No binding	Most other goods enter under Open General License

TABLE 51

UPPER VOLTA | UPPER VOLTA

Product	Type of Restriction	Estimated Impact of U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
All imports	Import and Exchange licenses	Significant, but groups too broad to permit trade summary	1/. No bindings	An import license and an exchange license is required for all imports from countries outside of the Franc Zone. Licenses are not ordinarily issued for the import of commodities which are available from within the Franc Zone. Goods originating within the EEC receive more liberal treatment than do non-EEC goods.
Valuation and Taxes				
All imports	Standard tax - 25% Temporary development tax - 10% Statistical tax - 1%	Significant, but groups too broad to permit trade summary	Legal and negotiable, no bindings	Standard tax is levied on c.i.f. plus duty and other charges value.
Health, Sanitary & Safety Restrictions				
Medicaments	Discriminatory classification	Significant, 1965 imports totaled $.8 million	Legality is questionable, no bindings	Medicaments not appearing in the French Codex or authorized by the Central Pharmaceutical Service are prohibited.

1/ Legality is questionable since Upper Volta has not as yet justified these QR's.

TABLE 52

ZAMBIA

Product	Type of Restriction	Estimated Impact on U. S. Trade	Trade Agreement Status	Remarks
Non-Agricultural Quantitative Restrictions				
Most goods	Import Licensing	Significant	No bindings	Goods which may enter under Open General License are petroleum products, some minerals, baggage, gifts and shipments of less than £25 ($70).

The CHAIRMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. Congressman, it is always good to have you here and you have always been a very effective advocate for the position you have long maintained. It is quite obvious the position you maintained in the last 8 years is being joined by increasing numbers of Members of Congress by the introduction of quota bills, and other bills for the expansion of domestic industry.

I too want to thank you for this comprehensive compilation of nontariff barriers. It has been quite difficult getting this listing from the people who are advocating more liberal trade and I think this will serve a very good purpose.

Thank you. Thank you for coming.

Mr. DENT. May I say that you can get it and get a copy for every member of the committee if the chairman would ask for it. It took me a long time to get it but once I got a copy they barred any other copies from going out to the best of my knowledge.

I could never get another copy and we had to run that copy off on our own machine. You can get it from the Department of Commerce. It has been completed for almost a year and a half. It is available but cannot be had by Members of Congress.

Mr. SCHNEEBELI. As I said, it is a little difficult to get it and, we appreciate this comprehensive list.

The CHAIRMAN. Mr. Conable?

Mr. CONABLE. I wanted to ask you, Mr. Dent, I just looked at a few of your compilations of nontariff barriers a minute ago for the first time. I notice that with respect to France nothing was said as to nontariff barriers on agricultural products. Are agricultural products included in the compilation that you have presented here?

Mr. DENT. Only by categories, in some areas such as hides and things of that kind which they considered, but anything that we ship into world trade under a subsidized plan I don't think you will find covered there because we meet world trade prices by subsidizing the cost of cotton and tobacco, and things of that kind.

Mr. CONABLE. Isn't it generally true that there are as many nontariff barriers with respect to agricultural products as there are with respect to industrial products?

Mr. DENT. Yes; there are.

Mr. CONABLE. Particularly in Europe.

Mr. DENT. Yes.

Mr. CONABLE. Thank you.

The CHAIRMAN. Any further questions? Again we thank you, Mr. Dent, for coming to the committee.

Mr. DENT. Thank you, Mr. Chairman, and members of the committee.

The CHAIRMAN. The Chair observes that our friend from New York, the Hon. Jacob Javits is present. Senator Javits. We appreciate your coming to us this morning and you are recognized, sir.

STATEMENT OF HON. JACOB K. JAVITS, A U.S. SENATOR FROM THE STATE OF NEW YORK

Senator JAVITS. Thank you, very much, Mr. Chairman. I apologize to the committee for having to be elsewhere when the committee was ready for me and I am very grateful to the Chair for now giving me a turn so quickly and I will do my utmost to brief the ideas that I have in mind.

Mr. Chairman, the committee is to be congratulated for undertaking comprehensive hearings on U.S. trade policy. These hearings will provide an opportunity for industries that claim import injury to present their case to Congress and to lay the groundwork for future U.S. trade strategy.

While H.R. 17551, the Trade Expansion Act of 1968 proposed by the administration, is one facet of that trade strategy, which would take care of the most immediate and pressing trade problems, it is only one and it will be up to the Congress to relate it to the next major trade initiative by the United States.

It is evident that we have reached the end of an era in trade policy as in other elements of foreign economic policy and that the answers of the past will not necessarily suffice in the future. Not only are the problems today different but the international climate within which trade policy is likely to operate in coming years is substantially different from that which prevailed when the 1962 Trade Expansion Act was hammered out in Congress.

In coming years such problems as nontariff barriers and other artificial impediments to fair international competition, fair access to markets of industrialized countries for the products of developing countries, regionalism in free trade areas and common markets, new applications of pools in science and technology in many fields and the role of Government in domestic and international agricultural trade will be the issues that predominate.

In sharp contrast to the issues predominating in the late 1950's and early 1960's—such as the cold war, decolonization and European economic recovery—we are today seeking answers to such questions as how to respond to a Western Europe from which France has in effect withdrawn, the European demand for a greater voice in the conduct of world political, economic and monetary affairs, the Soviet-Chinese rift, the demands of developing nations for the opportunity to gain access to the markets of developed nations, and the growing independence of Eastern Europe from Soviet influence.

No one yet knows the answers to these complex and interrelated problems. It seems to me, however, that under these circumstances trade policy will have to be extremely flexible and possess the maximum economic and the minimum of political objectives.

Even though Congress should probably await the results of comprehensive study before it acts on specific trade legislation, we know enough from the Kennedy round and other recent experience to discuss intelligently some of the fundamental principles that should guide future action with respect to trade policy.

These principles are predicated on the assumption that any future U.S. trade strategy should be based on a clear and firm commitment to trade liberalization. Such continued commitment is essential to our future both as a world economic power in an age of interdependence and as a principal factor in the non-Communist world community.

We benefit from a policy of trade liberalization through steadily expanding markets for our industries and jobs for our people.

Thirty-two billion dollars of U.S. production for exports and 3 million jobs created by exports are evidence of this. Imports resulting from the reciprocal reduction of trade barriers provide the essential raw materials for our industrial machine, the foreign exchange for our trading partners which enables them to buy our exports and a greater choice for millions of our consumers.

The $31.4 billion of imports into the United States not only represent competition for our industries but also such essential raw materials as iron ore, bauxite and crude oil. International competition resulting from trade liberalization provides a major incentive to increase the efficiency of our industries.

We benefit from this efficiency through the better use of our resources and by being in a better position to meet competition at home and abroad.

The experience of the past two quarters should not be taken as evidence that there is something wrong with our trade policy. According to Commerce Department information released yesterday the first quarter of this year marked a sharp improvement in U.S. exports, even though imports remained at a high level.

In April exports went up 18 percent over the depressed March level, while imports gained only 1 percent. While the 1968 trade balance may still not equal the surpluses of recent years, such favorable factors as the lowering of tariff barriers by our trading partners as a result of the Kennedy round on July 1, the expected rise in economic activity abroad and the dampening effects of the 10 percent tax surcharge-spending cut package are developments which should give strong impetus to a more favorable trade balance.

I should now like to discuss briefly those trade policy principles which I consider essential:

1. Henceforth the United States should take decisive action against countries which compete unfairly against U.S. exports or in selling to the United States.

Under this heading I include such devices as export subsidies, quotas, discriminatory import licenses and border taxes. Ambassador Roth is to be commended for beginning to take decisive steps in several recent cases. These range from subsidizing U.S. poultry exports to Switzerland to compensate for subsidized poultry exports to the same market from EEC countries and Denmark, to threatening to take before GATT Japanese import quotas against automobile components.

We must take effective action against protectionist policies abroad to resist the demands of those in this country who demand protection against import competition.

2. Congress should continue to delegate effective trade negotiating authority to the President while retaining the right to disapprove, under the right of veto, the results of trade negotiations in their entirety.

Unless we give temporary and well defined powers to the President to negotiate in the trade field we can either return to congressional tariff making or have the President conclude trade treaties subject to the approval of two-thirds of the Senate.

We have attempted both in the past with unsatisfactory results.

In order to deal with the complex issues of nontariff barriers, trade policy toward developing countries and problems involved in agricultural trade, the President should have powers to reduce tariffs or nontariff barriers, even to zero.

The negotiations on nontariff barriers will be particularly difficult because many of them involve international agreement with respect to politically sensitive domestic programs, such as agricultural subsidies and quotas, and will necessitate the safeguarding of the interests of consumers as well as producers.

Under such an arrangement, Congress could reserve the power to veto a trade agreement package within a specified period after its submission to the House and the Senate.

I am confident that if the President had such authority during the Kennedy round we would have achieved the results with far greater ease or would have done even better as our negotiators would have been able to offer concessions over a wider area in exchange for concessions of interest to us.

Also the President would need such wide powers to secure agreement on one possible approach to future U.S. trade policy—a free trade area composed of industrialized nations, in which the United States would be a member. Even though such an approach may not seem immediately relevant under present conditions, it promises to be relevant for the United States in any longer term.

If the next attempt at trade negotiations by the traditional multilateral approach fails, or is sufficiently promising to be attempted, we would be wise to shift to the only other practical approach sanctioned by GATT, the formation of a free trade area of interested nations.

If the next round of trade negotiations is successful, then we would find ourselves so close to free trade that the GATT countries would want to commit themselves to full free trade at a fixed date, to establish rules of competition and undertake other commitments as if they were in a formal free trade area.

3. Those industries facing unusual import competition should be eligible for modernization assistance as well as for adjustment assistance.

The adjustment assistance principle embodied in title III of the Trade Expansion Act of 1962 and in the same title of the proposed 1968 act is that the Federal Government which causes U.S. industry to meet increased import competition by lowering tariff and nontariff competition by lowering tariff and nontariff barriers, has a responsibility to assist the industry, the firm, and its workers facing serious import injury.

Under present law, assistance is in the form of technical assistance, loans, tax relief, subsistance allowances and relocation, and retraining for workers. Its purpose is to assist labor and industry to adjust from one line of economic activity into another when facing unusual competition from imports.

I would like to suggest that we modify this policy as follows: If on impartial examination by the U.S. Tariff Commission an industry or a firm demonstrates that acquisition of modern techniques or machinery could increase its efficiency to meet import competition, such firm or industry should be provided with governmental assistance to modernize while still being permitted to continue its present line of economic activity.

If, on the other hand, examination shows that a firm or industry is obsolete or would be unable to be competitive without permanent tariff or other subsidy, it would be eligible for adjustment assistance along the lines of the 1962 and 1968 acts.

4. Congress should not enact protectionist legislation.

Under existing law the Federal Government has adequate powers to assist an industry facing excessive or unfair competition at home or in foreign markets. These include the "escape clause;" the national security provision; the power to lay countervailing duties; the anti-dumping laws; the power to raise tariffs by 50 percent of the rates existing on July 1934; the power to impose or modify import quotas; the power to negotiate "orderly marketing agreement;" and authority to retaliate against countries which go back on tariff concessions it granted to the United States.

These are the laws of the land today and are adequate to defend our industries against serious import injury.

Now there are those who are demanding import quotas to protect them against foreign competition. The granting of these quotas would be most unwise. If an industry is not entitled to protection under existing law or under new criteria proposed under the Trade Expansion Act of 1968 or under the principles outlined above, it is a valid question to ask whether the national interest would be served to protect that industry further.

Import quotas under such circumstances would not solve but create new problems. Retaliation, higher prices for our consumers, increased governmental controls on American industry are but some of the problems that would be created.

5. The direction and administration of foreign trade policy should be strengthened further by creating a permanent agency for that purpose in the White House. The Office of the Special Representative for Trade Negotiations under Christian Herter and now under William Roth has done a remarkable job.

That Office should be expanded to have its own capacity to analyze the complex commercial and economic issues involved in foreign trade and to be in a position to properly control the activities of the Departments of State, Treasury, Commerce, Agriculture, Interior, and Labor in the field of trade policy.

I would, therefore, urge that consideration be given to elevating that Office to the rank and scope of the President's Council of Economic Advisers.

6. A Presidential Commission on Foreign Economic Policy should be established.

The analysis of the implications of the principles outlined above for U.S. trade policy and their interrelationship will be exceedingly complex and technical. Whether this committee or the Senate Finance Committee wishes to undertake this task itself with the assistance of the executive branch and the Library of Congress is, of course, up to the chairmen and members of the committees.

I think that it would be far wiser to assign the task of analyzing these issues and relating them to other aspects of U.S. foreign economic policy, especially balance of payments and foreign economic assistance, to a bipartisan Presidential Commission on Foreign Economic Policy established by Congress and requested to make its recommendations to the President and Congress no later than December 1969.

The Commission should be a mixed one, composed of Members of Congress, representatives of the President, and from private life representatives of labor, industry, agriculture as well as outstanding experts in the field.

The Commission would have its own professional staff, wih power to request information from the executive branch to hold public hearings if it deemed necessary. In the legislation establishing the Commission, Congress should outline the principles the Commission should follow in its investigation and recommendations. These principles should include the ones I outlined above and any others this committee and the Senate Finance Committee deem advisable.

I conclude as I began. We have reached a turning point for U.S. trade policy. The going will be difficult in the months and years ahead and only full confidence in our competitive strength and wise leadership will insure that we will continue toward the goal of open international commerce.

I have no doubt about our competitive strength and I am confident that this committee will continue to act in the field of trade policy with responsibility and with full awareness of the importance of its decisions in this field to the American people.

I thank the chairman.

The CHAIRMAN. Thank you, Senator Javits, for your very thought-provoking statement to us. You have raised a number of issues that are most important in our deliberations.

Are there any questions?

Thank you, sir, very much.

Senator JAVITS. Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. McEwen. We are pleased to have Hon. Robert C. McEwen, our colleague from New York, and you are recognized.

STATEMENT OF HON. ROBERT C. McEWEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. McEWEN. Mr. Chairman and gentlemen of the committee, I appreciate this opportunity of appearing here before your committee and, Mr. Chairman, if I might, I would like to submit following this, an additional statement that might be included in the record of these hearings, sir.

The CHAIRMAN. You have that permission, Mr. McEwen.

Mr. McEWEN. I appear before you, Mr. Chairman and gentlemen, not as one who presumes to have any expertise in this field of imports and foreign trade, but, if you will, to speak of how I feel these questions relate to the district that I would like to represent.

The CHAIRMAN. The district you do ably represent rather than like to represent.

Mr. McEWEN. Thank you, Mr. Chairman. It is a district that embraces almost 10,000 square miles from the Great Lakes to New England across northern New York. It is endowed with industrious people, good water, and power, and soil, and minerals, and forests.

Yet notwithstanding those factors, gentlemen, it is an area that has that deep green color on our EDA maps as an area that has lagged in employment opportunities. It is a very diversified economy. It is agriculture, it is forest products, it is mining, it is manufacturing.

We produce everything from chocolate bars to papermaking machines, from brassieres to bowling pins and clinical thermometers, but

I do feel that our foreign trade policy and our policy on imports has had a very profound effect upon the economy of this area and I would merely cite just a few factors.

First, it is a substantial agricultural region, primarily dairying, and I share the concern that so many, including your distinguished colleague on the committee, Mr. Chairman, Mr. Byrnes, and others who have put in legislation on this subject.

I can't help but observe that during a period when we have had unprecedented increases in dairy imports I have seen decreases in the number of farms and in production of milk and milk products in my district.

I mentioned that it is an area that is concerned with mining. The Jones & Laughlin Steel Corp.'s New York ore division is located in my district. They have an annual capacity of operation of 1,800,000 gross tons of concentrates, which represents the processing of 5.4 million gross tons of crude ore.

Since 1960, sir, this plant has operated at about 75 percent of capacity and I feel that the importation of foreign iron and steel has had a very definite effect upon this operation.

I know that most of you gentlemen view New York as a great metropolitan state, but we do have considerable mining. In addition to the iron mines, we have talc and I might add that New York is the second largest zinc producing State in the country. The mines of the St. Joseph Lead Co. in my district account for 13 percent of America's total production of zinc.

In 1966 these mines produced 73,454 short tons of zinc valued at $21,302,000 and, as a byproduct, 1,097 short tons of lead valued at $332,000.

The employment and contribution to the area economy by these mines is substantial. May I just point out that in 1962 those same mines produced only about 53,000 tons of zinc with a value of $12,340,-000 as compared to that earlier figure of over 73,000 tons and over $21 million for 1966.

These latter figures show that the industry has been slowly recovering from a depressing condition which it went through but there are signs now that a world surplus in lead and zinc is again finding our market.

I would add that in addition to my concern over dairy imports, over iron and steel imports, and over the imports of lead and zinc concentrates, I am concerned also over the importation of furs from our neighboring country to the north and others, particularly mink, which has a substantial employment in my area.

Mr. Chairman and gentlemen, let me say that I am not totally concerned with the industries I have mentioned and unconcerned with the matter of foreign trade because I would point out that in my district we have the St. Lawrence Seaway with all of the American facilities located in my district. Substantial employment is afforded on the locks, through pilotage on the vessels, and for the longshoremen and stevedores who work the cargo off ships that come into those ports, so that we are, sir, interested in foreign trade, both in exports and imports. May I strongly urge that this committee consider, as I am sure it will, the effect that imports have in effecting employment opportunities in America because, sir, when I see a district endowed with all of the factors that should give healthy economic growth, and yet that growth isn't realized then I can't help but believe that imports into this country, excessive imports, in many fields, are affecting our economy.

I thank you for this opportunity of appearing before the committee.

(Mr. McEwen's prepared statement follows:)

STATEMENT OF HON. ROBERT C. McEWEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

I am most grateful to you, Mr. Chairman, and the other members of this Committee, for this opportunity to submit this statement to show my district's interest in these hearings.

I do not presume to tell this Committee how to legislate on a nationwide, indeed, an international problem. There are others far more qualified than I who have and will give you the benefit of their views and knowledge on these matters. However, I feel I owe it to my district to state what the proposed quotas mean to its people.

I am privileged to represent the 31st District of New York. Dairy farming is one of the basic industries of the district. In addition, a substantial number of residents depend on the iron and steel and lead and zinc industries for their livelihood.

There are also several mink farms and footwear manufacturers in the district which are feeling the effect of the more cheaply produced foreign goods.

There were, in 1964, about 6,400 dairy farms in the six counties of the 31st District employing an even greater number of people. This is the latest figure available from the New York State Department of Commerce. This is a decrease of about 2,000 dairy farms since 1959. I have been informed by the New York Department of Agriculture and Markets that their preliminary figures show the same unfortunate trend is continuing. In these five years the district lost about 23% of its dairy farms. Others concerned with the farmers' plight in addition to their families are businesses, large and small, which depend on the farmer as a consumer and purchaser of goods and services.

The adverse effect of imports on the dairy industry is not something new. I introduced legislation in 1967, H.R. 8065, the Dairy Import Act of 1967, which would give the Secretary of Agriculture the right to regulate imports of milk and dairy products. Nearly 200 of my colleagues have introduced or co-sponsored similar bills.

The action of President Johnson in June, 1967, when he reduced the volume of allowable imports of some dairy products, was of some help to our farmers, but action under Section 22 of the Agricultural Adjustment Act is not the complete answer to the problem facing our farmer now. Action taken under this provision is necessarily temporary and subject to loopholes because it is based on commodities and, as we know, other products can be developed which evade the definition of a commodity mentioned in the Act.

I am hopeful that these hearings will result in constructive proposals to aid our farmers. The hardships caused to families, not to mention our economy, by the loss of dairy farms because of insufficient income is of deep concern to me and to the people of my disrtict.

I wish to point out that in the 31st District are located mines operated by companies which produce several of our basic minerals such as iron, talc, lead and zinc.

Jones and Laughlin Steel Corporation operates its New York Ore Division, Benson Mines, at Star Lake, New York, which employs 580 people. It has a payroll of about $5,000,000 annually. This Committee, I am sure, realizes the importance of the continued operation of this mine at its present work force level. It is important to the miners, their families and their communities. Its importance to the employees and their families is obvious. Not so obvious is the fact that the company pays $312,000 annually for local real estate and school taxes. The mine has an annual operating capacity of 1,800,000 gross tons of concentrates. Approximately 5,400,000 gross tons of crude ore has been mined each year since 1960. The plant has operated at about 75% capacity. Operation at a higher capacity could help improve the employment picture.

You are fully aware, I am sure, of the adverse effect the importation of foreign iron and steel products is having on our domestic iron and steel industry. I would hope that some form of help could be given the steel industry as a result of these hearings.

The largest zinc mines in the country are located in my district at Balmat and Edwards, New York. These mines are operated by St. Joseph Lead Company and employ 400 workers with an annual payroll of about $3,000,000 in 1966, which is the last yearly figure available. In 1962 when a surplus of foreign lead and zinc affected our domestic market, these mines produced only 53,343 short tons of zinc with a value of $12,340,000, as compared with 73,454 short tons and $21,302,000 comparable figures for 1966. Although these figures show an increase the signs of depressing conditions are present again. The world surplus of lead and zinc is again finding our markets.

The import problem has been one of long standing as far as the lead and zinc industry is concerned. In July of 1966, I introduced the Lead and Zinc Act of 1966, H.R. 16665, which would authorize the Secretary of Interior to place quotas on the importation of lead and zinc. Similar bills have been introduced by my colleagues. Any adverse effect imports would have on these industries will ultimately be felt by the employees of the Balmat-Edwards mines. In addition, it will affect those local businessmen who supply goods and provide services to these mining operations.

You have heard testimony about still another industry which is important to my district and that is the fur business, and in particular, mink ranchers. The Tariff Commission, at the President's request, held a hearing this past December on the conditions of competition between foreign and domestically produced mink furskins. However, the Commission made no recommendations to the President regarding quotas and the President has taken no action to date.

There are approximately ten family-type mink ranchers in the 31st District who are members of the Northern New York Mink Breeders Association. Although their operations are small in terms of number employed, they are large in terms of individual investments in time, toil and money.

They have indicated to me their interest in legislation which would give some protection to our domestic mink ranchers. As you know, there presently is no tariff or quota limitation on the importation of undressed mink.

This past year has been especially hard on mink ranchers. The major competition is from Canada and the Scandanavian countries. One of the mink ranchers in my district informed me that last year he received an average of $12.00 per pelt compared with an average of $19.48 for the previous year. As a result many of the ranchers in my district have expressed their strong desire for import quotas. Congressman James Burke of Massachusetts has introduced legislation, H.R. 6694, which would do just this. This bill has my support.

Another industry in my district which is affected by the importation of cheaply made foreign goods is the footwear industry. The National Footwear Manufacturers' Association supported by the Boot and Shoe Workers' Union and the United Shoe Workers of America have pointed out the threat this presents to our domestic footwear industry.

They have stated that approximately 43,000 job opportunities were lost across the country in 1967 because of imports. This can be especially crucial to a district like mine since it is already eligible for economic assistance under the Public Works and Economic Development Act. It would seem to me that an import quota on foreign made footwear would not only help to create job opportunities but also help our balance of payments problem.

There are several slipper and moccasin factories in the 31st District, and they employ about 1,000 people. The Tru-Stitch Moccasin Corporation in Malone employs around 500 workers with an annual payroll of approximately $1,750,000 plus the local purchases it makes. It is a sizeable employer in a village of about 8,700 people.

Shields Slipper Corporation in Bombay, New York, is another prominent slipper plant and employer of a substantial number of people. It has a payroll of approximately $1,250,000 annually and employs about 300 people. It is located in a township of about 1,000 persons.

There are several other smaller and similar firms in Brushton, Constable, Chateaugay and Moira. Regardless of size, the importance of continued operation of these plants to each employer and employee is large.

The Black Clawson Company, manufacturer of paper making machinery and machinery parts, operates a plant in the city of Watertown in my district. This plant employs approximately 750 people and had a payroll of over $5,300,000 in 1967.

This company, along with other manufacturers of the same products, is experiencing the adverse effect of our reduction in the tariffs on foreign made paper making machinery. As you know, the industry has asked for an increase in the tariff to 20%. It is my understanding that our tariff is presently 7% and 10%, depending on the type of machine involved.

The comparably higher European tariffs combined with our decrease in tariffs is significant because in the last six years, there has been a 300% increase in imports of this machinery and a 25% decrease in exports of the same. In view of the present condition of our balance of payments, it would seem that some consideration should be given by Congress as soon as possible to this matter.

Several of my colleagues have introduced bills which would raise the tariff on imports of these foreign made machines. One of these bills is H.R. 6275 which was introduced by Congressman Carleton King who represents a district adjoining mine. This bill has my support.

All of the industries which I have mentioned, the manufacturing of paper making machinery, iron and steel, lead and zinc, shoe manufacturing, dairy farming and mink ranching, are vitally important to the economic life of the 31st District and to many others, I am sure. It is especially vital to the people of my district because it is already an area of high unemployment and underemployment.

I am interested in working with my constituents in seeking new industries for Northern New York to aid in its economic growth, but the subjects which this committee is considering are terribly important. Reasonable protection from foreign imports could not only protect present jobs, but it could create new ones in the industries we already have in our area.

I urge that this committee do all it can to help the many and varied industries of the 31st Congressional District of New York which, I am sure, are typical of many others across the country.

The CHAIRMAN. Mr. McEwen, we thank you very much for coming to the committee and giving us this statement that you have. Of course it verifies the comment that I made earlier.

Any questions of Mr. McEwen?

We thank you, sir.

Mr. MCEWEN. Thank you.

The CHAIRMAN. Congressman Kyros, we welcome you to the committee.

STATEMENT OF HON. PETER N. KYROS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Mr. KYROS. Thank you, Mr. Chairman.

The recent figures released by the Department of Commerce indicating that shoe imports are on a steady rise prompts me to appear before your committee and urge favorable action in order that our footwear industry be protected against extinction.

During January of 1968 imports increased by over 70 percent above the same period in 1967. These figures are alarming and if the present rate of increased imports continue, imports could very well represent over 35 percent of domestic production.

I am not in favor of a cutback or a rollback in imports, in fact, I understand the footwear industry is willing to allow for flexible expansion of imports to a reasonable degree. I support this policy.

The shoe industry represents a most important segment of our economy in the State of Maine. Hundreds of workers in my home State could be adversely affected.

I join with my colleague Congressman Hathaway and with Senator Muskie and I wish to associate myself with their statements on the problems of the footwear industry.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you Mr. Kyros. Any questions?

Our colleague from South Dakota, Mr. Berry, is our next witness.

We appreciate having you with us this morning, and you are recognized.

STATEMENT OF HON. E. Y. BERRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. Berry. Mr. Chairman and members of the committee, I am here on behalf of the mink ranchers of South Dakota and the United States with a special plea that their problem be recognized by this committee and the Congress. The ranks of the domestic mink ranchers are being decimated by an avalanche of imported mink skins which come into this country duty free. The serious thing is that these imports are growing by leaps and bounds taking over the entire domestic industry and putting hundreds of domestic mink ranchers and farmers out of business.

It should be pointed out at the beginning that the mink market today in the United States is the result of an expensive campaign conducted by the domestic mink producers. According to the records, the domestic industry has spent over $22 million in promoting mink as a fashion item. Silver fox and other skins which were the vogue in years gone by have taken a second or third place. Mink, as a result of this domestic fur farm advertising, has become the most popular fur for women. The sad thing is that foreign mink producers are contributing nothing toward the business of building up the American mink demand, but they are getting a free ride and reaping the benefit of the time and expense the domestic industry has put into building up a great market.

Another point that should be mentioned is the fact that after building up this fur industry and educating the American public on the value of good mink, cheap imports are tarnishing the image these domestic ranchers have worked so long to develop. The average value of the mink imported is $12 to $13 per pelt whereas the domestic pelts average from $18 to $20 and upward. It is obvious these cheaper pelts have an adverse effect on the mink image. Just as serious, however, is the fact that these cheap imported skins serve as a depressant to the entire mink pricing structure in this country.

Another thing that I believe the committee should take into consideration is the protection to the American consumer. The consumer is not getting any bargain by purchasing these cheaper imported pelts. True, the cheaper pelt is primarily used as garment trim, but the consumer would still be getting a better buy if they had a better quality pelt for trim. The consumer is paying more for the "image of mink" and getting less for his dollar. When a husband goes out to buy his wife a stole and later discovers to his sad disappointment that his stole is made from cheap imported mink, it is a scar that carries over even to the domestic production.

In addition to considering the fact that the market has been built by the domestic producer and is being taken over by the foreign producer and that the consumer is buying less than he expects when he buys these imported products, the question is what this expanded import industry is doing to the American economy as a whole.

There are approximately 4,500 mink ranchers in the United States with a capital investment of approximately $171 million. Domestic pelt consumption in 1966 was 13,538,000. Of this amount, 5,675,000 were imported and according to the latest information I have been able to obtain, up to June 30 of last year over 4,500,000 skins had been imported. If that rate of imports continues there is little question about what will happen to the domestic producer.

I should point out that my interest is not only in the overall problem, but we have 70 mink ranches in South Dakota with an investment of $3,877,000 and in 1966 we produced 170,000 pelts. It should also be pointed out that our ranchers spent $1,421,000 in producing these 170,000 pelts which meant that much more to the economy of South Dakota.

It should be pointed out that the domestic mink industry means considerably more to the overall economy than just the production of mink skins. The food bill including cereals, fish and poultry by-products, meat scraps, liver and fortifications in 1966 amounted to $68,892,000. When a mink rancher is put out of business because of unfair, unequal, and unjust foreign competition, the chicken farmer, the hog and cattle producer, the slaughter and packing houses are deprived of a ready market for a valuable by-product that cannot otherwise be disposed of for profit. So, again the consumers of cereals, fish and meat will be required to pay more for what they buy because the value of these by-products cannot be credited to the cost of their foods.

The sad thing is, Mr. Chairman, that 40 percent of the domestic ranchers have been driven out of business because 42 percent of the consumption of mink pelts has been taken over by foreign imports. To point up again the danger for the future of this industry, mink imports have doubled since 1960. If this condition is permitted to continue more than 50 percent of the domestic mink industry will be written off. When it is written off, it will have serious repercussions on the balance of the domestic economy. Equally as serious, the growing imports which today are taking some $75 million out of the country annually will add materially to our balance of payments problem.

If some action is not taken and taken soon, we will have a bankrupt agricultural enterprise on our hands. Many of the executive branch are decrying the exodus of farmers to the city. Instead of attacking the problem after these people have been driven into the city, after they have added to the already expensive programs of retraining and providing housing and community facilities for them, let's give them a fair chance to make a fair living in the country where they prefer to live, by giving them some degree of protection from this unfair foreign competition.

This is a time of crisis for the domestic mink rancher and the time is long past due for us in Government to start protecting our own first.

Attached hereto and made a part hereof, the same as though fully incorporated at this point, is a letter from William F. Fitzgerald, president of the New York Auction Co., Inc. of New York City, whose job it is to operate a fur auction and who has seen the dangers to the domestic mink industry, to the domestic economy, and to the consumer, from these constantly growing foreign imports. The letter follows:

NEW YORK AUCTION COMPANY, INC.,
New York, N.Y., September 18, 1967.

Hon. E. Y. BERRY,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN BERRY: As president of one of the largest marketing agents for ranch mink in the United States, I feel obliged to provide you with a summary and an analysis of the effects of mink imports on the crash that has fallen on the U.S. mink ranchers.

I take it for granted that you are aware of the pending bills in Congress, seeking a quota on a number of mink by percentage to be imported into our country. The main reason that the mink ranching industry is seeking this relief is because it is commonly known that mink prices have declined drastically this past year, to such an extent that it is doubtful whether or not more than 50 percent of the industry can survive at the present price levels unless they are given some hope for relief in the near future.

The major factor, in our opinion, for this decline was the continued increase in the mink production abroad. The majority of the countries in Scandinavia and Europe producing mink are minute consumers of their own product, and have to export the bulk of their production in order to remain in business. This places an unfair burden on our American fur farmers, because they have to sell practically all of their pelts in our country in direct competition with other pelts that are flowing into this country at alarming rates.

Statistics have been provided by the National Board of Fur Farm Organizations, Inc., showing the constant rise in the number of mink skins being imported into the United States over the past few years and the average prices for these foreign pelts. Up to June 30 over 4,500,000 skins have been brought into our markets, at prices considerably lower than the American cost of production. This does not include skins previously sold and not as yet picked up by the buyers.

We understand that governmental agencies have also compiled statistics covering these imports, but the writer feels it necessary to point out that governmental statistics are made on a calendar year basis, whereas they actually should be made on what is commonly described as a "selling year." By this, I mean that the figures should be compiled starting with the month of December and carry through until November of the following year. This would be the only fair way to arrive at the truth. For example, today there are still remaining to be sold in the Scandinavian auction approximately 1 million mink. In other years these mink would have been disposed of earlier, but since they are still on hand to be marketed, and using past performances as a guide, we can only anticipate that at least 65 percent of them will find their way into our markets this year.

A number of years ago the American mink ranching industry foresaw the problem that now exists and at that time sought to gain relief from imports through the escape clause from a Tariff Commission review. Failure to obtain a favorable decision led to the inevitable, namely, a crash in the market.

Because of these conditions it is sincerely hoped, by not only companies such as ours but by the entire mink ranching industry in the United States of America, that you will add your support to the bills now pending.

Yours very truly,

NEW YORK AUCTION COMPANY, INC.,
WILLIAM F. FITZGERALD, *President*.

Mr. BERRY. Thank you for the opportunity to present this testimony.

The CHAIRMAN. Are there any questions? If not, then, thank you, Mr. Berry, for sharing your views with us.

Mr. BERRY. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is from Ohio, the Honorable Delbert L. Latta. Mr. Latta, we appreciate your being with us this morning and you are recognized, sir.

STATEMENT OF HON. DELBERT L. LATTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. LATTA. Mr. Chairman, I have received letters and petitions from hundreds of my constituents concerning the plight of the domestic mink ranching industry. The domestic mink ranchers are being forced to the wall by excessive imports of cheap quality and cheaply priced mink pelts from overseas—especially from the Scandinavian countries. My constituents have requested me to give them some assistance and I am most pleased to appear before this committee to plead their case for some import controls.

The mink ranching industry is not large in the Fifth District of Ohio, but mink ranching has, in the past, made a substantial contribution to the agricultural economy of the district. Mink are fed cereals and slaughter house and poultry plant byproducts. It is estimated that over 1 billion pounds of such byproducts are used by the domestic mink ranching industry each year. As this market continues to decline, the truck driver, the handler, the farmer, and the employees of slaughterhouses and poultry plants will feel the pinch.

At the beginning of 1967, according to the National Board of Fur Farm Organizations, I had 11 mink ranchers in the Fifth District and today I have approximately six. These ranchers have pelted out because they just couldn't compete with the quantity of foreign pelts coming in at low prices.

The national board has been in the forefront in the fight to protect this industry. They asked for and received a hearing before the Tariff Commission in 1959, but to no avail. Early last year they approached many Members of the Congress requesting that bills be introduced to preserve at least a part of the domestic market for them. Many such bills have been introduced in the House and Senate. Last year, the President requested the Tariff Commission to conduct another investigation of the industry which was done. The Commission report provided no relief although it did point out that prices for imported pelts were well below the past average prices for domestic pelts and that imports were increasing at a rapid pace. The Commission also found that ranchers were going out of business at an accelerating rate and that the domestic rancher was losing his share of the domestic market.

Although the Commission came to no findings or conclusions, a reading of the report does provide evidence that some relief is needed. A majority of those bills which have been introduced to provide relief would permit 40 percent of domestic consumption each year to come in duty free and a 50 percent ad valorem would be added after that 40 percent. This would leave 60 percent of the domestic market for domestic ranchers. It seems to me that this is fair. Both the foreign producer and the domestic rancher would share in the increases in domestic consumption.

The national board has advised me that in 1959 they had over 7,000 ranchers on the membership roles and today they have slightly over 3,100, which is about a 50-percent drop in less than 9 years. It would be difficult to find any other domestic industry that has been hit so hard by imports.

Again, I urge this committee to provide some assistance to these ranchers. We hear much these days about the gold outflow and I am unable to understand why we permit millions of dollars to go out of this country each year for purely a luxury product. A higher quality product is available right here at home. We could put a damper on at least a portion of this outflow by providing the domestic mink rancher with the relief he seeks.

Thank you.

The CHAIRMAN. We appreciate your bringing to us your thoughts, Mr. Latta.

The next witness is our colleague from Utah, the Honorable Frank E. Moss. Mr. Moss, we appreciate having you with us and you are recognized.

STATEMENT OF HON. FRANK E. MOSS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

Mr. MOSS. The production of mink pelts is a major business in the State of Utah, so, therefore, I am vitally interested in H.R. 6694 and other similar bills which would limit the number of mink pelts imported to this country from foreign countries.

I believe that H.R. 6694 is a fair measure which will protect the interests of our domestic mink ranchers and still provide for a fair share of our market to foreign competition. I urge adoption of H.R. 6694.

Mr. Richard E. Westwood, a resident of Utah, currently serves as president of Emba Mink Breeders Association, a pelt-marketing cooperative. It markets for its members approximately two-thirds of all domestic mink pelts.

He informs me that the impact of imports on the domestic mink market is evident in two areas. First, the membership of his organization has dropped from a peak of 5,623 in 1958 to a low of 3,460 at the first of 1968. Many of those 3,460 now are out of the mink-raising business, but still have some pelts to sell and are, therefore, maintaining their membership for a short time.

The second factor is the price Emba members are receiving for their pelts. In 1966, the average price received (for the 1965 crop) was $19.55. In 1967, the 1966 crop sold for an average of $14.22, a decline of more than 27 percent. By mid-April 1968, the average price received for the 1967 crop was $14.82, and since that time the average has dropped, because the lower quality pelts are always the last ones sold.

These lower prices are the main reason for the decline in the number of mink producers still in operation. The $14.22 average price of 1967 is actually below the cost most producers encounter in raising the mink. Many producers have not quit, but have been forced to use up reserve funds or have delayed improvements to their facilities. Both measures are temporary and cannot be sustained over too long a period.

Foreign producers have lower production costs and have, therefore, increased their production at a faster rate than domestic producers. According to the U.S. Tariff Commission, the production of the four Scandinavian countries now exceeds that of the United States. The United States consumes 45 percent of the world crop while producing only 27 percent.

Imports account for more than 50 percent of the domestic consumption. The higher costs and lower prices facing the domestic producer give the advantage to the importer, and this means the imports will continue to increase unless some restrictions are placed on these imports.

H.R. 6694 seeks to control the importation of mink pelts while still sharing a substantial part of the market with our foreign friends. I think the bill is fair to the importers and is vitally necessary to protect the existence of the domestic mink producer. I urge its adoption.

The CHAIRMAN. Thank you, Mr. Moss, for bringing to us your thoughts. Are there any questions?

Our colleague from Wisconsin, Mr. Kastenmeier, is our next witness.

We appreciate having you with us this morning, and you are recognized.

STATEMENT OF HON. ROBERT W. KASTENMEIER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. KASTENMEIER. Mr. Chairman, this hearing on mink import controls legislation before the House Committee on Ways and Means is particularly welcome because it comes at a critical time in the life of the mink industry and it offers those most directly involved a chance to describe their situation and to suggest a course of action.

There can be no mistaking the fact that our domestic mink growers face a very serious challenge to their continued existence due to the oversupply of pelts on the U.S. mink market and the resulting decline in prices for the producers.

Until recent years imported pelts constituted a fairly stable proportion of the U.S. market. In the past 5 years, however, there has been an alarming increase of nearly 50 percent in foreign imports, and duty-free imports of these foreign pelts have surpassed the 5 million mark.

The Scandinavian countries are the main source of the increasing imports in recent years. The combined mink production of Denmark, Finland, Norway, and Sweden now exceeds U.S. production. With government shipping subsidies and cheap labor costs, these foreign countries have been able to dump their surplus mink production on our markets at an average price of $12 per pelt while the cost alone for the American mink rancher to produce a pelt is $18. There seems to be no voluntary letup in sight for this mink import problem.

The present rise in the number of imported pelts and increase in the proportion of the U.S. market which they occupy has disrupted our domestic market and caused a decline in prices. Almost 50 percent of our Nation's mink ranchers have been forced out of business since 1962 due to this rising volume of low-priced foreign pelts. In Wisconsin in the past year alone, the number of mink ranches declined from slightly over 900 to 713. In my own congressional district, 14.5 percent of the mink ranches have gone out of business during the past year. The cause for this clearly appears to be the rising tide of imports. Mink ranching, however, is a vital enterprise for thousands of families across the United States, who have an investment of nearly $200 million in ranch production alone, and it is no wonder that our domestic mink producers have begun to protest the level of imports.

While it is clear that a demand exists in the United States for more mink pelts than currently are supplied by domestic growers, our domestic producers object to the growing percentage of our market being taken by these imported pelts, and we have witnessed the disastrous effects on the American mink rancher from the price depressing deluge of foreign mink imports.

The Congress must enact legislation to protect the American mink ranchers from excessive imports. Since even our domestic mink producers acknowledge that there is a substantial market in the United States for foreign pelts, we, then, must address ourselves to the question of what should be the percentage of imported pelts in the U.S. market. The legislation which I have sponsored, H.R. 11461, is primarily designed to stabilize the mink market in the United States rather than impose severe restrictions on imports. My bill would allow foreign mink pelts to continue entering the country duty free until the annual total equals 40 percent of the domestic consumption in the United States. All pelts imported after that point would be subject to a duty equal to 50 percent of their value.

My bill differs from the other measures before this committee in that it sets an effective date at the beginning of November rather than the beginning of January. This earlier effective date is occasioned by the fact that mink pelts are marketed in a season which begins in late November each year. By advancing the effective date of the quota and duty by 2 months, my bill will cover the marketing season and will provide immediate relief for the many domestic mink ranchers who face danger of extinction due to the volume of imports.

My proposal is just and fair to all concerned, for until some attention is paid to the question of how the U.S. market demand for mink will be satisfied, both the domestic and foreign producers of pelts will be jeopardized by overproduction. It is as important for foreign mink producers as it is for our domestic growers to know how large a market for pelts exists in the United States and how much should and will be produced.

H.R. 11461 will enable our American mink ranchers to retain the domestic markets that they have developed through their years of hard work and promotion. At the same time, this legislation will allow foreign mink producers access to a fair share of our market on a duty-free basis with their share automatically increasing as consumption expands in the United States.

Mr. Chairman, I respectfully urge this committee to act favorably on this mink legislation.

The CHAIRMAN. Are there any questions? If not, then thank you, Mr. Kastenmeier, for sharing your views with us.

Mr. KASTENMEIER. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is from Minnesota, the Honorable Ancher Nelsen. Mr. Nelsen, we appreciate your being with us this morning and you are recognized, sir.

STATEMENT OF HON. ANCHER NELSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. NELSEN. Mr. Chairman, I appreciate the opportunity to appear before this committee and to once again express my view that unwarranted foreign imports are ravaging the American mink industry.

Last fall the U.S. Tariff Commission conducted a study which, according to Presidential order, was to look into the condition of the domestic mink industry. In its report released in April of this year, the Tariff Commission did not bring to light even a hint of the fact that mink ranchers are going out of business at the rate of almost three a day.

The reason for the present-day economic plight of the industry is that prices have been undercut by a flood of imports. American producers must sell their pelts at as much as $5 below the cost of production.

In 1966, 5,675,000 raw mink fur skins were brought into the country. Last year only slightly fewer came in. The only reason a smaller amount was imported in 1967 was that the low prices in American markets even discouraged some Scandinavian and European producers.

At the present time, foreign producers are supplying over 40 percent of the American market. The flood of imports has caused the failure of thousands of mink ranchers. It has taken workers off the tax rolls and put families on the welfare list.

The mink import situation has damaged the American balance of payments and has contributed to the gold crisis. America has now a little over $10 billion of gold, the lowest level since the thirties.

Mr. Chairman, foreign mink producers have drastically lower costs. Wages, feed, land, and overhead expenses are less abroad. The American producer's problem is compounded by fiscal and monetary policies which result in an inflation that pushes his costs even higher.

Without legislative relief, the mink in America will be relegated to the zoo. We need legislation to regulate the amount of mink fur skins that can be imported. My proposal, H.R. 9979, will not slam the door on imports, but its enactment would allow the American mink ranchers to achieve a fair price with reasonable opportunity to expect an equitable profit.

The CHAIRMAN. We appreciate your bringing to us your thoughts, Mr. Nelsen.

Our colleague from New York, the Honorable Samuel S. Stratton, is our next witness.

STATEMENT OF HON. SAMUEL S. STRATTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. STRATTON. Mr. Chairman, I am glad to be able to appear before the committee in behalf of legislation amending the tariff schedules with respect to the duty on whole mink skins.

I have long been concerned about the impact of foreign imports on our domestic mink industry, some of it located in my district, and strongly supported successful efforts in 1966 to retain funds for mink research to help promote favorable conditions for our home industry. I fully support the legislation introduced by Mr. Burke of Massachusetts, H.R. 6694; and Mr. Byrnes of Wisconsin, H.R. 10274. This legislation would limit mink imports entering the United States after January 1, 1968, to 40 percent of the estimated domestic consumption for the year and would call for a 50-percent duty on quantities in excess of that amount.

Few industries have been harder hit during the last few years than the American mink industry. It is in the area of raw or undressed mink skins that the domestic rancher is having his major problems, and there has been a steady erosion of the domestic producers' market until today the foreign mink raiser has over 40 percent of our domestic market. Taking the last few years as an example, imports in 1966 increased 16 percent over 1965, mainly from the Scandinavian countries which have claimed some 77 percent of total imports. Scandinavian countries have increased shipments to the United States by more than 23 percent in 1966 over 1965 and it has been estimated that 50 percent of American sellers will be forced out of business by the increasing imports unless some immediate action is taken to correct this situation.

About 500 mink ranchers go out of business each year or about 10 percent of the total domestic ranchers. In 1959 the Tariff Commission found that there were approximately 7,200 mink ranches in the United States; today according to statistics supplied by the National Board of Fur Farm Organizations there are only some 3,159 ranches still in existence, while imports during this period have been growing at a rate of about 14 percent annually. In 1965 in my home State of New York there were some 172 ranches, today there are only 117. It is the small family operator in particular that is bearing the brunt of these losses: U.S. Tariff Commission figures show that three ranches were found to be out of business in my district in October 1967; at least two ranchers in my district were forced out of business during the pelting season of December 1967 to January 1968, and at least three ranches were forced to drop out because of the loss of breeder females.

Mink ranching requires a relatively high capital investment, much of which is not convertible into other assets since there is almost no market for capital goods required for mink ranching. Thus when a ranch fails, it is not uncommon that the entire life savings of the husband and wife are wiped out. Capital investment in New York State in 1965 for 172 ranches amounted to over $8 million with an average value per ranch of about $49,000.

The average cost of production of one mink in the United States today is about $18.25 which includes feeding and capital investment. As a result of the wave of excessive imports from 1966 continuing into 1967, the average market prices in the selling season of 1967 broke more than 28 percent, forcing the sale of the 1966 crop at a gross average of less than $14, a loss of more than $4 per skin.

Mr. Chairman, something must be done to protect our domestic mink market, developed largely through the hard work and money of the small mink rancher. We can give these ranchers the protection they deserve to compete for a fair share of the mink market, and at the same time help correct the serious balance-of-payments problem we are facing, by cutting down on U.S. expenditures overseas for mink skins, which incidentally have now reached an annual rate of over $73 million. We can do this by enacting the mink quota legislation. Mr. Chairman, I strongly urge the committee's favorable action on this vitally needed mink import control measure.

The CHAIRMAN. Thank you, Mr. Stratton, for sharing your views with us today.

The next witness is our colleague from South Dakota, the Honorable Ben Reifel. Mr. Reifel, we appreciate having you with us and you are recognized.

STATEMENT OF HON. BEN REIFEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. REIFEL. I am the sponsor of H.R. 11932 to amend the tariff schedule of the United States with respect to duty on whole skins of mink, whether or not dressed. This measure is similar to several other bills on this subject in that it would impose a 50-percent ad valorem duty whenever mink fur skin imports equal 40 percent of domestic consumption of such skins during a given year.

The South Dakota mink ranching industry ranks twelfth in the Nation. I have been contacted by many of these mink ranchers who are concerned about acute economic conditions in their industry. To a man, they blame these conditions on a mounting influx of foreign pelts, most of which are of an inferior quality.

They are competing against a foreign industry favored by labor rates less than half our own, utilizing mostly family labor, and with abundant sources of cheap feed. The result has been a reduction in South Dakota mink ranchers from over 100, 10 years ago, to 40 or so today.

Although they are few in numbers, these mink ranchers make a substantial contribution to the livestock industry in my State through their use of livestock by-products as feed.

The sale of livestock and livestock products accounts for over 70 percent of farm income in South Dakota. Last year depressed conditions in the mink market were directly responsible for a decline in sales of some 5 million pounds of livestock by-products at the Sioux Falls John Morrell & Co. plant as compared to the 1966 level.

I was among those who testified before the U.S. Tariff Commission last December. Unfortunately the Commission merely provided a report on conditions within the industry and failed to recommend any steps to control more effectively the mounting tide of mink fur skins coming into this country from abroad.

I do hope that your committee will be cognizant of the damage being inflicted upon a small but very important industry and will recommend legislation to help these producers compete more effectively.

The CHAIRMAN. Thank you, Mr. Reifel, for bringing to us your views. Are there any questions?

The next witness is the Honorable John Dellenback of Oregon. You are recognized, Mr. Dellenback, and you may proceed as you see fit.

STATEMENT OF HON. JOHN DELLENBACK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. DELLENBACK. Mr. Chairman and members of the committee, today, representatives of the fur ranching industry of the United States are appearing before this committee with testimony which indicates that American fur ranchers are losing an increasing share of the domestic market to imported Scandinavian pelts.

Ranchers in my district report that duty free imported pelts are taking more of the domestic market every year and, because of operating costs, they find it increasingly difficult to compete.

The United States occupies a unique position in the world economy. It is by far the largest importing and exporting country. The United States is the largest source of international capital and the largest dispenser of aid. For those reasons and others, the strength of the U.S. economy and the industries which make it such a potent economic force are not only of great importance to this country, but to the entire world.

While the United States is a signatory to agreements progressively reducing trade barriers between nations, which, in the long run, is in the best interest of our balance-of-payments situation and the general health of the economy, the Congress still has a responsibility to any domestic industry which is in difficulty as a result of foreign competition or of any other reason that threatens the existence of the industry and the payrolls which it generates. Fur ranching is an integral part of our agricultural economy. The high value product which this industry produces is currently facing serious economic difficulties and as a valued part of our economy deserves the careful attention of this Congress.

I thank the chairman and the members of the Ways and Means Committee for giving this industry an opportunity to present its case at this time.

The CHAIRMAN. If there are no questions, then thank you Mr. Dellenback, for your statement.

The next witness is the Honorable Lee H. Hamilton, of Indiana. You are recognized, sir.

STATEMENT OF HON. LEE H. HAMILTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. HAMILTON. Mr. Chairman, I appear in support of America's mink ranchers, and urge the committee to report favorably, legislation that would restrict the imports of mink furs and protect American ranchers from foreign competitors.

The American mink industry exists in a volatile economic situation. It is constantly subject to new whims in fashion and highly dependent on the general health and prosperity of the Nation's economy. These severe handicaps do not need to be aggravated by the price-depressing effects of increased mink fur imports. But today imports are increasing, particularly from the Scandinavian countries. I believe the Congress has the duty to remedy this situation.

In December of last year the Tariff Commission, at the direction of the President, held public hearings on mink imports. It failed to reach any conclusions, and it failed to act.

If the American mink rancher is to get relief from the disappointing economic conditions he faces today, if the American mink rancher is to get a fair price for his pelts and a fair return on his investment, the Congress will have to act to protect his main markets from imports.

I urge that the Ways and Means Committee quickly recommend the necessary legislation to the Congress.

The CHAIRMAN. Thank you Mr. Hamilton. Any questions?

Our colleague from Nebraska, Mr. Denney, is our next witness. We appreciate having you with us and you are recognized.

STATEMENT OF HON. ROBERT V. DENNEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. DENNEY. Mr. Chairman, today, this committee will consider legislation concerning import controls with respect to skins of mink.

It is evident that mink ranching is basically a small agricultural enterprise. The family-size ranch is the rule and not the exception. It is almost identical to the family-size farm about which we hear so much. It appears that only about 20 percent of the known mink ranches in the United States can be described as commercial operations.

The mink farmer today faces a crisis which he cannot solve himself. Low-cost foreign mink ranchers have been relentless in taking over our domestic market, and in the process, our smaller domestic ranchers are being driven out of business. At the present rate of disappearance, 500 mink ranchers go out of business each year, or about 10 percent of the total mink ranches. It is abundantly clear that as more foreign mink skins are coming into this country, domestic ranchers are being forced out of business at an accelerated pace.

In the past, the American mink rancher could produce a few more pelts at a smaller profit and remain in business, but this is no longer true. Excessive imports have so swamped the domestic market that even the best efforts of the domestic ranchers to develop the American market cannot take care of the domestic market plus the increasing imports.

Legislation providing import controls can prevent bankruptcy now on the horizon for many, many small mink ranchers. This Congress, the Nation, is rightly concerned about the serious balance-of-payments problem. Imports of foreign mink are making a substantial and growing contribution to that deficit each year.

I urge that this legislation receive prompt consideration by this committee and the House of Representatives.

The CHAIRMAN. Are there any questions? If not, then, thank you, Mr. Denney, for sharing your views with us.

Mr. DENNEY. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is from North Carolina, the Honorable Nick Galifianakis. Mr. Galifianakis, we appreciate your being with us this day and you are recognized, sir.

STATEMENT OF HON. NICK GALIFIANAKIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. GALIFIANAKIS. Mr. Chairman, the Fifth District of North Carolina, which I have the honor of representing, is not one of the large mink-producing districts in the United States, but there are sufficient ranches to make a rather good contribution to the agricultural economy of my district.

As you know, the National Board of Fur Farm Organizations has led the fight to get protection for the domestic mink ranchers from an influx of imports which have inundated the domestic mink ranching economy. They have had bills introduced to provide some degree of protection including H.R. 6694, introduced by the gentleman from Massachusetts, Congressman Burke. The bill would merely provide that up to 40 percent of the domestic consumption of mink pelts could be imported free of duty, thus saving 60 percent of the domestic market for domestic producers.

After a great number of bills had been introduced, the President requested the Tariff Commission to conduct an investigation of all aspects of the domestic mink ranching industry, especially the impact imports are having on domestic producers. The Commission's findings were rather inconclusive as to this particular aspect. They did acknowledge that imports are presently supplying between 50 and 53 percent of domestic consumption and did acknowledge that the number of ranchers in the United States has steadily declined since 1959, the date of the last Tariff Commission hearing, but did not conclude that ranchers were being driven out of business because of imports. To me, it is obvious that this is the case. In 1959, when the last hearing was held there were over 7,000 domestic mink ranchers and today, according to the national board there are only 3,159 remaining. It is not normal for profitmaking concerns to go out of business in such numbers and at such a rate.

The national board has also pointed out that while the numbers of ranches has declined to slightly over 3,100, domestic consumption has been going up at a rate of 9.2 percent per annum. However, domestic consumption has been going up at a rate of 10.7 percent per annum and imports have been increasing at a rate of 11.9 percent. Scandinavian exports to the United States have increased at a rate of 13.5 percent per annum. Thus, it is obvious that despite the fact more mink are being produced domestically with fewer ranches, those still in business are getting only a small proportion of the increase in domestic consumption.

Mr. Chairman, I feel that this phase of our agricultural economy is entitled to at least some degree of protection. Mink ranchers have not had nor do they generally want price supports. They have had very little support from their Federal Government except for some research projects. Surely, the least we can do is to provide them a fair share of the market which they developed with their own time and money. The various marketing associations have contributed over $1 million per year for over 20 years to the development of markets for mink. This money has been raised by voluntary contributions by the mink ranchers themselves. Now they are seeing that market being lost because of vast imports of low quality and low priced mink pelts.

I do hope that this committee will take the plight of the domestic mink rancher into consideration and provide them with the relief they so badly need.

Thank you.

The CHAIRMAN. We appreciate your bringing to us your thoughts, Mr. Galifianakis.

The next witness is our colleague from North Dakota, the Honorable Thomas S. Kleppe. Mr. Kleppe, we appreciate having you with us and you are recognized.

STATEMENT OF HON. THOMAS S. KLEPPE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. KLEPPE. Mr. Chairman and members of this committee, I appreciate the opportunity of testifying on a problem that is having disastrous effects on the American mink rancher. I applaud the concern of this committee in taking a close look at the problems facing the domestic mink industry.

Last fall I introduced H.R. 13181, a bill to place a yearly quota on mink imports that are in competition with domestic production. At that time the price American mink farmers received for their product had been driven down drastically by the ever-increasing amount of mink imports. The situation is now even more critical, as is obvious when one considers that the total amount of foreign mink imports is over 50 percent of the American market.

Under the bill I have introduced, a quota, based on domestic consumption, would be placed on imports of whole skins, whether dressed or not. The bill would also establish a 50-percent ad valorem duty on mink imports in excess of the quota allotment.

These price-depressing mink imports must be curbed immediately. I see no reason to allow our domestic mink ranchers to be forced out of production by this tide of mink pelts entering the country. The last 6 months have witnessed the failure of over 1,000 mink producers. Passage of my bill would aid in reducing that trend. I urge the committee to give H.R. 13181 favorable consideration.

The CHAIRMAN. Thank you, Mr. Kleppe, for bringing to us your thoughts. Are there any questions?

The Honorable Philip E. Ruppe, of Michigan, is our next witness. Welcome, sir, you are recognized.

STATEMENT OF HON. PHILIP E. RUPPE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. RUPPE. Mr. Chairman, the 11th District of Michigan, which I am proud to represent, is one of the major mink producing areas in the State of Michigan. I am here today to urge the committee to take favorable action on my bill, H.R. 10301, which would provide the ranchers in my district and in the United States some degree of relief from the floodtide of mink pelt imports which are forcing domestic ranchers out of the business.

As has been pointed out to the committee by a number of witnesses, foreign mink, largely from the Scandinavian countries have been coming into the United States in such quantities and at such prices the domestic rancher just can't compete. I have been told that the mink exported to the United States from Scandinavian countries runs $3 to $5 less in price than those pelts shipped by them to their other markets in France, West Germany, Italy, and elsewhere.

The National Board of Fur Farm Organizations, which is the spokesman for the domestic ranching industry, advises me that in 1962 there were 7,200 mink ranchers in the United States and today there are only 3,195. In my own district, even as short a time as a year ago, we had 58 mink ranches and today there are only 47. This is a tragic dropout rate for any domestic business. The board advises me that as recently as 1960 imports of mink into the United States only amounted to 2,846,000 pelts. In 1967 imports amounted to 5,426,000 pelts which is a startling increase of nearly 100 percent. With this tremendous influx of foreign pelts at low prices it is not surprising that the domestic rancher cannot compete.

My bill, and others like it, provides that the first 40 percent of estimated domestic consumption would be permitted into this country quota and duty free. After this original 40 percent, there would be a 50 percent ad valorem assessed. I feel that this formula is fair because it will assure the domestic rancher of at least 40 percent of the market he created himself, and yet would give the foreign producer the chance to share in any increase in domestic consumption.

Some of the foreign interests who have appeared before this committee have said there was no problem because prices this year are better than they were last year at this time. Granted, they are better, but this is only relative. I have been supplied some information concerning all pelts sold at auction in New York through marketing cooperatives and independent shippers. The price averages of this season as of June 1 have increased only slightly over prices for the same period last year when prices were at disaster levels. In the period December 1, 1966, to June 1, 1967, there were a total of 3,965,922 pelts sold at an average price of $14.95. In the similar period this season beginning December 1, 1967, and ending June 1, 1968, a total of 4,614,449 pelts were sold at an average price of $15.49, which I might point out is still below the cost of production of most domestic ranchers. In any event, this is an increase of 54 cents per pelt amounting to only 3½ percent. I cannot share the optimism of some that the mink market is on its way back. Historically, when prices plummet as they have three times in the mink industry since 1961, a plateau has been established and the prices do not recover.

I do hope this committee will do its utmost to keep these self-reliant ranchers safe from unrestricted imports.

Thank you.

The CHAIRMAN. Mr. Ruppe, thank you, for sharing your views with us. Are there any questions?

Mr. RUPPE. Thank you, Mr. Chairman.

(Statements of Mr. Hathaway and Mr. McClory referred to follow:)

STATEMENT OF HON. WILLIAM D. HATHAWAY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Mr. Chairman and members of this Committee, as a representative of one of the major shoe manufacturing states in the Nation, I have been kept well-informed by my friends involved in all capacities of the shoe industry of the alarming, steady increase in shoe imports plus the downward trend in shoe exports which threaten the future of many workers, of numerous manufacturers, and the economy of several States. I have watched the continuing increase of imports cause increased apprehension and concern from our domestic industry which finds present law insufficient as a framework within which to battle the low-cost import products.

The Department of Commerce accentuated the need for our action when they released the latest figures on imported shoes. From 1965 to 1967, according to their statistics, imported shoes increased from 87,632,000 pairs valued at $118,478,000 to 129,134,000 pairs worth $217,593,000 in 1967. President Johnson, in recognition of this threat to an important segment of our domestic economy has initiated a study of the problem by the Tariff Commission.

Our recognition of the problem is reflected in the legislation before this Committee today—and we who have introduced this legislation are hopeful the Congressional concern will be manifest in law—not to defeat the philosophy of expanded world trade—but to equalize opportunities for a domestic industry to fairly compete with foreign manufacturers.

Our domestic industry has established ground rules which do not apply to importers. We believe in the fair labor laws and product quality standards upheld by our domestic shoe industry but we must realize that foreign competitors are not bound by the same considerations. Our domestic industry simply cannot meet the kinds of competition which are undercutting their sales and profits. Consequently, the industry and the Congress seek a means by which to relieve the injury being suffered without destroying viable industries in any other Nation.

The Orderly Marketing Act meets with the approval of the American shoe industry as a means whereby the industry can recover from the economic impairment to which it has been subjected by the greatest increase of import competition in recent years. The Orderly Marketing Act promises to relieve much of the apprehension in our domestic shoe industry which fears that many American firms will not long be able to survive in competition with foreign manufacturers unless imports are reasonably controlled.

The Marketing legislation would apply to and afford relief to all industries competing with imports produced with low-cost labor, but the effort was pioneered by the footwear industry which has suffered the heaviest under the import burden. This bill would provide for automatic adjustment of import levels whenever the ratio of imports to domestic production has increased by 50% or more during a five year period or whenever imports for the immediately preceding calendar year equalled 15% of more of domestic production. The legislation before you is designed to hold imports at a reasonable percentage of domestic production while insuring that the rate of imports would be increased as domestic production goes up. The President would be authorized to negotiate international import agreements as an alternative to imposing quotas whenever the orderly marketing provisions are invoked. This legislation is written so as not to upset quotas established by other federal laws.

The orderly marketing concept meets with widespread approval since it allows us to bring balance to our trade policy. It allows us to overcome unfair competition through international agreements or through unilateral but flexible quotas. And it allows foreign competitors to share in the growth of our economy while recognizing that we cannot tolerate imports of such quantity as to destroy vital industries within our economy. This legislation has been hailed as a "reasonable approach to a difficult and thorny problem" by our distinguished Senator Muskie of Maine who has led this effort in that body of the Congress. I concur with his view and endorse this effort by your committee to attend a matter of serious consequence.

We can take action designed to help American workers and businessmen to meet foreign competition on equal terms. It is my sincere hope that legislation will come before the House for consideration which will materially alleviate the grave threat now facing the footwear industry in this country. I shall support and work for such legislation.

STATEMENT OF HON. ROBERT McCLORY, A REPRESENTATIVE IN CONGRESS FROM THF STATE OF ILLINOIS

Mr. Chairman: I am pleased to lend my support to H.R. 6694 and related bills which would authorize import quotas on mink pelts.

This legislation appears to me to be the most logical and desirable in protecting the interests of mink breeders and ranchers of America.

There are 53 mink ranches in the 12th District of Illinois according to information supplied by the National Board of Fur Farm Organizations, Inc. Just a year ago there were 60 ranches. Unless positive steps are taken by the Congress, remaining mink ranches in my Congressional district and the entire mink ranching industry will be threatened by foreign imports.

The pending legislation is not intended to prohibit imports of mink pelts nor does the measure call for any Federal subsidy or support for the American mink industry. On the other hand, the measure recognizes that the national economy depends upon healthy industry including a healthy mink ranching industry.

Mr. Chairman, you will receive expert testimony from other witnesses who are fully informed on the impact of foreign imports—particularily imports emanating from the Scandinavian countries. My statement to the Committee reflects the interests of the domestic mink ranching industry in the 12th District of Illinois.

I am confident that one of the responsibilities of the Congress of the United States is to enact legislation to protect and encourage a healthy private enterprise. It is that objective which the pending measure seeks to attain.

Mr. Chairman and Members of the Committee, I urge your favorable recommendation of H.R. 6694.

The CHAIRMAN. We will have to suspend the hearing for approximately 30 minutes in order to respond to this quorum call. We will be back in about 30 minutes.

(A brief recess was taken.)

The CHAIRMAN. The committee will please be in order.

Our next subject matter is that of fur, Mr. David W. Henderson. Mr. Henderson.

Mr. BYRNES. Mr. Chairman, while Mr. Henderson is coming forward, Congressman Kyl of Iowa contacted me this morning and asked me to put this statement of his in the record. I am quoting.

"It is my opinion that the domestic mink producers you will hear today have a valid case worthy of consideration. Final markup of two bills in my own committee this morning prevent me being present at your hearing. I do want you to know of my sincere interest."

I know also, Mr. Chairman, that there are many other Members of Congress who would be present for this testimony except for the fact that they have business to attend to in their own committees and also the House is going into session early.

The CHAIRMAN. You and I observed other Members present at an earlier hour when the House convened. Presumably they were here for this subject. I notice our former colleague present.

Do you want to present the witnesses?

STATEMENT OF HAROLD O. LOVRE, FORMER CONGRESSMAN FROM SOUTH DAKOTA; DAVID W. HENDERSON, EXECUTIVE SECRETARY, NATIONAL BOARD OF FUR FARM ORGANIZATIONS; COORDINATING WITH HARLEY WITTIG, PAST PRESIDENT, AND RICHARD E. WESTWOOD, PRESIDENT, EMBA MINK BREEDERS ASSOCIATION; AND ANDREW BARTEL, PRESIDENT, GREAT LAKES MINK ASSOCIATION

Mr. LOVRE. Thank you, Mr. Chairman.

First of all on behalf of the domestic mink ranchers we want to thank you for this privilege of presenting our case. We also want to extend our thanks and appreciation to the many members not only of this committee but also of the House and the other body for the various bills that they have introduced in support of our quota legislation, for the statements that they have filed with this committee, as well as the personal appearances.

We are also thankful for the many members who appeared before the Tariff Commission before and on behalf of the domestic mink ranchers. Before the quorum our former minority leader, Charles Halleck, was in the room. He was ready to make a statement on behalf of the domestic mink ranchers.

Time didn't permit him to make it so he asked me to tell you, Mr. Chairman, that he heartily endorses the various mink quota bills. He also stated that from his vast experience on trade agreements and the various trade acts in the past he is firmly convinced in his own mind that if there is to be any relief for the domestic ranchers it will have to come through legislation rather than through the peril point or the escape clause.

To save time, Mr. Chairman, I first want to present the various members of the industry who are appearing here for and on behalf of the industry and then to file their statements.

First of all, there is Mr. Wittig, who is the past president of Emba, to my left Dave Henderson, who is executive secretary of the National Board of Fur Farm Organizations, which incidentally represents about 95 percent of the industry itself.

Then we have Mr. Dick Westwood from Utah, who is president of Emba Mink Association, and then we have Mr. Bartel, Andrew Bartel of Wisconsin, of the Great Lakes Mink Association.

So at this time I would like to ask permission to file the prepared statements of all the gentlemen with the exception of Mr. Henderson so they may appear in the record at this point.

The CHAIRMAN. Without objection.

(The statements referred to follow:)

STATEMENT OF HARLEY WITTIG, PAST PRESIDENT, EMBA MINK BREEDERS ASSOCIATION

Chairman Mills and Distinguished Members of the Committee, my name is Harley Wittig. I live in Green Bay, Wisconsin and I am the immediate past-president of the Emba Mink Breeder's Association, a cooperative, which markets the bulk of all mutation mink pelts produced in the United States.

I have been a producer of farm raised fur for the past forty-five years, presently producing 8,000 mink pelts per year.

In my remarks I will point out the devasting effects of the presently depressed market for mink pelts and its damaging effect on the mink producing industry in the State of Wisconsin.

Wisconsin is the largest producer of mink pelts in the nation, presently raising 30% of the United States crop. By way of comparison the 1965 production of 2,300,000 mink pelts produced in the state were marketed in 1966 at an average gross selling price of $19.48 per pelt. After deducting selling costs which include dressing, sales commission, and advertising deductions, the producer had a take home of $16.62 per pelt.

The 1966 crop which was marketed in 1967, and with much difficulty, sold at an average gross price of $14.62, per pelt. After deduction for selling cost of $2.60, the rancher had the very low return of $12.02 which is far below the cost of production.

The 1967 crop, which is 95% marketed at this time has followed the same pattern, market wise, as that of the previous crop. This unhealthy condition which exists in our industry is caused by the large amount of foreign pelts available to the United States fur market, on a duty free basis, and at prices below our cost of production.

We have already seen the damaging effect of, the below cost of production returns, for the 1966 crop of mink pelts, and with similar poor returns for the 1967 crop, sold in 1968, it is quite evident that more of our ranchers will be going out of business at pelting time in the fall of this year.

In our state of Wisconsin, 300 ranchers have gone out of business in the last two years, almost all, because of their inability to stay in business with the below cost of production returns for their pelts.

These 300 ranchers represent 30% of the 1000 producers operating in Wisconsin two years ago. In 1965 ranchers in the state raised 2,300,000 pelts bringing a gross return of $46,000,000. Based on the reduced number of producers, and also, by a survey conducted by the National Board of Fur Farm Organizations, indications are that production of mink pelts in Wisconsin in 1968 will be approximately 1,600,000, or a reduction of 30%, and at the present price level will have a gross revenue of $23,400,000, approximately 50% less dollar-wise, than that of the 1965 crop. With the reduction of approximately $23,-000,000, in pelt income to the Wisconsin ranchers, the tax revenue of the state will be adversely affected. Labor requirements will be reduced by 30% or $3,180,000 will not find its way into the labor market. In 1965 the mink producers paid out in excess of $20,000,000 for feed, which included $3,600,000 for cereal and dry ingredients, $3,600,000 for fish and marine by-products, $3,000,000 for poultry by-products, $4,400,000 for meat scrap and trimming and $5,400,000 for liver and other fortification. Many of these products are produced in our state and in line with the 30% reduction in ranch requirements, it will mean reduction of monies paid by ranchers to suppliers of feed in excess of $6,000,000. The reduced dollar volume received for pelts, the reduced monies paid for labor, and reduced monies paid for feed result in a diminishing cash flow in our state of approximately $30,000,000. This cannot help but have a negative influence on the economy of the State.

I believe that unless the mink farming industry receives some help in the form of import protection, it will be a diminishing industry.

I feel that bill H.R. 6694 and the many similar bills now pending, would give our fur industry some needs protection while allowing foreign producers to have a fair share of our United States Market.

In closing I ask that you give serious consideration to the passage of legislation, alleviating the despairing conditions that now exist in the mink industry.

Mr. Chairman, and members of the committee, I wish to thank you for affording me this opportunity to plead our case before you.

Statement of Richard E. Westwood, President, EMBA Mink Breeders Association

Mr. Chairman and distinguished members of the Committee, my name is Richard E. Westwood and I live at West Jordan, Utah, where I operate a 1,600 female mink ranch. I speak to you today as President of the Emba Mink Breeders Association. Emba is a pelt marketing co-operative. It markets for its members approximately two-thirds of all the mink raised in the United States. Since its function is the marketing and promotion of mutation mink, it represents approximately 90 per cent of the domestic production of mutation pelts. The one-third of the U.S. crop not sold through Emba is either dark mink which are sold through the Great Lakes Mink Association or those classed as independents which amount to about 10 per cent.

DECLINE IN MEMBERSHIP

Because of economic conditions in our industry, the EMBA Mink Breeders Association membership has dropped from a peak of 5,623 in 1958 to a low of 3,460 at the beginning of this year. A number of these 3,460 ranchers quit business last fall, but we still carry them on our membership lists because we have not completed the selling of their last crop of pelts. A large percentage of those who quit the business did so because they could not survive financially. The rate of drop-out was greatly accelerated in 1967 because of the disastrous pelt prices. A survey by the National Board of Fur Farm Organizations in February discloses that 680 ranchers quit business last fall. Most of these ranchers were members of EMBA, so our active membership at this time is in the neighborhood of 2,800.

DECLINE IN AVERAGE PELT PRICES 1967

EMBA members pelts sold for an average of $19.55 in 1966 (1965 crop). Their pelts sold for an average of $14.22 in 1967 (1966 crop), a decline of 27.26 per cent. The pelt prices declined steadily until July last year, so that if the crop had all been sold at the mid-summer levels the average for the year would have been much lower. For instance, the June 1967 average gross sales price of $10.30 was the first time in EMBA's history that any month's average sales had fallen below $12.00. This I believe, has been brought on largely by the availability of ever increasing amounts of duty free imports of mink pelts at prices below the United States ranchers cost of production.

PRESENT PRICE LEVELS

In mid-April 1968 the EMBA sales of the 1967 crop had averaged $14.82. All sales since that time have averaged less than that figure. Traditionally the later sales are comprised of a higher percentage of low quality pelts, so the average sales price is less than earlier in the season. However, the drop in prices last summer was abnormally sharp. For example, the EMBA average by mid-April last year was $16.30, whereas the final average was $14.22. Consequently, even with more strength in the market this summer our final pelt average for this selling season will probably wind up at about the same average as last season ($14.22).

Some market information has just been received concerning the sales of all pelts sold at auction in New York, including darks and mutations sold through marketing co-ops or by independent shippers. This information comes from the record of New York Auction Company and The Hudson's Bay Company which handle over 80 per cent of the domestic pelts sold at auction. I would like the letters from these respective companies entered into the record of these hearings. They indicate that price averages of this season to date (June 1) have increased only slightly over prices for the same period last year when prices averaged out at an all-time low for my association. In the period of December 1, 1966 to June 1, 1967 they sold a combined total of 3,965,922 pelts for an average of $14.95. In the similar period this season beginning December 1, 1967 and ending June 1, 1968 they sold a combined total of 4,614,449 pelts at an average of $15.49. This is an increase of 54 cents per pelt amounting to only 3½ per cent which is hardly significant. By way of projection, if we add the increase of 54 cents to last season's final average of $14.00 we arrive at a final average for this season of $14.54. This gross average figure is well below the cost of production for most U.S. mink ranchers.

In 1961, following a period of relative stability, there was a sharp price decline and the price structure stabilized at a lower level than previously. In light of the 1961 price decline, the concern of the U.S. ranchers with regard to the 1967 price break was not limited to the difficulties it brought about for current operations. They were also apprehensive as to whether it ushered in a period of permanently lower prices which might be some 40 per cent below the prices they received in the mid-1950's. Current price levels indicate that these fears are being substantiated.

RANCHERS SPEND MILLIONS TO CREATE A DEMAND FOR THEIR PRODUCT

Mink are native only to North America and the ranching of these animals originated here. Mink prices are subjected to the old law of supply and demand. In order to create and maintain a demand for its members' pelts, EMBA and other U.S. marketing associations have literally spent millions of dollars on advertising, promotion and public relations. Again this year, EMBA's budget is over one million dollars. The bulk of this is spent on advertising to reinforce the prestige image of mink—to help keep mink as high fashion.

Financing the EMBA's program is accomplished by assessment of a percentage of the gross sales of a member's pelts. When prices are high this assessment is no burden to the rancher. When prices are as low, as they have been this season and last, then the assessment percentage must be increased in order to maintain sufficient promotion funds to keep mink fashionable and the market for pelts buoyant. When the increased assessment is added to fixed selling costs, then the cost burden becomes more and more difficult for the rancher to bear. For example: In 1966 our members received an average gross price of $19.55. Selling costs of $1.50 for dressing, $1.03 for auction fee at 5¼ per cent, and 34 cents EMBA deduction at 1¾ per cent, totaled $2.87 or 14½ per cent of the $19.55 selling price, leaving a net price of $16.68 to the rancher.

If, in 1968, our members receive a gross average (the same as last year's price) of $14.22, then the selling costs will be: $1.50 for dressing, 75 cents for auction fee at 5¼ per cent, and 32 cents for EMBA deduction at the new rate of 2¼ per cent, totaling $2.57 or 18 per cent of the $14.22 selling price, leaving a net price to the rancher of $11.65. This figure is below cost of production for all ranchers that I know.

THE BURDEN OF PROMOTION INCREASES

The National Board survey of February, mentioned earlier, shows that ranchers are pelting out or cutting back their herds so that the current domestic production is estimated at 20 per cent less than last year. At current price levels this trend will no doubt continue. As the volume of production shrinks, the association is faced with the problem of how to maintain adequate advertising and promotion funds. If we again raise the selling deduction, members may be forced out of business at a faster rate. If we do not raise the deduction, then the funds available may not be sufficient to keep mink fashionable, so that there is a market for our pelts. We do not think our members can stand an increase in selling costs.

EMBA PROMOTIONS HELP SELL ALL MINK

EMBA advertising and promotion, both here and abroad, over the past 25 years has created a demand for all mink, including the cheaper foreign pelts. The leap-frogging increase of foreign production calculated to take advantage of the demand we have created has resulted in a supply in our market which exceeds profitable demand, insofar as the U.S. rancher is concerned. This amounts to a free ride on our advertising when foreign pelts are sold in the U.S.

FOREIGN COSTS OF PRODUCTION LOWER

Because foreign costs are lower they have increased their production at a faster rate. According to the Tariff Commission, the production of the four Scandinavian countries now exceeds ours. The U.S. consumes 45 per cent of the world crop, while producing only 27 per cent. There are currently only 3,300 ranches in the U.S. against 17,000 in Scandinavia.

Imports account for over 50 per cent of the domestic consumption of mink pelts. In view of our higher costs of production and the current low price levels which continue to favor the foreign producer, to the disadvantage of the U.S. mink rancher, this trend to higher imports will continue. Unless something is done to prevent it, the U.S. mink rancher will eventually disappear from the scene entirely.

IMPORTS CONTROLS THE ANSWER

H.R. 6694 and the many similar bills pending before this Committee seek to control the imports of mink pelts while still sharing a substantial part of the market with our foreign friends. We think these bills are fair, and we in EMBA fully support the position of the National Board of Fur Farm Organizations in this matter. We ask that you give immediate and favorable consideration to these bills.

SUMMARY

Because of economic conditions in our industry, due mainly to excessive cheap foreign imports, EMBA membership has dropped from a peak of 5,623 in 1958 to about 2,800 at the present time. (The total number of ranches in the U.S. currently is 3,300, compared to 17,000 in Scandinavia).

This parallels and is the result of a general decline in pelt prices. Each time after a price crash, a new market level has been established that is lower than the previous price averages. The price average of $14.00 received by ranches in 1967 and the projected final average of $14.54 for 1968 is well below the cost of production for most U.S. ranches.

To create demand for members pelts, EMBA has spent millions of dollars on advertising and promotion. This created a demand for all mink, as well as those of EMBA members.

Foreign production, because of cheaper costs, has been expanded at a much faster rate than domestic production, forcing prices down and many domestic ranchers out of business. The increased burden of advertising on the remaining ranchers, as more producers are forced out of business, becomes more and more difficult to bear.

Imports have increased over the years to where they now amount to over 50 per cent of the domestic consumption. If mink pelts remain on the free list, this trend will continue until there will be very few domestic producers left in this business which they created with their own effort, talent and money.

Import controls such as proposed in H.R. 6694 would be fair to all, would help correct our nation's balance of payments problems, and would help save, our self-reliant, agricultural industry—mink farming.

Mr. Chairman and distinguished members of the committee, on behalf of EMBA and the domestic mink farming industry, I wish to thank you for this opportunity of bringing our problems to you.

I earnestly plead with you to give quick and favorable attention to the bills proposing imports controls on mink pelts, in order to save our industry.

Thank you.

STATEMENT OF ANDREW BARTEL, PRESIDENT, GREAT LAKES MINK ASSOCIATION

Mr. Chairman, my name is Andrew Bartel and I live near Clinton, Wisconsin. I am President of the Great Lakes Mink Association which is a nationwide marketing cooperative for dark mink. I am here today to protest the vast numbers of cheap quality mink pelts being imported into this country quota and duty free. Others will testify as to the effects these imports are having on domestic ranchers, and I should like to turn your attention to what these cheap imports are doing to consumers.

Let me say that mink is an image. What sets it apart from fox, racoon, otter or other furs is the promotion done by the domestic mink ranchers to make this superior product desired by women. Over 25 years ago, the domestic mink ranchers started a program of creating the image of mink by means of publicity, promotion and an extensive advertising program. In each of the last 25 years, the domestic mink ranchers have spent over $1,000,000. There is no question that our efforts have been successful. Mink is the fur most desired by women.

To keep pace with this wide promotion program, the domestic mink ranchers had to provide a very high quality product and they have done this. Many hundreds of thousands of dollars have gone into research to provide the women of America and the world the best quality mink genetics can provide.

Now, however, cheap inferior mink which are little better than rabbit or squirrel are being brought into this country under the name of mink with reckless abandon to the extent that the image of mink has been debased and defiled. We have become a dumping ground for the cheap inferior pelts the foreign producers do not want to put into their prime markets of Italy, West Germany, France and Switzerland. I know that the word "dump" is a word of art and should not be used loosely, but the figures bear out the fact that our main competitors for the American market—The Scandinavian producers—do sell their cheapest mink to American buyers. Last December, I appeared before the U.S. Tariff Commission in behalf of the Great Lakes Mink Association. At that time, the American Fur Merchants Association, which is made up of pelt dealers and others presented to the Commission a very elaborate booklet concerning Scandinavian production and exports. I find it most significant that from 1958 through 1966, according to the figures in the booklet, that the prices of pelts shipped to the United States were generally three to five dollars cheaper than those pelts shipped to the Scandinavian primary markets. The chart is shown below with the price differentials computed.

COMPARATIVE AVERAGE RANCH MINK PRICES—DOMESTIC, IMPORTS, EXPORTS

	1958	1960	1961	1962	1963	1964	1965	1966
Scandinavian producers	$15.63	$16.26	$12.54	$14.99	$15.01	$15.72	$14.94	$14.72
Exports to United States	14.73	15.25	10.84	13.49	13.32	14.30	12.63	12.82
Exports to others	17.82	18.65	16.15	17.10	17.38	17.51	17.34	16.75
Difference	−3.09	−3.40	−5.31	−3.61	−4.06	−3.21	−4.71	−3.92

As can be seen from these figures there has been a consistent pattern of shipping the cheapest pelts to the United States and selling their better quality pelts in their primary markets. You can imagine when a mink coat requires about 60 pelts what a saving of $5.00 per pelt can mean in the final price of the garment, but one should also take into consideration the quality of the garment that can be purchased at such low prices.

I understand that Miss Furness appeared before the Committee and urged freer trade on the theory this would give the consumers protection against higher prices and more selectivity for quality products. I can assure her that just taking the figures above, the American man who buys a Scandinavian mink for his wife is not getting a bargain. The figures show that it is a cheaper quality product than the Italian or French husband can buy, yet it is all called mink. I don't think there is any protection provided the American consumer and, in fact, I think the American consumer is being deluded into thinking he is getting a quality product. When the disappointment sets in because it is not a quality product, the mink image suffers no matter the source.

There is another factor which I would like to touch on concerning these cheap priced and cheap quality mink. As most of you know, mink generally are sold at auctions, both in the Scandinavian countries and in the United States. Because mink are quota and duty free, American dealers and brokers in pelts can go to the foreign auctions and buy the cheap quality pelts and bring them into the United States and make garments or use the pelts for trim. With this steady and uncontrolled flow of the cheaper pelts into the United States, naturally the auction prices of American mink go down. The American rancher with a quality product just can't compete and as others have indicated the American producer is being driven from the ranch because he is trying to sell a high quality product against a low quality product of the same name at the same price. If, however, the Scandinavians were sending their better quality mink into the United States, the American Rancher could compete.

As you know, a number of bills have been introduced to give at least a bit of protection to the domestic mink rancher. The bills provide that the first 40 per cent of estimated domestic consumption could come in duty free and there would be a 50 per cent ad valorem added to any balance. Instead of dumping all or nearly all of their cheap mink on the American market, the Scandinavians would have to spread their low quality product among all of their customers whether they be in Italy, France, West Germany or Switzerland. Thus, there would be less of the lower quality mink on the American market and garment manufacturers and others who utilize mink would have to turn to American produced ranch mink. This in turn would improve domestic prices. It would seem to me that the American buyers at Scandinavian auctions would buy the better quality mink to bring them in duty free and if there was an apparent need for the cheaper mink they would come in, but with the 50 per cent ad valorem. In other words, I would think they would rather pay the ad valorem on the cheaper goods than on the more expensive goods.

According to the recent Tariff Commission investigation, imports have taken over 50 percent of the domestic consumption. As I have pointed out, it is the cheaper mink which comes into this country. Since it is obvious that all mink are not of the same quality I think it is only fair to the American consumer to keep the quality as even as possible so that the consumer will be getting a quality product when she gets a mink garment.

Thank you.

Mr. Lovre. In addition I would like to have introduced two letters, one from the Hudson's Bay Co., the other from the New York Auction Co., addressed to Mr. Westwood which give the prices, the number of pelts and the average selling prices from December 1, 1966 to 1967, and then the comparable data for December 1, 1967 to 1968, and that is contained in both letters.

The Chairman. Without objection that material will also appear in the record.

(The letters referred to follow:)

HUDSON'S BAY CO.,
New York, N.Y., June 6, 1968.

Mr. RICHARD WESTWOOD,
President, Mutation Mink Breeders Association,
West Jordan, Utah.

DEAR MR. WESTWOOD: In response to your inquiry concerning the comparative averages obtained so far this season in the selling of your mink crop, we wish to advise that from December 1, 1967 through June 1, 1968 we sold a total of 2,349,580 mink pelts at an average price of $15.76.

For the period December 1, 1966 through June 30, 1967 we sold 1,919,944 pelts at an average of $15.64.

Yours very truly,

L. J. HENRY, *President.*

NEW YORK AUCTION CO., INC.,
New York, N.Y., June 11, 1968.

Mr. RICHARD WESTWOOD,
President, EMBA Mink Breeders Association,
West Jordan, Utah.

DEAR MR. WESTWOOD: In accordance with your request we have checked our records in order to determine the number of Mink pelts sold by our Company—in all categories of all colors—and the average price realized for two selling seasons. For your information we herewith list our findings:

Period	Number of pelts	Average selling price
Dec. 1, 1966, to June 1, 1967	2,045,978	$14.31
Dec. 1, 1967, to June 1, 1968	2,264,869	$15.23

I trust this is the information you require, and if there is anything further we can do, please feel free to call upon us.

Sincerely yours,

WILLIAM F. FITZGERALD, *President.*

Mr. LOVRE. And Mr. Henderson will present the case.

The CHAIRMAN. Mr. Henderson, we appreciate having you and all of you with us this morning. We thank you for introducing them.

You are recognized, Mr. Henderson.

STATEMENT OF DAVID W. HENDERSON

Mr. HENDERSON. Mr. Chairman, if you will forgive me, I will read rapidly but I want to call your attention to the fact that we brought some blowups of the figures that are contained within the statement itself if it is of any aid to the committee in following the argument.

The CHAIRMAN. If you leave out any part of your statement do so with the knowledge that the entire statement will appear in the record.

Mr. HENDERSON. Mink ranchers of the United States are in Washington again, Mr. Chairman, in the latest of many attempts to regulate unfair foreign competition. To most people the idea is just a little absurd, since the preeminence of mink in the fashion world today is so overwhelming that somehow all persons connected with its production and distribution are supposed to be gilt edged.

But I assure you, Mr. Chairman, that the domestic producers of mink, far from living in the lap of luxury and opulence, are in a tragic state of ruin today, and 56 percent of their number, as registered in 1962, have gone "belly up" in a vain attempt to beat the "establishment."

How could this come about in the "land of opportunity" and what is the "establishment"?

OPPORTUNITY

Mink ranchers, like millions of their compatriots, living and dead, have seized upon a natural resource of this great country, and by imagination and determination have molded from their labor a significant contribution to the cultural life of the world. If we are permitted to mention in this vein the unique and sometimes gigantic American contributions to the life of the 20th century, such as movies, in social penetration, mass production, in economic upheaval, and jazz for individual artistic achievement, it is hardly far fetched to list among these the rise of mink, and particularly natural colored mink, to a summit position in the world's oldest industry, the fashion complex. For there are literally hundreds of millions of women the world over today who sigh about, and have violent opinions for or against mink.

Thirty years ago this was not the case. In those days mink, trapped out of the forests of North America, reached the fur market in very small, irregular quantities, and remained a fashion curiosity until the imagination and genius of the American rancher, through anguished experimentation and prodigious investment of labor and capital, pushed it to the top of the heap in the hearts of fashion-conscious women of the world.

THE ESTABLISHMENT

This dramatic success story is not without its gloomier side. As the hearts of women opened to the new fur and color pouring forth from American agriculture, foreign producers, probing the soft spots in the vast markets of the land of "milk and honey," were quick to imitate the ranching methods developed in the United States, and imports, beginning with a trickle, began their ominous invasion of the American rancher's own market, until today imports from 20-odd nations are said by the Tariff Commission to have emboweled 53 percent of domestic consumption.

How could this rapid displacement of the American rancher have taken place?

It is very easy to find a scapegoat. Remember that undressed mink pelts were pinned to a duty-free status under the provisions of the Tariff Act of 1930. Their duty-free status has been continuously bound since 1936. It should interest the committee to know that never, in all these years, was the producer ever consulted about this, nor has Washington ever given the slightest indication that it might be reviewed or changed. Considering the fact that many products of American industry and agriculture have, in fact, "enjoyed" a measure of protection during those years through tariffs and/or quotas (and still do), the American rancher can hardly be blamed for viewing the duty-free status of mink pelts as a measure of unfair discrimination, arbitrarily arrived at and arbitrarily maintained. This is the establishment.

EXTRAVAGANT HOSPITALITY

In those pellmell efforts to break down the barriers of international trade, the establishment, perhaps unwittingly, exposed the American rancher through duty-free entry to the American market to a foreign competitor gleefully armed with the following advantages: Lower cost of production, lower standard of living, a free ride on the American ranchers' promotional effort to originate and to build consumer demand, free access to the American market to dump surplus crops whenever they could not be sold elsewhere.

Such extravagant opportunity led foreign producers to a steady invasion of our markets until, in 1958, the National Board of Fur Farm Organizations requested escape-clause action through the Tariff Commission. At that point imports had cornered 42 percent of domestic consumption. In that investigation the Commission ruled that no injury from imports existed, and this message, namely, that the domestic producer was to have no protection, was quickly translated by the foreign producer into higher production for the American market. (Import volume rose from 2,846,000 in 1960 to 4,131,000 in 1961, a percentage increase in 1 single year of almost 31 percent.) In 1961 the American rancher, unable to generate new consumer demand for such unprecedented supplies, began tightening his belt from a price break of more than 23 percent, and from that point onward domestic producers fell out of the competition at the rate of several hundred each year.

Mr. Chairman, because we have already told our story in many official places, and because the files of Washington agencies such as the Senate Finance Committee, the Congressional Record, the Tariff Commission and the offices of upwards of 84 cosponsoring Senators and Congressmen are replete with documentation, we would like to refrain at this time from burdening the committee with figures. In the interest of time we ask your special attention to two figures which are bound into and made a part of this testimony, and which summarize the effects of foreign competition on the domestic mink ranching industry, a subject which we find sometimes receives only casual acknowledgement.

FIGURE I—THE ACCORDION EFFECT

Figure I, titled "The Pressure of Imports on the American Market, 1957–1967" exposes the facts of foreign competition, as we have suffered them up to this moment of imminent disaster. Points in time are delineated by vertical lines, running from the left at 1956 to 1968, figures for the latter year being still very much in the guessing stages. On the left margin we provide a dollar-price scale which relates directly to the value of domestic pelts sold in American auctions. In the right margin the scale reads in millions of pelts and refers to the volume of domestic ranch production and to the volume of total imports. That historical point at which the American rancher failed to secure relief from growing imports, through "escape clause action," is appropriately shown as between 1959 and 1960 as "failure line," et cetera. Basic data for the construction of all the curves are grouped in the lower right-hand corner.

THE PLUNGING PRICE CURVE

Beginning at the left in 1956 the solid black curve represents the average gross auction price received by the American rancher for domestic pelts.

IMPORTS EXERT CONSTANT PRESSURE ON AMERICAN PRICE STRUCTURE

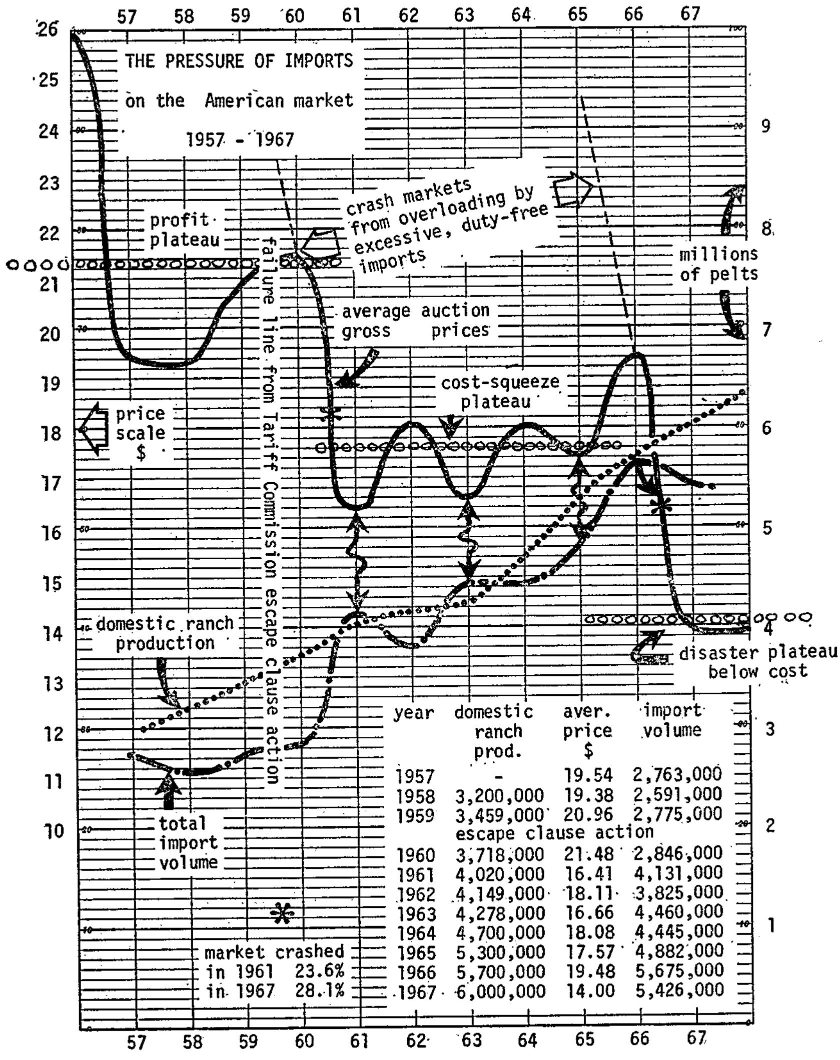

FIGURE I

The years 1956 through 1960 represent a new and still very experimental industry in which the limits of consumption are still untested and relatively easy profit attracts new producers. A bar is inserted arbitrarily at the \$21.50 level to indicate the profit plateau.

After the failure of the domestic producer to secure protection in 1959, imports surge upward from 2.8 million in 1960 to 4.1 million in 1961—we are following now the price curve—as described above, causing a "break" in the price curve of 23.6 percent. Domestic prices fell from \$21.48 in 1960 to \$16.41 in 1961, ushering in a whole new era in American mink ranching.