President Johnson continually urges export increases to help our employment and dollar situation.

We respectfully ask prompt passage of H.R. 2406. We have been trying to accomplish this for over five years and now the situation is serious and requires your deep consideration.

Respectfully submitted,

G. W. MILLER,
Chairman of the Board.

Witness this 24th day of May 1968.

HENRIETTA W. BUELL.

Notary public, State of New York, qualified in Niagara County.
Commission expires March 30, 1969.

STATEMENT OF STEPHEN F. DUNN, PRESIDENT, NATIONAL COAL ASSOCIATION

Mr. Chairman, my name is Stephen F. Dunn. I am president of the National Coal Association, with offices in the Coal Building, 1130 17th Street, N.W., Washington, D.C. The Association is the nationwide trade association of the bituminous coal industry and has in its membership all the major producers and distributors of commercial bituminous coal.

ENERGY AVAILABILITY AND NATIONAL SECURITY

Under the General Agreement on Tariffs and Trade, quotas are illegal except for certain specified circumstances. One of the exceptions is when the Nation imposing the quotas feels its national security is at stake. Present import quotas for oil and its products (except residual fuel oil, which for all practical purposes is now quota-free in the East Coast market where it is directly competitive with coal) are maintained under this "national security" exception.

In the absence of quota protection, the damage to the domestic energy industry of the U.S. could be extensive, because foreign oil and gas probably will be available for many years—perhaps to the end of this century—at prices below the cost of finding and producing domestic oil and gas.

Although per-capita consumption of energy is increasing in the rest of the world, it is still far behind that of the United States. At some unknown time in the future, perhaps around the end of the century, oil and gas probably will be high-cost everywhere. For the decades immediately ahead, however, cheap foreign oil will be able to undersell domestic oil in the absence of effective regulation. Transportation of natural gas in liquid form is becoming a reality, and it is possible that foreign gas will also take over a larger share of the domestic market in the absence of regulation.

The phrase "national security" involves much more than the possibility of "hot war." It also involves protection against undue influence over this country's decisions in "cold war." Even more important, it involves protection against economic impotence. If the American dollar goes down the energy drain, the ability of America to maintain a high standard of living, the ability to maintain a position of leadership in the world, and the ability to defend our country will go with it.

No nation which depends on foreign sources for a large part of its total energy requirements can support a dynamic economy and be a world leader.

Every nation in the world has recognized that "energy" is a special category in world trade; no nation can afford to be without substantial indigenous energy sources if it is to maintain a position of strength in the world economy. Of course there are some nations—Italy is a good example—which have such an extremely limited supply of indigenous energy at any cost that they *must* be "free traders" in energy. Such nations find it difficult to achieve a high standard of living because they are forced to import nearly all of their energy. Nations like West Germany, Great Britain, France and Japan have recognized over the years that energy is in a special category—it cannot be thrown into the "free trade" basket. In spite of our Government's efforts to remove the quota-tariff system in West Germany, that nation is still producing substantial amounts of high-cost coal, rather than permitting unlimited imports of low-cost American coal. Most countries, with the exception of Italy, have some type of import controls restricting the free flow of U.S. coal abroad. England is subsidizing the produc-

tion of indigenous high-cost coal in preference to purchasing low-cost American coal—in fact, England maintains a total embargo on American coal.

England's financial troubles can be traced, in part, to the fact that England became an energy-dependent country when it turned to large quantities of foreign oil. After sacrificing substantial percentages of its "energy bill" to foreign countries, England found its balance-of-trade problems so severe that it was forced to devalue its currency. The United States can follow the same route unless Congress limits the total share of our Nation's energy which we will permit to be furnished by foreign sources.

The total "energy bill" of the United States is large; in the future it will be much greater.

The "energy bill" of the United States is such an extremely large dollar total that it must be treated as an item separate and apart from other items of trade—or else there will be no possibility of maintaining any semblance of a balance of payments.

In 1967, exports of energy from and imports to the United States had the following dollar values:

[In millions of dollars]

	Export value	Import value
Coal, coke, etc.	501	4
Petroleum and petroleum products	539	2,100
Natural gas	64	129
Electric energy (1966)	3	8
Total	1,007	2,241

It will be noted that, in spite of coal's half a billion dollar contribution to our balance of trade, this country in 1967 suffered a deficit of $1,234,000,000 in its foreign trade account insofar as energy is concerned. Worse yet, this deficit in energy trade is increasing. Without effective Congressional regulation, it may increase in future years to such a volume that it could destroy our nation's ability to maintain the position of the dollar in world trade.

Every nation with a decent standard of living has a high energy bill. The United States has a tremendous per-capita rate of energy consumption. In 1967 the value of coal produced in the United States, at the mine, was $2,600,000,000. The value of crude oil at the well was $8,900,000,000. The value of natural ags at the well was $2,900,000,000. Adding the trade deficit for energy ($1,234,000,000), we find the nation's total bill for raw energy in 1967 was $15,634,000,000.

This is just the beginning. There are available many different estimates of the future growth of energy consumption in the United States. All of those estimates agree that energy consumption will increase tremendously, reaching by the end of the century three to four times as much as the current figure.

If in 20 years our energy consumption merely doubles, our nation's total bill for raw energy will be more than 30 billion dollars, even at present prices. If we were to permit any large percentage of this to be served by foreign sources, we would have an energy deficit so great that it would be impossible for the country to balance its total trade.

If industry is given definite, long-term assurance of a stable share of the total energy bill, the U.S. will never become a "have-not" nation with respect to energy.

Secretary of the Interior Stewart L. Udall, testifying before this Committee on June 4, 1968, pointed out that "in the case of oil, our security would be jeopardized unless we have a strong, healthy, domestic oil industry, capable of meeting any demand. *Adequate domestic supplies depend upon exploration and discoveries and these activities will not be carried on in the absence of an adequate market for domestic production.*" (Emphasis added.)

It is possible, even probable in the face of greatly expanded demands for energy in the future, that at some time domestic oil and gas will not be available at any cost. When that time is reached, the United States will still have indigenous energy available because it is blessed with abundant reserves of coal and oil shale. Unfortunately, however, it appears now (in the absence of some technological breakthroughs not now foreseen) that synthetic fuels from these sources will not be able to compete with the extremely low-cost oil and gas

which are expected to be available from foreign sources for the next 20 or 30 years. It will take very heavy capital investments to produce synthetic fuels from coal and oil shale, and it is unreasonable to expect this investment to be made without a long-term assurance of a reasonable share of the U.S. energy market.

The Department of the Interior in May 1968 released a lengthy study on "Prospects for Oil Shale Development." On page 106 of that study, recognition is given to the point we are making here:

"As reflected in this study, shale-oil production (but with no charge for the resource) may now be marginally attractive at current domestic prices. Domestic oil prices, however, are, in part, dependent on continuation of existing import policies. At least in its early years the emergence of a United States shale-oil industry might appear to be dependent upon either a continuation of import controls or upon other measures which would permit it to compete with other domestic crude sources."

Even our coal—the lowest-cost coal in the world—may lose more of the domestic energy market to foreign residual oil because of premature restrictions on sulfur emissions.

Although the coal industry in the United States can produce coal more economically than it can be produced in any other country, unrealistic regulations on sulfur content of fuels could further reduce coal's share of the energy market, thereby putting an even larger share of our total energy bill "up for grabs" by foreign sources. We hope and believe that economical methods of capturing sulfur in coal-burning plants will be developed within the next few years, but in the meantime we are faced with state and local regulations (stimulated by the federal government) which do not take into account the lag between research and results. For example, the State of New Jersey has adopted a regulation which, if upheld, will in a short period of time ban the use of fuel containing more than three-tenths of one per cent sulfur. The same is true in the New York City area. There is little or no coal in the United States with a sulfur content this low.

As a matter of fact, the Secretary of the Interior has joined the rush to stimulate sulfur restrictions. On May 24, 1968, the Secretary proposed new regulations which would offer increased quotas for the import of foreign crude oil as an incentive to oil companies producing low-sulfur residual oil. This action is entirely inappropriate, since the Secretary is supposedly administering the oil import program for the sole purpose of protecting the national security. Yet the threat posed is real.

Until two and a half years ago there were effective (although very flexible) controls on imports of residual oil, controls which were first applied in 1959. Residual oil imports to the East Coast grew from 172 million barrels in 1959 to 267 million in 1965. With decontrol, residual oil imports to the East Coast grew to 322 million barrels in 1966 and to 345 million barrels in 1967. Total residual oil consumption in the East in 1967 was equivalent to 100,966,000 tons of coal. Domestic producers furnished only 18.1 per cent of this oil, and importers furnished the other 81.9 per cent. This alarming take-over of an important part of our "energy bill" can be further stimulated, even at a net cost to the American consumer, by premature restrictions on sulfur content of fuels.

Even aside from national security and balance-of-trade considerations, it would in the long run cost more to become dependent on international cartels than to use indigenous (even if higher cost) energy.

An energy industry cannot be "turned on" and "turned off" like tap water. A viable energy industry requires steady, long-term maintenance of markets.

It is possible for our Government to protect our consumers against domestic price-fixing. It is not possible, realistically, to protect our consumers against price fixing by interational cartels. If we permit our domestic energy industries to atrophy, this country will shortly find itself at the mercy of international cartels, with disastrous results. To illustrate this point, I quote here a short passage (dealing with reliance on foreign uranium) from page 181 of hearings before the Joint Committee on Atomic Energy on the subject of "Uranium Enrichment Services Criteria and Related Matters," August 2, 3, 4, 16 and 17, 1966:

"Mr. BOKUM. First let me really explain how the foreigners operate. You are familiar with the diamond cartel of South Africa.

"You probably recognize or know that both the Canadians and the South Africans have had conversations and meetings to fix a price between them.

"I recently had one of the representatives from one of these countries come to me and say 'why don't you join us and we will fix the world price?'

"I said, 'Do you want me to go to jail?'

"That is exactly what would happen to me if I participated in something like this.

"First, I think the prices would be low. They would eliminate the incentive to discover ore in this country and at the time the uranium mining industry dried up they would fix the price and you would pay it or you would not get any uranium to put into your reactors for power.

"If this country wants to be a have-not nation, then the best way is to allow importation of foreign ore, recognizing that they do not recognize the same laws as we do and they will form cartels and they will dictate prices.

"Chairman HOLIFIELD. I am glad to find a common ground upon which you and I can agree. I am inclined to think you are right.

"I think that we are up against it on the importation of foreign ore or anything that comes from foreign countries, we are up against the problem where we have to look at it from the standpoint of its effect upon our own business people and here, again, the Government can be protective, as well as irritating.

"I think we do have to look at this and keep a very close look upon importation of ore. I do not mean by that that it should be excluded completely because I think sellers by one means or another sometimes can take advantage of scarcity.

"That happens and I think it might be salutary to have a little importation of foreign ore at least in the background to have a retarding effect upon people who would want to take advantage of a semi-monopolistic production of ore."

The quoted discussion, if it dealt with "energy" instead of merely one form thereof (uranium) illustrates one of the points we want to make.

Congress should replace the present system of import controls on energy with a Congressional determination which will give the necessary assurance of long-term reliability.

The Secretary of the Interior in his appearance before this Committee on June 4 described the existing program as one of "flexible controls on oil imports maintained through administrative techniques." Although he said that the "national security" is "the paramount—the only—reason why such imports are controlled," he added, "We believe that enactment of restrictive legislation would serve no beneficial purpose but would only make it more difficult to meet unexpected contingencies."

We believe the Secretary has attempted to use the flexibility available to him under the current program for purposes *other* than national security. We have already referred to the fact that imports of residual oil into the East Coast area (the area of most severe competition with coal) were virtually decontrolled some two and a half years ago. It is appropriate to point out that decontrol came shortly after a new wage contract forced coal producers to make modest increases in coal prices.

It is also appropriate to repeat here that even now the Secretary proposes to grant additional quotas on crude oil as a bonus to those companies which produce low-sulfur residual oil.

Others believe, as we do, that the Secretary has used his flexibility in controlling imports for purposes other than national security. Testifying before the Department of Interior in the oil import hearings on May 22, 1967, B. R. Dorsey, president of the Gulf Oil Corporation, stated, in part:

"We recognize that the United States has many serious problems. We also recognize the desirability in designing any program to have it contribute toward easing as many problems as possible. However, we are also keenly aware from some of our own experience that adjusting a program directed toward solving one problem to try to solve other problems most often limits and sometimes destroys the basic objective. We are concerned because we believe this is happening to the Oil Import Control Program. The program was weakened when it was originally designed by the provision for quota trading in an effort to maintain inefficient refiners. Since the program has been in operation, it has been further weakened (1) by awarding import allocations to chemical companies in what, in our opinion, was a mistaken belief that it would help the balance of payments; (2) by allowing one company a special privilege to bring gasoline from Puerto Rico; to Districts I–IV to improve employment in Puerto Rico; and (3) by using it as a threat to force a decrease in gasoline prices, which was very questionable."

We are not prepared to say exactly what percentage of the nation's total energy bill should be allocated to foreign sources. At the present time the energy trade deficit amounts to almost 8 per cent of our total bill for raw energy. We *are* convinced that Congress itself must make a firm decision about how much dependence on foreign energy our nation can permit and still survive.

If we continue a system which lets the Secretary of the Interior (Udall today; tomorrow, who?) believe that it is his "club" to use for whatever purposes he may deem desirable, then in effect we simply have no "national security" program. We must instill a feeling of confidence if we are to encourage the orderly growth of domestic energy industries and provide the incentive for the development of a synthetic fuels industry.

SUMMARY AND CONCLUSIONS

Control over imports of energy are exercised, as permitted by GATT, to protect the national security. The national security involves much more than military action; it involves also the maintenance of four independence in the "cold war" and maintenance of a strong domestic economy.

The total "energy bill" is so large—and growing so much larger—that it cannot be put into the "free trade" basket, particularly because much of our energy supply is now and for another two or three decades may continue to be vulnerable from a cost standpoint. On the other hand, the United States is blessed with an abundant supply of fuels in the form of coal and oil shale. Assuring our indigenous fuels a definite portion of the domestic energy market will in the long run benefit domestic consumers.

The present system of flexible controls does not provide the assurance required for the steady growth of domestic energy industries and the development of a synthetic fuels industry. The program presently is being used for purposes other than the national security—thereby destroying confidence in it.

Recommendations.—We urge the Congress to develop a long-term, binding policy which would set strict upper limits on the percentage of the nation's total energy needs which can be allowed to be filled by imported fuels. This policy should be based on maintaining an adequate national base of indigenous fuel supplies for reasons of national security, and on reducing the damage to the U.S. balance of payments by preventing a flood of dollars overseas to pay for increasing amounts of foreign fuels.

Because an adequate energy supply involves billions of dollars as well as national security, our energy policy should not be diluted by entirely different (and temporary) problems such as sulfur oxide emissions from fossil fuels. Moreover, our national energy policy should not be subject to free trade negotiations, as our security is at stake.

HAWLEY FUEL CORP.,
New York, N.Y., June 11, 1968.

Congressman WILBUR D. MILLS,
U.S. Congress,
Washington, D.C.

DEAR CONGRESSMAN: I am writing to you today concerning the movement which has been undertaken to impose quotas on various imports.

Our company has been engaged in the coal industry since 1879. We operate seven mines in the State of West Virginia which annually produce approximately two million tons of high grade metallurgical coal. Almost 80% of this coal is sold in the export market. Therefore, we are very much concerned about the protective measures now before Congress, particularly in regard to the imposition of import quotas on steel.

As you may know, coal export represents a valuable addition to our Balance of Payments. Inasmuch as there is almost no coal imported into the United States and no subsidies are received by the American coal industry, it is in the national interest to maintain coal exports at as high a level as possible. For many years, our government has been waging an unceasing battle against the imposition of non-tariff barriers to the importation of coal overseas. These efforts have met with varying success.

However, in addition to the obstacles posed by foreign governments to the importation of American coal, we are now faced with a situation where the American coal industry is the only large coal industry in the world which operates solely on an unsubsidized basis. All other large coal producing areas are

now extremely anxious to promote the overseas sale of their product. This is particularly true of Western Europe, due to the degredation of the home market brought about by the tremendous influx of oil and natural gas in the last few years. For this reason, we greatly fear that the imposition of a steel quota at this time would gravely affect the American coal industry since most of the American coal currently exported is purchased by overseas steel companies for metallurgical use. Therefore, if they could not sell their steel in the United States, the obvious retaliatory measure would be against American coal.

While the percentage of imported steel to domestic production is relatively small, its effect on the domestic steel industry is further diluted in that it is fairly well spread throughout the country. However, it must be borne in mind that 95% of the export coal comes from the Appalachian region of Virginia, West Virginia, and Kenutcky; so that should coal exports be decreased due to the retaliatory reaction of foreign countries, the effect on this limited area would be immense and would add to the already existing problems of Appalachia. There is no doubt that unemployment in the area would climb rapidly and the entire economy in this region would be severely affected.

Finally, we are, by principle, believers in free trade. Unless the national interest in terms of national defense is involved, we believe that the greatest good for the nation can come about through a world-wide free exchange of goods and services. Having fought for so long to establish this principle overseas to permit the unrestricted importation of American coking coal by foreign steel companies, we cannot now in good conscience stand silent while the proponents of protectionism would undermine the efforts of past years. Therefore, we earnestly ask that you do what you can to maintain the traditional American policy of free trade by speaking and voting against the protectionist measures now before Congress. Your stand against this pernicious philosophy of protectionism now will ensure the promotion of American exports in the future.

Very truly yours,

MARK R. JOSEPH,
Vice President.

Mr. HERLONG. Mr. Myron Solter.

Mr. Solter, for the purposes of the record will you identify yourself and whom you represent and proceed in your own way.

STATEMENT OF MYRON SOLTER, COUNSEL, IMPORTED HARDWOOD PRODUCTS ASSOCIATION

Mr. SOLTER. Mr. Chairman and members of the committee, my name is Myron Solter. I am an attorney in Washington and it is my pleasure to appear before the committee today on behalf of the Imported Hardwood Products Association, headquartered in San Francisco.

With the chairman's permission I will merely summarize briefly and verbally the content of my prepared statement but would request that the statement appear in the record.

Mr. HERLONG. The entire statement will appear in the record.

Mr. SOLTER. Thank you.

The Imported Hardwood Products Association, and please permit me to call it the IHPA for conserving time—embraces some 38 regular members and some 64 associate members concerned with the hardwood products import distribution and use in the United States.

We don't keep close figures for various reasons but we think that the membership of the association accounts for probably two-thirds by value of the total imports of such products into the United States.

Very briefly, this organization wishes to convey to the committee its views of support for the administration's proposed Trade Expansion Act of 1968 with a couple of suggestions which we would like to add to

it, the opposition of the IHPA to the many import quota bills which are presently before the committee and to seek, third, to call to the committee's attention the rather difficult defect of one provision of the customs evaluation statute as it applies to imported hardwood plywood.

Now, first of all we support the proposed easing of the tests of eligibility for adjustment assistance which are contained in the administration's proposed trade bill.

The reason for this is that it very seldom happens that increased imports even when they increase rapidly and in large quantities have a strong adverse effect on an entire domestic industry.

It does happen, however, that individual firms, because of financial, structural, geographic or other weaknesses of that particular firm, can be strongly adversely affected at times.

In those conditions, it is only fair that the management and the workers in that firm be aided in some fashion to overcome the adverse effects of increased import competition.

However, seldom in all cases and most especially in the case of imported hardwood plywood and in other imported wood products has imports created any serious difficulties for the industry as a whole in the United States. So that we do hope that the committee will not extend the eased criteria for adjustment assistance to the analogous criteria for escape clause relief and that the present so-called tough criteria, that is the major factor tests of eligibility for tariff adjustment, will be retained as they presently exist in the Trade Expansion Act.

Now, the proposed Trade Expansion Act of 1968 would, among other things, extend the President's authority to use the tariff bargaining power remaining unused under the Trade Expansion Act through to 1970.

The bill itself purports to grant that authority in unlimited materials, virtually unlimited. However, the committee's section-by-section analysis of the bill would tend to limit it as follows, the committee's announcement says: "* * * will not be used in any major bilateral or multilateral tariff negotiation."

We think that is somewhat narrow. We would call one situation to the committee's attention. One consequence of the Kennedy round was to reduce the rate of duty by the full 50 percent of existing duty which in plywood is from 20 percent ad valorem to 10 on species of hardwood originating in South and Central America and Southwest Africa which are competitive with the Philippine mahogany plywood from the Orient which constitutes about 85 percent of total hardwood imports by volume.

This will operate as the duty differential by virtue of the staging as a competitive discrimination in the U.S. market against oriental Philippine mahogany plywood in favor of the competing species from South and Central America and West Africa.

This resulting disadvantage, we believe is certain eventually to cause some serious problems to U.S. policy in that area. Philippine mahogany or Lauan plywood is no small matter to the countries supplying it. It is Korea's single most important export to the United States. It may be highly desirable to the United States to negotiate multilateral or

bilateral trade agreements to correct this result from the Kennedy round and we hope the committee will review its interpretation of the extension of the President's authority to accommodate the possible situations such as that and at least leave the executive freedom to deal with this kind of problem, a clean up of Kennedy round loose ends as it were.

Now, IHPA opposes these many quota bills. Some of these pertain specifically to hardwood plywood but also the general omnibus quota bills. We don't want to in this very limited time try to get into the merits of whether or not other products may deserve to be protected by quota or not.

However, as regards hardwood plywood and hardwood products generally it would be the height of folly to restrict importation of these products into the United States by way of quotas or by introducing higher duties.

Over the past 15 years imported hardwood plywood has risen from some 10 percent of the total domestic consumption to about 55 percent in 1967.

We hear the domestic industry occasionally—and they are putting in a statement—say that this is evidence of capture of the American market by imports, 55 percent, but that in fact is not the case.

The real reason for this very large increase over the years in the relative share of imports in the domestic hardwood plywood market has been the inability of the domestic resource to meet the demand for these products in the United States.

The hardwood raw material is just not available in the quantities which are demanded in this country. Imports are necessary to fill the gap in that demand. This has been true in the past and will continue to be true in an increasingly acute measure into the future.

In my statement I have quoted a long series of conclusions from considerable documentation of an interdepartmental study by the Agriculture, Commerce, and Interior Departments on this very question and the conclusions they reach are precisely the conclusions I have just stated.

That is, the hardwood resource is inadequate to meet demand in the United States so that this relative inadequacy will increase as the demand increases by population growth and other factors into the future and therefore the United States will increasingly have to rely on increased imports of hardwood materials.

Given those facts, wherein lies the sense, wherein lies the public benefit of restricting by quota or any other way the importation of hardwood products into the United States. That is precisely, however, what these quota bills would do.

We urge upon the committee to consider most seriously the effect in this kind of situation where there is inadequate supply in the United States of imposing import quotas.

Finally, just a brief word about the effect of that portion of the customs valuation statute, and for the record that is section 402, Tariff Act of 1930, as amended by the Customs Simplification Act of 1956, that portion of the customs valuation statute which requires the taking of value of merchandise for ad valorem duty as of the time of exportation from the country of export.

In hardwood plywood the date of exportation usually follows by several months the booking of the order. Plywood is not stock or manufactured to an advance order book in virtually all situations. Prices and the costs and profit margins are thus set at the time of contract, at the time of booking the orders not at the time of exportation.

As is frequently the case with many commodities having an agricultural base the commodity does fluctuate over the period of time and it often happens that between the time of booking and exportation the price level will have changed.

The customs assess the duty on the price level at the date of exportation. It is impossible under those conditions for the importer or the other people concerned with the trade to know what the duty is going to be at the time they set their price and cost basis.

The duty is substantial. This has created a great deal of uncertainty and difficulties in the trade as witnessed by the fact that there are something in excess of 55,000 appeals for reappraisal pending before the U.S. customs court and this litigation has a 12- or 13-year history by now.

We suggest that the committee might very well want to consider updating this archaic provision which goes back to the days of the sailing ships and perhaps consider amending this particular aspect of the customs valuation statute from the date of exportation to taking value as of the date of purchase which would then solve the problem.

Thank you very much, Mr. Chairman.

(Mr. Solter's prepared statement follows:)

STATEMENT OF MYRON SOLTER, COUNSEL, IMPORTED HARDWOOD PRODUCTS ASSOCIATION

Mr. Chairman, members of the Committee. My name is Myron Solter. I am an attorney in Washington, D.C. It is my pleasure to appear before you today on behalf of the Imported Hardwood Products Association, Inc. (IHPA), World Trade Center, Ferry Building, San Francisco, California 94111.

The IHPA is a trade association embracing some 38 regular members engaged in the importation and distribution in the United States of hardwood products of all types,and 64 associate members concerned with servicing the imported hardwood trade and with the use and sale of such products in the United States.

The Imported Hardwood Products Association is concerned with all imported hardwood products, but, within the scope of these hearings, we are most particularly concerned with imported hardwood plywood.

This is so because hardwood plywood is by considerable measure the most important in volume and value of the imported hardwood products and because it is imported hardwood plywood which has during the past 14 years been subjected to repeated attacks by the domestic hardwood plywood industry—and is once again being attacked in the course of these hearings.

THE IHPA SUPPORTS THE ADMINISTRATION TRADE BILL

The Administration's proposed "Trade Expansion Act of 1968," presently before this Committee as H.R. 17551, would, among other things, extend through July 1, 1970, the President's authority to use the remaining unused bargaining authority under the Trade Expansion Act of 1962 and would modify the criteria of eligibility of firms and groups of workers for adjustment assistance when they should be aversely affected by increased imports.

The IHPA supports the proposed easing of the tests of eligibility for adjustment assistance and would oppose the extension of those eased tests to the analogous escape clause provisions of the Trade Expansion Act, as has been suggested by various domestic industry groups.

Very seldom does it happen that increased imports, even when imports have increased rapidly to relatively high levels, place an entire American industry in

jeopardy. So often it happens that some individual firms, through financial, structural, geographic, or management weaknesses are less able to compete successfully with increased imports than the industry as a whole. Fairness requires that such firms be aided to adjust to the changed competitive conditions, or to adjust to other lines of production.

Seldom, however, is the competition of increased imports of such consequence as to warrant, when balanced against the overall public economic interest, the restriction of imports for the benefit or an entire industry.

Such has manifestly been true in the case of imports of hardwood plywood and other hardwood products versus domestic hardwood production. The members of the IHPA therefore feel and urge upon the Committee that the present "tough" criteria of eligibility of entire domestic industries for tariff adjustment under the escape clause be retrained—that is, the "major part" and "major factor" tests—be retained, and that the President's recommended amendment of the criteria for eligibility for adjustment assistance be adopted.

Extension of the President's powers to negotiate should not be limited to mere compensatory adjustments for tariff increases

Section 202(a) of H.R. 17551 would extend without limitation the President's authority to negotiate further reciprocal reductions to the extent of the unused bargaining authority contained in the original act. However, that grant of authority is in fact greatly limited by the Committee's section-by-section analysis of the bill:

> "In fact, the authority provided by section 201 of the bill will not be used in any major bilateral or multilateral tariff negotiation. Instead, it is intended primarily for cases where the United States finds it necessary to increase a rate of duty which is subject to a tariff concession. In such cases, the United States would offer compensatory tariff concessions to the countries affected by the rate increase, since failure to do so would probably lead to retaliatory action on the part of such countries."

One consequence of the Kennedy Round has been to preserve a relatively high rate of duty on the major import species—lauan or Philippine mahogany plywood—while reducing the duty by one-half on species which compete with lauan.

Philippine mahogany plywood is supplied principally by Japan, Taiwan, Korea, the Philippines, Malasia, and in lesser quantities by other Asian countries. The competing species, thus far developed in relatively small quantities, originate primarily from South and Central America and West Africa.

The consequence has thus been to create a discrimination against the predominant species of Oriental hardwood plywood, in favor of the producers in South-Central American and West Africa. Since virtually all suppliers of such plywood are less-developed countries, with the exception of Japan, the industry fails to see any justification for, and in fact sees a great deal of mischief from, this discrimination.

From what we can learn, this result was not primarily intended by the U.S. negotiators. The dominant supplier rule was followed in the negotiations. Japan was the only participating country, under GATT, with dominant supplier status in Lauan plywood. The Japanese representatives demanded reductions in the U.S. duty on birch, sen, and other plywoods of species indigenous to Japan, but, in their order of priorities, did not demand any reduction Lauan plywood, in consequence of which no reductions were made on Philippine mahogany plywood.

The resulting disadvantage to the Oriental countries producing Philippine mahogany is certain eventually to cause problems to U.S. policy in that area, particularly as the disadvantage becomes more acute in the course of staging of the duty reductions. Lauan plywood is no small matter in the export economies of some of the countries concerned—it is, for example, Korea's most important export to the United States. It may prove highly desirable for the United States to negotiate a separate bilateral or multilateral trade agreement in order to correct this unintended discrimination.

The limitation on the President's continuing bargaining authority imposed by the Committee's interpretation would make such a correction impossible. We earnestly hope that the Committee will review its interpretation and broaden its understanding to permit at least clean-up of Kennedy Round loose ends such as this.

THE IHPA OPPOSES BOTH SPECIFIC AND OMNIBUS IMPORT QUOTA BILLS

Two bills in the present Congress would impose mandatory import quotas expressly on hardwood plywood. The two omnibus quota bills (H.R. 16936 and H.R. 17674) would generally have the effect of rolling back hardwood plywood import levels to below the 1967 level.

Insofar as hardwood plywood and other hardwood products are concerned, none of these various import quota bills is in the public interest of the United States. The available supply of hardwood veneer products of domestic origin has been adequate to supply only about one-half the demand for such products in the United States, and will be able to supply even less than that share as demand for those products rises over the next 30 years.

The United States must have imports of hardwood plywood and other hardwood veneer and lumber products. To restrict the importation of such products by quotas or to hinder their importation with high duties would be the height of folly.

As is seen from the statistical appendix, the relative share of imports of hardwood plywood to total consumption of hardwood plywood in the United States has increased over the past 15 years, from about 10 percent in 1952 to about 55 percent in 1967. That increase in relative participation in the American market is constantly cited by representatives of the domestic industry as evidence of the "capture" of the market by imports, with the implication that imports' 55 percent market share would have been supplied by the domestic producers.

Such is not in fact the case. The real reason for this large increases in imports of hardwood plywood relative to domestic production lies in the constantly growing shortage of domestic hardwood materials of veneer quality relative to demand and the consequent inability of the domestic plywood producers to supply that demand, particularly in the medium and low cost mass housing markets, where most of the imported hardwood plywood is consumed.

Nor can availablity of domestic supplies be expected to improve in the future. All indications point inescapably to the conclusion that, as demand rises with increasing population and improvement of living standards, the domestic hardwood resource will become even less capable of meeting that demand.

Recently, an inter-departmental task force, called the Hardwood Timber Conservation Committee and composed of representatives of the Departments of Agriculture, Commerce, and the Interior, studied the supply-demand situation of the hardwood resource in depth and produced a very significant report.

Without burdening the record with lengthy quotes from this comprehensive report which is available to the Committe, we quote in summary pertinent conclusions of the report:

"The availability of high-quality hardwood timber has become a matter of serious concern to the furniture, veneer, and other wood using industries. . . . the furniture, paneling and other industries requiring high-quality lumber, veneer, or plywood, are facing increasing difficulty of supply."

"In recent years increasing concern has been expressed in the wood-using industries regarding rising prices of hardwood lumber, veneer, and plywood. Within the furniture industry . . . prices of the higher grades of lumber and face veneers have increased substantially. Even in the industries producing products such as pallets and railroad ties, rising costs and increasing procurement difficulties have been reported."

While "the combined total growth of all hardwoods now exceeds removal for industrial and other products. . . . a major part of the hardwood resource is too small or of the wrong species to provide the 'fine hardwoods' needed by the wood-using industries . . . Select species that provide most of the fine hardwood products account for about 43 percent" of the hardwood resources, but "even the select hardwood species" are of "relatively low quality". For example, among the select species, No. 1 grade logs constitute only 13.5 percent, and No. 2 grade only 19 percent.

Further, veneer quality usually requires a log 19 inches or greater in diameter. Only 24 percent of the select hardwoods fall in the 19-inch-plus category. "Economic and institutional factors further limit the supply of fine hardwoods available to wood-using industries. Timber volumes are widely spread over some 269 million acres and average volumes per acre consequently are relatively low . . . Moreover, much of the select hardwood timber occurs as single trees or groups of trees that are not economically accessible."

"The outlook for future supplies of fine hardwoods in the United States is not a promising one, according to recent analyses in the 1962 timber appraisal of the Forest Service. *If management practices in hardwood forests continue at recent levels and demands for timber products increase in the future as projected by that study, the proportions of larger size trees available for cutting in hardwood forests will continue to drop substantially in future decades.*" (Emphasis added)

"In addition to the decline in size and quality of timber, there could be a substantial loss in the area available for hardwood timber production" through loss of land to expansion of cities, parks, and recreation areas and withdrawal of land for highways and reservoirs.

"The continuing shift toward smaller and poorer quality material in the hardwood timber harvest necessarily results in higher costs of logging and processing timber products and increased marketing problems for the hardwood using industries. *These trends also suggest the likelihood of increasing dependence on foreign timber supplies, particularly for quality products such as veneer and plywood.*"

Given these indisputable facts, wherein lies the sense—the public benefit—of restricting by quota or making more costly by higher duties the importation of hardwood products into the United States? Yet, that is precisely what the domestic industry as represented by the Hardwood Plywood Manufacturers Association would have the Congress do.

AN ARCHAIC REQUIREMENT OF THE CUSTOMS VALUATION LAW NEEDS REVISION

That provision of the Tariff Act governing the valuation of imported goods for duty which requires that value be taken as of "the time of exportation of such merchandise to the United States" (Sec. 402, Tariff Act of 1930, as amended by the Customs Simplification Act of 1956 [19 USC 402] has caused incalculable mischief and loss to the producers, exporters, importers, and users of imported hardwood plywood.

The date of exportation of hardwood plywood from the country of origin typically follows by several months the booking of the order by the importer with the overseas exporter or manufacturer. In classic import practice, the importer will have based his purchase price on a firm sale to a customer in the United States at the same or very nearly the same time. Only rarely do hardwood plywood importers buy for speculation (voluntarily). Those large integrated wood product manufacturing firms which import and further process plywood in their own facilities require no less than the classic importer, reasonably certain knowledge of their costs.

Consequently, in the imported hardwood plywood trade, prices and thus costs and profit margins are set for the most part *at the time of contracting* a particular shipment of plywood, not at the time of exportation of that shipment from the country of origin. Normally, there is a time lapse of several months or more between the two dates.

Hardwood plywood prices, as do the prices of many other fairly standard commodities and particularly those which are subject to the vagaries of agricultural or forestry production, display frequent and wide fluctuations. Most imported plywood, until the confusion of the Kennedy Round reductions, was or is dutiable at 20 percent ad valorem, with a lesser quantity of birch dutiable at 15 (now 13) percent. The U.S. duty represents a large cost element.

It is impossible at the time of contracting—the time of fixing of buying and selling prices—to estimate with any accuracy what the actual duty cost will be many months hence. When the price trend is upward, the ultimate duty cost will be substantially higher than it would have been at the time of contracting.

The uncertainties and losses generated by this antiquated provision of the valuation law have been in part responsible for seemingly interminable litigation now in its 12th year before the United States Customs Court, where the number of appeals for reappraisement on Japanese plywood alone have exceeded 50,000.

The remedy to this situation obviously is to amend the valuation law to provide that value for duty be taken as of the date of contracting of the entry undergoing appraisement, rather than the date of shipment from the country of exportation. The IHPA urges that serious attention be given to this question.

HARDWOOD PLYWOOD.—U.S. DOMESTIC SHIPMENTS, IMPORTS, EXPORTS, AND CONSUMPTION, 1950–67

[In thousand square feet, surface measure]

Year	Domestic shipments	Imports	Exports	Apparent consumption	Percent of imports to consumption
1950	[1] 752,908	57,835	365	810,378	7
1951	[1] 805,249	66,761	553	[1] 871,457	8
1952	[1] 794,857	84,931	260	[1] 879,528	10
1953	819,107	218,862	463	1,037,506	21
1954	755,464	426,064	431	1,181,097	36
1955	933,948	617,936	325	1,551,559	40
1956	886,640	695,515	496	1,581,659	44
1957	791,431	840,962	393	1,632,000	52
1958	803,572	907,165	1,129	1,709,608	53
1959	976,717	1,318,035	1,951	2,292,801	57
1960	944,028	1,014,853	1,845	1,957,036	52
1961	1,088,561	1,097,445	1,556	2,184,450	50
1962	1,230,502	1,438,964	2,707	2,666,759	54
1963	1,414,260	1,620,158	3,640	3,030,778	53
1964	1,598,007	1,946,697	3,156	3,541,548	55
1965	2,200,900	2,130,794	5,634	4,326,060	49
1966	2,164,200	2,553,764	7,423	4,710,541	54
1967	2,100,000	2,530,491	6,656	4,623,835	55

[1] Estimated.

Source: Compiled by U.S. Forest Service, Division of Economics and Marketing Research, publication No. 1066, November 1967.

Mr. HERLONG. Thank you, Mr. Solter.

Are there questions?

Mr. BYRNES. If the Department study shows that we can't meet the demand, how do you account for the mortality rate of hardwood plywood plants in this country?

Mr. SOLTER. I don't have precise figures in front of me but during any period of time x number of plywood mills will have gone out of existence.

Mr. BYRNES. I know some that did and why they did. They couldn't meet the demand at the price of imports. That is why.

Mr. SOLTER. I would venture to say however that the other side of the coin is that during that same period of time any time during the past 15 years you will find that x plus 1, 2, or 3 additional plywood mills have come into existence.

Mr. BYRNES. And with imported materials?

Mr. SOLTER. Now I am speaking of manufacturing of plywood from domestic hardwood materials, logs. What happens so often is that plywood mills work out the economically accessible supply of hardwood material in their radius of supply.

Quite often hardwood mills are considered to be for 5, or 6 or 7 or 8 years depending on what is available within an economic radius of supply.

Mr. BYRNES. That is your rationale of what happened to these plants.

Mr. SOLTER. That is what happened to some of them. Some of them have burned down which is not because of imports. Some of them have gone the way that poor management sometimes goes.

I am not saying that all did, but we know of several where that was a strong factor. We do not feel, however, that in any single case can imports be attributed as the prime operating cause in the demise of any plywood mill.

Mr. BYRNES. Imports could prove injurious to the individual plants but not to the industry at large.

Mr. SOLTER. Three years ago General Plywood Corp. attempted to receive from the Tariff Commission a finding of eligibility for adjustment assistance as an individual company with several plants. They were turned down.

It just so happened that it was very embarrassing. Their statement for the year that they had to publish for the stockholders a couple of months after the Tariff Commission proceeding showed they made more money in that year than any year in recent history of the company.

The claims we find and believe have so often been exaggerated. We don't deny that there may have been from time to time certain cases.

Mr. BYRNES. It is easy to sit here in Washington, probably, and find excuses as to why these people are going out of business. But it is a little different when you see them right in your backyard and see the difficulty they encounter in terms of price.

I understand that people suggest if we can't make something as cheap as somebody else can, then they can better supply the market. I can understand this rationale, but to say that imports don't affect our domestic industry is to say that the market here is unlimited. That just doesn't strike a very good chord.

Mr. SOLTER. The market is large. The domestic industry, we believe, in a general sense, cannot supply the whole of the market. There are instances we will concede, at least the possibility of instances, where imports have been a contributing cause of some competitive difficulties in some individual cases.

We do recommend that the committee modify the criteria of eligibility of firms and groups and workers for adjustment assistance on an individual basis.

We do suggest, however, that there is no justification for industry-wide tariff adjustment assistance in the nature of quotas or increased duties on the products.

Mr. BYRNES. That is all, Mr. Chairman.

Mr. HERLONG. Thank you very much.

We appreciate your appearance before the committee.

Mr. SOLTER. Thank you, Mr. Chairman.

(The following letter was received, for the record, by the committee:)

SHARP, PARTRIDGE, GANTS & PERKINS,
Washington, D.C., July 11, 1968.

Hon. WILBUR D. MILLS,
Chairman, Ways and Means Committee,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: You will recall that Mr. Myron Solter testified before the Committee on Ways and Means on June 27, 1968 on behalf of the Imported Hardwood Products Association, Inc., of San Francisco, California. Mr. Solter was then Washington counsel for that Association. As of July 1st the undersigned was appointed as Washington counsel for the Association and I feel it necessary to correct one statement made by Mr. Solter on behalf of the Association in both his written brief and in his oral testimony.

Mr. Solter mistakenly stated that the section-by-section analysis of the proposed Trade Agreements Extension Act of 1968 constituted a Ways and Means Committee interpretation of the President's legislative proposal. He stated that

this Committee's interpretation *would limit the authority* given under Section 201 of the bill to continue tariff adjustments. Mr. Solter said that the "Committee's interpretation" indicated the President would be limited to adjustments for housekeeping purposes, but that *the Committee* should broaden its interpretation to permit the President to negotiate tariff concessions on other products such as lauan plywood as to which no tariff reduction was effected in the Kennedy Round. Mr. Solter said an adjustment of the duty rate on lauan plywood was justified in view of the reductions agreed to in the Kennedy Round as to some other types of hardwood-plywood.

As you know, the section-by-section analysis published by the Committee shortly after your introduction of the Administration was not a Committee interpretation, but instead was a suggestion by the White House indicating that the requested extension of bargaining authority would be used *only* for housekeeping purposes and not as authority for engaging in either a whole new round of tariff adjustments or in tariff adjustments on specific commodities except in cases in which that was required by reason of a housekeeping problem.

My client recognizes that under present political conditions it would unquestionably be unwise for the President to ask for any authority for further tariff adjustments other than those required under the provisions of GATT for housekeeping purposes. My Association enthusiastically supports that position of the President for we do not believe it would be expedient at the present time to ask for or for the Committee to propose any authority other than that requested by the President. We believe that under the proposed broadened tests for providing adjustment assistance any domestic plywood manufacturer who can show injury from imports could be amply taken care of.

We opopse H.R. 16936 and H.R. 17674, which would put a quota limitation on the importation of hardwood-plywood. This opposition is on the grounds that there has been no demonstration of need for any such quota legislation and that should need for relief be demonstrated by one or more companies in future adjustment assistance proceedings, the assistance tests of the new bill would permit adequate relief.

In this connection I call your attention to Exhibit A, attached to the statement filed with the Committee a few days ago by the Hardwood-Plywood Manufacturers Association. It shows that for a period of eleven years, from 1957 through 1967, the ratio of imports to U.S. consumption has remained constant in the range of approximately 53%, the share of imports being 52% for 1957; 49% for 1965; 54% for 1966 and 55% for 1967. Thus, over the past eleven years, there has been no substantial increase in the share of imports in total consumption. Under these circumstances there is no justification for consideration by the Committee of H.R. 16936 or H.R. 17674, which would place import quotas on hardwood-plywood.

Very truly yours,

JAMES R. SHARP,
Counsel for Imported Hardwood Products Association, Inc.

Mr. HERLONG. Mr. Beckmann.

Is Mr. Beckmann here?

Mr. Beckmann, we have received a note for a rollcall vote over on the House floor, but you are allocated 5 minutes here.

We can get through with you in plenty of time if you stay within your limit.

STATEMENT OF R. J. BECKMANN, ON BEHALF OF DOMESTIC WOOD LOUVERED PRODUCTS INDUSTRY; ACCOMPANIED BY DAVID A. GOLDEN, COUNSEL

Mr. BECKMANN. I think we can handle it in that amount of time.

Mr. HERLONG. Thank you, sir.

Do you want your entire statement to appear in the record?

Mr. BECKMANN. Yes.

Mr. HERLONG. Without objection, it will be done.

Will you identify yourself for the record and proceed?

Mr. BECKMANN. My name is Roland J. Beckmann. I am employed as general manager of the Kaywood Division of Joanna Western Mills. We are located at 1225 Milton Street in Benton Harbor. We also have a factory at Joanna, S.C.

Our primary endeavor is the manufacture of these movable louvered wooden shutters. This item is rapidly taking the place of the oldtime venetian blind that we are all familiar with.

Mr. Golden, here on my right is my legal counsel, or the legal counsel for the shutter association.

I would also like to speak in behalf of the other organizations that are listed on the brief which I think you all have copies of.

For expediency's sake and not to be redundant I will just highlight a few of the points that are mentioned in the brief, and I would also like you gentlemen to reflect on Congressman Dent's remarks of yesterday morning.

I believe that his analysis of the Kennedy round as it applies to the soft shoe business probably parallels to a large degree our problem in the wooden shutter industry.

These shutters that are being imported into the United States come primarily from Japan and Formosa. This panel is made in Japan and manufactured of a wood native to Japan named katsur. It is a very cheap wood. As you can see, the panel is warped, and it is of very shoddy construction.

That panel now carries an ad valorem discount or tariff of 36 percent ad valorem. It was 40 percent up until the first of this year.

We would like to plead that the President not be given any more latitude to decrease these tariffs any more than they are. This is a panel manufactured in Benton Harbor, Mich. It is made of clear ponderosa pine. Our source of supply is the Pacific Northwest.

Now, recently we have seen a lot of articles about our wood being exported to Japan and Formosa. A Japanese pine panel is now coming on the market. These people undersell us by about 20 percent on a like panel, like size. They are actually competing with us with our own material.

I would like to point out that countries like Mexico will not allow their minerals to be exported without being refined. We feel that if something could be done about that aspect that would also be helpful.

I would like to point out an article that appeared in your Washington Post last night, or the night before last, having to do with import duties that France is going to invoke as a result of their recent labor increases.

I don't know why we here in the United States can't jump on things as quickly as they do. This item is strictly a price item. We feel that if these tariffs are reduced any more that we will have to get out of the business.

I guess that about wraps up what I have to say, Mr. Chairman. I would be happy to answer any questions you might have.

(Mr. Beckmann's prepared statement follows:)

STATEMENT OF R. J. BECKMANN, IN BEHALF OF DOMESTIC LOUVERED WOOD PRODUCTS INDUSTRY

My name is R. J. Beckmann, and I am General Manager of the Kaywood Division of Joanna Western Mills Company, located at 1225 Milton Street, Box 359, Benton Harbor, Michigan, 49023.

The domestic louvered wood products industry manufactures louvered wood products such as, but not limited to, louvered wood shutters, louvered room dividers, louvered doors etc.

The companies joining in this statement and which manufacture approximately 80 per cent of the louvered wood shutters made in the United States are:

1. American Wood Corporation, Commerce, Texas
2. Cannon Craft Mfg. Company, P.O. Box 307, Sulpher Springs, Texas 75482
3. Freeport Woodcraft Inc., 75 Carman's Road, Farmingdale, L.I., N.Y.
4. Kaywood Division-Joanna Western Mfg. Co., Benton Harbor, Michigan
5. Justice Manufacturing Co., Inc., 1500 South Western Avenue, Chicago, Illinois 60608
6. Pinecroft Industries, Inc., Hamlet, North Carolina
7. Sam A. Wing, Inc., P.O. Box 1170, Garland, Texas
8. Pinecrest Inc., Minneapolis, Minn.
9. Jaysie Mfg. Co., Los Angeles, California

THE PRESIDENT SHOULD NOT BE GIVEN FURTHER AUTHORITY TO REDUCE DUTIES

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

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

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

For example, the domestic louvered wood products industry is one that is economically operated with the most modern techniques, up to date machinery and the best quality of wood and metal hardware. The most competitive single country is Japan and despite all the American know-how, supply of raw material, etc., it is virtually impossible to compete at the present time, due to the low cost of foreign labor. As in the case of the domestic window shade industry also appearing before this Committee, louvered wood products of the type covered by this brief are strictly price items and the American housewife or do-it-yourself home owner using these products is concerned only with the price when shopping for the article. Assuming (but certainly not admitting) that low wage foreign countries can produce comparable louvered wood products, the cost of the imported article is so much lower, including the present reduced rate of duty, that the domestic industry may have to resort to legislative relief in order to remain in business. When the full effect of the Kennedy Round reductions is felt by this industry it may become very difficult to continue to manufacture louvered wood products in this country.

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

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

A. History of the escape clause

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

The Trade Agreements Extension Act of 1951 for the first time had an "escape clause" procedure provided for by statute (Sec. 7). This provision in substance held that the Tariff Commission should investigate all escape clause applications; imposed a time limit for the investigation; and allowed an actual as well as a relative increase in imports to satisfy the procedural criteria. The Tariff Commission pursuant to the investigation then had to determine if as a result in whole or in part of concessions granted, imports of the article under investigation were being imported into the United States in such increased quantities, either actual or relative, as to cause, or threaten, serious injury to the domestic industry producing like or directly competitive products. Section 7 of the Trade Extension Act of 1951 was re-enacted in 1955 and 1958. It lasted until 1962.

B. Application of the escape clause

Under Section 7 of the Trade Extension Act of 1951 (and its re-enactment) 113 investigations were completed by the Tariff Commission. Of that number of investigations the Tariff Commission found that in 33 investigations the criteria for injury was met by the domestic industry and recommended to the President that relief be granted; in 8 investigations the Tariff Commissioners were divided as to their findings and therefore, the cases has to be referred to the President for disposition; and 72 cases were dismissed by the Tariff Commission on the grounds that the domestic industries did not meet the criteria set up by Congress for relief.

C. Changes made in the present act (Trade Expansion Act of 1962) from section 7 of the Trade Agreement Extension Act of 1951

In the Trade Expansion Act of 1962 Congress enacted a sweeping reorganization of safeguard procedure which among other things made a form of relief available to groups not covered by earlier acts, such as individual firms and employees of injured industries. Under the 1962 Act the President could provide relief in cases of injury to an industry, firm or workers by withdrawing or modifying the concession or he may grant trade adjustment assistance such as loans, tax relief and technical assistance. During the debates in Congress on the 1962 legislation it was held out to labor as an inducement for the passage of the Act that individual groups of workers, not provided for under previous legislation could obtain trade adjustment assistance.

However, in addition to the attempted beneficial changes made by the 1962 Act, the criteria for "injury" was changed which change made it impossible for domestic industries, firms or individuals to get any trade adjustment assistance.

Before the Commission can make an affirmative finding under section 301(b)(1) of the Trade Expansion Act of 1962, it must determine (1) that the imports in question are entering the United States in increased quantities; (2) that the increased imports are a result in *major* part of trade agreement concessions; and (3) that such increased imports have been the *major* factor in causing or threatening to cause, serious injury to the domestic industry concerned. If the Commission finds in the negative with respect to any one of these three requisites, it is foreclosed from making an affirmative finding for the industry.

D. Impossibility of qualifying for relief under present criteria

Since the drastic change made by Congress in the Act of 1962 in determining the criteria for injury to be found by the Tariff Commission before relief can be secured by an industry, firm or individual, *not one petition was found to have met*

that criteria. From the enactment of the 1962 Trade Expansion Act to date, domestic industries have filed 10 petitions with the Tariff Commission for investigation and trade adjustment assistance; domestic firms have filed 6 petitions and workers have filed 5 petitions. In all, 21 petitions have been filed and as previously stated *the Tariff Commission has not made an affirmative finding in any.*

E. The proposed liberalization of the tariff adjustment provisions of the trade expansion act of 1962 by the trade expansion act of 1968 (H.R. 17551) for the benefit of firms and workers will help those classes little if at all unless there is a change in the criteria for injury applying to domestic industries

As above stated, when Congress changed the criteria for relief to domestic industries injured as a result of increased imports due to a trade concession from the escape clause provisions contained in the Section 7 of the Trade Extension Act of 1951 to the provisions contained in the present act (Trade Expansion Act of 1962) and included also therein for the first time tariff assistance to injured firms and workers, *not one petition on behalf of domestic industries, firms or workers qualified.* The criteria for securing relief in the present law (Trade Expansion Act of 1962) is the same for domestic industries, individual firms or workers.

The Administration recognizing that whereas the escape clause provisions of of the Trade Extension Act of 1951 were successfully applied by several domestic industries which qualified thereunder, the changes made for securing relief by injured industries, individual firms or workers under the Trade Expansion Act of 1962, proved to be a complete nullity, is now suggesting amendments to the latter Act through the proposed "Trade Expansion Act of 1968" (H.R. 17551). However, the proposed changes in H.R. 17551 apply merely to individual firms and workers *and does not apply to domestic industries.* In other words the proposed new Act will make it easier for individual firms and workers to secure relief from loss of jobs or loss of income due to increased ruinous imports, but the domestic industry which contains the individual firms and employs the workers will still be handicapped by the criteria under the Trade Expansion Act of 1962, which criteria has been impossible to meet up to the present time.

The President in requesting Congress to liberalize the previous impossible restrictions placed on those industries, firms and individuals seeking justifiable relief from imports, very studiously limited the proposed changes to apply only to firms and workers. He stated:

"Some firms, however, have difficulty in meeting foreign competition, and need time and help to make the adjustment.

"Since international trade strengthens the nation as a whole, it is only fair that the government assist those businessmen and workers who face serious problems as a result of increased imports.

"The Congress recognized this need—in the Trade Expansion Act of 1962—by establishing a program of trade adjustment assistance to businessmen and workers adversely affected by imports."

It is respectfully pointed out that to offer relief to firms and workers and not to the domestic industry involved is absolutely worthless! What can it possibly benefit a firm if it receives tax assistance or a loan or other adjustment, if the industry is forced out of the business of producing the article because of low cost foreign competition? What can it possibly benefit a worker in the long run if he gets extra unemployment benefits or training or relocation, if the industry in which he was employed transfers its manufacturing ability and know-how to low wage countries because of imports from similar low wage countries? If the proposed "Trade Expansion Act of 1968" (H.R. 17551) is passed in the present form as relates to escape clause provisions for domestic industries and tariff adjustment provisions as relates to individual firms and workers, it is possible that a firm or worker could qualify for relief under the new provisions but the domestic industry could not qualify even though petitions could be filed by all three categories at the same time and the same evidence adduced by the Tariff Commission in its investigation.

The domestic wood louvered products industry would benefit nothing if under the proposed criteria through the Trade Expansion Act of 1968, an individual firm or wood louvered products worker were granted some of the relief outlined in the act but the domestic industry itself gives up production. In order to meet the foreign competition in the American market place it would be necessary to put the domestic industry on a competitive basis through the remedies offered

under the escape clause of the Trade Expansion Act of 1962 with the criteria for such relief changed in the same manner that the proposed Trade Expansion Act of 1968 intends to change the criteria for individual firms and workers, so that disadvantaged industries could qualify.

It is strongly urged that the criteria for relief proposed by the new Act (H.R. 17551) be changed so that it would be identical for domestic industries, individual firms or workers.

AN OMNIBUS QUOTA BILL SHOULD BE PASSED SO THAT ANY DOMESTIC INDUSTRY THAT IS INJURED AND QUALIFIES UNDER AN ANNOUNCED CRITERIA WOULD BE ABLE TO GET RELIEF FROM RUINOUS IMPORTS

Congress is well aware of the many quota bills presently pending and covering many imported articles. There is no doubt that at least some are meritorious and are deserving of Congressional action. Obviously, some of them are merely put into the hopper by Congressmen in order to appease constituents.

In order to reduce the work load of Congress in this connection and to remove the doubt as to whether or not a domestic industry is entitled to relief from imports by limiting the amount of such imports an omnibus quota bill should be passed. The criteria for qualifying for relief under such a bill could be spelled out by Congress and would require an overt act on the part of such industry to seek relief. Therefore, even if a particular industry may be entitled to relief under such a bill, the relief would not be forthcoming automatically, but it would be necessary for the industry to petition for the relief necessary.

Again using the domestic wood louvered products industry as an example we can see the need for an omnibus quota bill.

Imported louvered wood shutters were imported from Japan. The articles were properly classified by the customs authorities under paragraph 411 of the Tariff Act of 1930, as amended. Duty was assessed thereon at the rate of 40% ad valorem. The importers dissatisfied with the classification, filed protests with the United States Customs Court and claimed the article to be "manufactured of wood, not specifically provided for" under paragraph 412 and dutiable at the rate of 16⅔ per cent ad valorem.

When the case was called for trial before the United States Customs Court Franklin B. Howland, Charles D. Walker Co. et al. vs. United States (in California the government through the office of the Assistant Attorney General in charge of Customs requested help from the domestic industry to maintain the paragraph and rate of duty used by the customs authorities in their classification. The case was transferred from California (Los Angeles and San Francisco) to Chicago to New York to Seattle and then again to California. The domestic industry supplied witnesses in each city and collaborated with the government in every facet in the preparation and trial of the case.

The Customs Court rendered a decision on December 14, 1964 and held the rate of duty to be the 40 per cent ad valorem assessed by the collector of customs. The importers dissatisfied with the decision appealed to the United States Court of Customs and Patent Appeals. After argument in the Court by counsel for the government, counsel for the importers and counsel for the domestic industry appearing as amici curiae, a decision was rendered, affirming the decision of the trial court.

Since then, the importers have been importing such shutters, it is believed in larger quantities. The price of those shutters to their customers is so low that the domestic industry cannot meet the competition. It is believed that "dumping" may be involved in these importations because the landed cost is so low. The domestic industry is presently attempting to secure evidence and information to petition the Customs Bureau to establish whether or not "dumping" exists.

It is also respectfully pointed out that Japanese shutter manufacturers purchase American produced logs and lumber. These logs and lumber are then manufactured into the shutters in Japan, using low paid Japanese labor, and then exported to the United States. The price at which the domestic logs and lumber is sold to the Japanese manufacturers is equal to, and perhaps even slightly higher, than the price paid for the same raw material by the domestic shutter manufacturers. Nevertheless, the finished imported louvered shutter is sold in the United States for less than the domestic manufacturer can sell his like or directly competitive article including shipping charges, packing and duty. It, therefore, becomes abundantly clear that the cost of manufacture of wood louvered shutters in Japan must be considerably lower than the cost in the

U.S. for producing the same article. (See Article from the Wall Street Journal of 6/3/68, Exhibit I attached hereto).

The domestic shutter industry is an intensive labor industry, employing the hard-core poor. The pay of these workers is governed by our maximum wage laws and union benefits.

The imported shutter panels, using American lumber is sold in the United States for approximately 90 cents including shipping charges, insurance, packing and the present (Kennedy Round) United States duty of 36 per centum ad valorem. The same domestic produced panel also using domestic produced lumber sells in the same marked for approximately $1.10. Desite the $1.10 received by the domestic industry the margin of profit is very small and in fact, several domestic manufacturers have recently ceased manufacturing these articles.

If the importation of these articles continues at the present rate and price, it may be necessary to seek Congressional relief. However, an omnibus quota bill would probably cover a situation presently encountered by this industry and permit it to qualify for relief under a defined criteria. It would not then be necessary for this industry to seek Congressional relief.

THE DUMPING AND COUNTERVAILING DUTY STATUTES SHOULD BE STRENGTHENED AND STRICTLY ENFORCED

As above stated, this industry is presently engaged in attempting to secure evidence and information leading to possible dumping. However, it is very difficult for a domestic industry to secure such evidence in view of the dumping statute.

In substance, the law states that if an article is sold for export to the U.S. which is "less than its fair value", it is being "dumped". That means that the domestic industry must secure evidence as to how the article is sold in the country of exportation including the cost of production of the article, the taxes it pays, etc. This information, in the first instance, must be secured by the domestic industry involved, and then submitted to the Treasury Department. If the Treasury Department believes that there is sufficient evidence to sustain a possible dumping finding, it then carries on the investigation. Should the Treasury Department substantiate the evidence that "dumping" actually exists under the Statute, it refers the matter to the Tariff Commission to determine if a domestic industry is injured thereby.

It can readily be seen that the burden placed on the domestic industry in the first instance is onerus. The Treasury Department should put its investigative powers into operation as soon as a domestic industry believes that "dumping" exists in reference to an import if the price at which it is met in the American market place, is so low, that a suspicion exists that the import is out to capture the American market even if it is imported at a loss. The Treasury Department is better qualified to determine the statutory tenets of "dumping" than is a domestic industry.

Also in connection with "countervailing duties" a foreign country that rebates a tax to a manufacturer who exports his products while it keeps the same tax when the same product is sold for domestic consumption, the importer should pay the amount of that tax on importation to the United States. The foreign manufacturer that gets the tax rebate on exporting the product is being subsidized by that country to the extent of the rebated tax. It is believed that at the present time our Treasury Department does not consider the tax rebate to be a subsidy under the countervailing duty statute.

BALANCE OF TRADE PAYMENTS

Our balance of trade payments are linked and tied up with our trade balances relative to imports and exports. For years it has been the theory that we are a solvent country as reflected in at least one instance by our favorable balance of trade. As a result of this fiction we were advised that in order to keep up our favorable balance of trade, and in fact increase it, we would have to reduce tariffs so that other nations could sell their exports to us before they could buy our exports. This concept was stressed even if it meant the extermination of some domestic industries which were economically operated and turn over the production of that article to foreign countries.

As of several weeks ago we no longer have a favorable balance of trade. Our exports, even including government-financed exports, did not exceed our imports. As recently as May 20, 1968 there appeared in the New York Times a statement

made by a Vice President of the overseas division of a very large bank, who said:

"If Government-financed exports are left out of account, the commercial trade balance this year may show a deficit of $1.5 to $2.5 billion, compared with a small commercial surplus last year of $250 million."

Since our export statistics when stripped of government financed shipments will show an unfavorable balance of trade it reduces considerably the argument of those who claim that duties must be reduced at any cost in order to be able to export. We now have an unfavorable balance of trade and practically free trade. Perhaps it is time to take a hard look at the entire picture of world trade with a view to domestic industries sharing in it.

EXHIBIT I

[From the Wall Street Journal, Monday, June 3, 1968]

COMMODITIES—SOFTWOOD LOGS' HIGH COST SEEN CONTINUING AS FEDERAL ORDER FAILS TO CURB EXPORTS

(By W. Stewart Pinkerton Jr.)

PORTLAND, OREG.—Despite recent Federal moves to limit exports of softwood logs to Japan, domestic mills report they've seen little decline in the high cost of raw timber or any increase in its availability.

Ironically, in some Pacific Northwest areas, the Federal action apparently has spurred higher prices and tightened an already critical supply situation for many smaller independent operators.

At first glance, the Agriculture and Interior Departments' April order allowing the export of only 350 million board feet of logs a year from Federal forests in the coastal area would seem to solve many of the woodmen's woes. Lumbermen have long complained that soaring exports have bid up the price of raw timber, making its cost almost prohibitive to the independent mills that cut lumber in competition with companies growing their own raw material.

Now, after a closer assessment of the specific provisions, many lumber officials wonder whether the situation will be improved much at all.

For one thing, the restriction applies only to log sales made after April 22, 1968. Prior contracts cover cutting operations that will go for as much as 18 months. This means "there isn't likely to be any great slowdown in exports before 1970," says Wendell Barnes, executive vice president of the Western Wood Products Association, a trade group.

Lumbermen note 1968 already is shaping up as another record-shattering year for log exports. First quarter shipments are running about 36% ahead of the year-earlier rate. If the pace keeps up, the full-year total is expected to reach 2.3 billion board feet, up from about 1.7 billion last year.

ORDER'S OMISSIONS ARE NOTED

Some more vocal critics say the order is most significant for what it omits. It provides no protection, for instance, for private or state-owned lands or for Federal timber in Northern California or in the so-called inland pine region east of the Cascades. The inland area has been relatively free from export problems, but millmen fear pressure will quietly build for the Japanese to enter there too.

There's considerable evidence they've already begun. At least two Portland exporting concerns have obtained railroad tariff schedules for freight rates from inland areas to the coasts. And W. T. Richards, general manager of Atlas Tie Co., Coeur d'Alene, Idaho, says he saw a new face among bidders at a recent public timber sale: It belonged to a representative for an export company. "This is the first indication we've seen of their coming in," says Mr. Richards. "They didn't need to come over here before, but now they do."

Prices of state-owned timber in Washington already have come under heavy upward pressure, apparently as a result of the Federal curb. The American Plywood Association, for instance, says some 117 million board feet of state logs sold in April went on the block at about 100% above appraised value. This compares with sales that were running about 78% above appraised value before the Federal restriction was approved, the association says.

PRICES REFLECT BULLISH PRESSURES

Though the Memorial Day holiday kept trading sluggish, last week's lumber and plywood prices still reflected bullish pressures. Random-length green Douglas fir 2-by-4s were selling at the mill for about $88 a thousand board feet in carload lots for shipment east. That's about the same as the previous week, but up about $20 from year-earlier levels.

Similarly, quarter-inch sanded interior-grade plywood was selling at about $76 a thousand square feet at the mill, about the same as a week before, but up from $60 in the year-earlier week. And half-inch interior grade sheathing was selling for about $78 a thousand square feet at the mill, unchanged from the prior week and about $9 ahead of a year ago.

Some argue any export surge from inland regions won't be severe, since the Japanese aren't partial to the pine timber found there, but prefer the white hemlock species found in coastal forests. Additionally, it's contended, any U.S. pine shipped to Japan automatically meets stiff price competition from both Japanese and New Zealand pine species. Last year, in fact, pine logs made up only about 2% of the total export shipments.

But Ataka & Co., a Japanese concern that imported more U.S. logs than any other company last year, indicates it may be stepping up its own pine purchases in the future. And Western Wood Products Association's Mr. Barnes worries other big concerns will do the same. "The Government has taken a calculated risk in figuring the Japanese aren't interested in pine," he says. "But they have been ordering it and will probably order more."

Even a modest increase in inland exports would put many small mills up against the wall. Larry O'Neil, general manager of Forest Products Co. in Kalispell, Mont., says his log inventory now is down to two weeks, the lowest it's ever been. "The situation is so tight that if any more logs move out of the area, we'd probably have to close," he says. The plant is running at only 50% of capacity.

The Japanese haven't been entirely pleased with recent developments either. They've contended the restriction violates an agreement made at a joint conference in Tokyo in February, though U.S. lumber executives argue it was made "abundantly clear" at the time that some limit on exports was pending and the amount was a domestic matter not subject to negotiations.

UNHAPPY JAPANESE MISS MEETING

In an apparent protest, Japanese representatives were conspicuously absent from a meeting of lumber people here in April which discussed the possibility of shipping more milled products to Japan. Such a move has been proposed as a possible aid to the export problem, since it would allow independent mills to compete for some of the business. But now, many U.S. and Japanese lumber executives wonder whether such an agreement can be made in light of the Japanese unhappiness. Says a spokesman for Kanematsu-Gosho Inc., a big log exporter, "We'll certainly be less willing to consider such purchases now."

The present order expires in June 1969, when the Government will review the restriction and possibly extend its geographical limits if the evidence by then indicates such a move is needed. Nobody's predicting what the Government will do next summer, but few lumber officials here have any doubts as to what the evidence from the woods will show.

Mr. HERLONG. Are there any questions of Mr. Beckmann?

Mr. BATTIN. I have just one.

Maybe you have answered it but I have not yet read your statement.

From the Northwest part of the country, Washington and Oregon, the Japanese have been buying saw logs and taking them to Japan and now more recently I understand even going into Korea with them with their capital investment and making plywood and other commodities and then reshipping to the United States.

It was very interesting because it is a point as to what they are after. The lumber people in Washington and Oregon area were becoming concerned because the Japanese come in and bid the price up on these timber sales, taking a great volume of saw logs.

The Japanese agreed that they would come further inland to Idaho and Montana to get it if our Government would subsidize the freight from there to the coast.

Fortunately, as far as I know, they haven't agreed to do that but is this the type of competition that you are talking about?

Mr. BECKMANN. We are competing with them for the raw material. I suspect that, as a result of the country being in the so-called doldrums in the building industry because of high interest rates, et cetera, a lot of the lumber people are looking for other places to sell their lumber and I suppose that this is why we see these articles such as exhibit 1 that is attached to the brief.

To answer your question, we are competing with these people.

Mr. HERLONG. Will the gentleman yield?

Mr. Beckmann, I understand your problem and your concern but my understanding of the law and the authority under which the President operates is that he has already reduced the customs on your product the full 50 percent. He has no more authority even under this new bill. You just don't want us to give him any more.

Mr. BECKMANN. That is correct. Within 5 years that duty will be down to 20 percent.

Mr. BYRNES. What tariff item does this come in under?

Mr. BECKMANN. I have that.

Mr. GOLDEN. It's under the catchall provision.

Mr. BYRNES. Why doesn't it come under 206.65?

Mr. GOLDEN. I think that is the item.

Mr. BYRNES. 206.65 is a much lower duty, 16⅔ percent ad valorem and there was no concession made on it just so that the record is straight, and 206.67 is 40 percent ad valorem and they reduced that to 20 percent. Why don't these shutters come under the classification for wooden shutters?

Mr. GOLDEN. These are movable louvers. The 16⅔ come under the manufacturers of wood which cover immovable louvers.

Mr. BYRNES. Item 206.65 covers only fixed louver boards?

Mr. GOLDEN. That is correct. We are concerned with the movable louvers.

Mr. BYRNES. I get it. I wanted to make sure where we were. Thank you.

Mr. GOLDEN. If I may take one-half minute to stress further what Mr. Beckmann said in answer to several of the questions, the raw material for the imported shutter is identical with the raw material for the domestic shutter and Japan and Formosa buy the raw material from our Northwest, ship it to Japan or Formosa, pay the shipping charges, manufacture it in Japan, ship it back to the United States, pay the shipping charges again, pay the insurance, pay the freight and pay the duty, and still undersell us in this market using the identical raw material to begin with.

Mr. BATTIN. I think you might be surprised to know or maybe you do know that one of the customers that they have in Korea is the AID agency.

Mr. GOLDEN. Yes. I didn't know it. I thought so but I wasn't sure, but now I am.

Mr. BATTIN. It is interesting that they not only take our raw materials but then our Government provides the money to buy the product. That is good business.

Mr. HERLONG. Thank you both very much for your appearance before the committee.

Mr. BECKMANN. Thank you.

Mr. GOLDEN. Thank you.

Mr. HERLONG. Mr. James R. Sharp.

Mr. Sharp, if you will please identify yourself for the record and proceed we will be happy to hear from you.

STATEMENT OF JAMES R. SHARP, ATTORNEY, ON BEHALF OF HARDBOARD MANUFACTURERS

Mr. SHARP. Mr. Chairman, I am James R. Sharp, attorney for several U.S. companies who for some years past have imported substantial quantities of hardboard.

Hardboard is a wood product made of imploded or ground-up wood, the fibers of which are thereby torn apart and put back together by a wet matting and pressing process.

The companies I represent here are: Elof Hansson, Inc., New York, N.Y.; Pan Pacific Trading Corp., New York, N.Y. and Robinson Export-Import Corp., of Alexandria, Va., one of our local Washington area companies.

I am going to cut the statement short.

Mr. HERLONG. Your entire statement will appear in the record.

Mr. SHARP. On behalf of these clients I support the international dumping code formulated in the course of the Kennedy round negotiations and I oppose the bills pending before this committee which would amend the Antidumping Act of 1921 in a very substantial manner. The principal bills now pending before you are H.R. 8510 introduced by Representative Herlong of Florida, and H.R. 16332 introduced this session by Representative Saylor of Pennsylvania.

Dumping is an unfair trade practice. However, the term has been loosely used to apply to all sorts of marketing practices—fair ones as well as unfair ones.

The concept of dumping as spelled out in our 1921 Act is the sale of goods produced abroad to U.S. buyers at a lower f.o.b. mill price than the price charged for the same goods on an f.o.b. mill basis for consumption in the producing country involved.

In the recent Kennedy round the diversity in the statutes applicable to duping practices in the major trading nations led to the desirability of negotiationg a common code providing uniformity in the rules to be applied in determining when dumping penalties should be applied.

Of additional importance was the fact that in the United States we have developed a system of administrative practice before agencies of the Government which provides fair and equitable investigations, open hearings and the adoption of orders under the dumping statute only after all interested parties had been given an adequate hearing on the factual and legal issues involved.

In other countries the dumping proceedings have historically been conducted in camera with neither the accused or the accusers being provided the opportunity of hearing the other side of the story or knowing the factors taken into consideration by the administrator of the dumping law in arriving at a proposed decision.

In the Kennedy round, a great concession was obtained by our negotiators, a concession which involved the requirement that other countries conform to our own pattern of administrative procedures.

In other words, we obtained a concession which will require all those nations who accept the International Dumping Code before entering a dumping order, to hold an open, fair and square hearing in which all parties concerned may express themselves openly and frankly with the knowledge of their adversaries so that the facts can be clearly laid before the administrators of the law before their decision is made.

This concession by other nations is bound to be of great advantage to the United States. In some areas, particularly in the area of agricultural products, we have maintained a two-price policy—selling our agricultural products, abroad for less than they would draw in the domestic market.

This is dumping under the standards generally accepted by our country and dumping in the concept of that word as used in the laws or regulations of other countries if the sales should result in injury or the likelihood of injury to the country to which the goods are shipped.

While I don't know too much about U.S. products as to which dumping proceedings have been instituted by foreign countries, I do know that dumping proceedings have been instituted in the United States with respect to a large variety of commodities.

A number of them are mentioned. They run all the way from rolled sheets of steel to bubble gum.

As most of you know, the complaints under the Antidumping Act were few and far between from the period 1930 to 1944. During that period it was practically a dead issue.

Since that date as competition between foreign producers and U.S. producers increased, so has the volume of dumping complaints in the United States increased which hold up the administration of the Code.

It was of utmost importance that in the Kennedy round our negotiators tackle this international problem and arrive, if possible, at an agreed upon code for application of dumping duties—a code which would provide uniform rules for the instigation of dumping orders, and, insofar as possible, uniform administratvie procedures in line wth our domestic procedures.

Obviously it is of importance that this country's exporters be treated with the same fairness in dumping proceedings which may occur abroad as we find necessary in dumping proceedings in our own country.

Based on our experience in this field I and my clients are satisfied that our negotiators did a good job in the Kennedy round and therefore we support the International Dumping Code agreed on in the round.

I am quite aware of the fact that it has been charged by a substantial number of Members of this Congress and by representatives of a number of industries in the United States that our negotiators agreed to matters which either go beyond, or are contrary to, provisions of our 1921 Antidumping Act.

One of the major points involved is whether an injury investigation should be conducted at the same time as a fair value determination. Prior to 1955, the Treasury Department conducted both of these investigations and it conducted them simultaneously.

It was only after adoption of the 1955 amendments to the act that an initial determination was required by the Treasury Department on the fair value question, followed by a subsequent reference to the Tariff Commission on the question of injury.

May I ask what is all the yelling about? Isn't a simultaneous determination not only more efficient but more rapidly determinative of the issues involved, less ruinous if the determination is in the negative, and more beneficial if the determination is in the affirmative.

Thus, some argue that our Statute provides that a dumping price exists if exports are sold to the United States at less than "fair value" whereas the Code provides that it is a dumping price if they are sold at less than "normal value." Our antidumping law contains no definition of "fair value."

The International Code defines "normal value" in terms approximately equivalent to the definition of "fair value" as provided in the regulations of the Treasury Department long since adopted. So why should an argument prevail over this matter?

Article III of the International Code sets forth the factors which are to be considered in evaluating the effect on an industry of dumped imports. The factors are, frankly, fair considerations which any administrative body should consider and which I am confident both Treasury during its period of injury findings, and the Tariff Commission during its jurisdictional period, have considered.

But the Tariff Commission's majority and those who would emasculate the 1921 act complain that the act is silent as to how less than fair value imports of an industry should be evaluated in an injury proceeding.

What in the world is wrong with our country agreeing with other countries that our exporters will get fair and square treatment in dumping proceedings instituted abroad?

What is wrong with the idea that reasonable factors should be considered by any administrative body determining an injury question in a dumping proceeding? I cannot see any merit in this argument.

I had only one final point and I will try to cut it short.

That is my objection to the pending dumping bills. What do I find wrong with them? Time does not permit a detailed analysis.

In general they would turn the fair value finding and the injury determination into a farce. Little if any discretion would be left to the factfinding body regardless of the facts found.

Injury findings would be required of the Tariff Commission if sales to the United States occurred at less than foreign market value even if potential or actual injury was only in minute part caused by such sales; and an injury finding is required of the Commission if the dumped imports plus all other imports of a similar class or kind, even though sold to the United States at fair prices, are in excess of 10 percent but less than 90 percent of all sales of the product in the United States—imported and domestically produced—measured either by quantity or value during the 16-month period prior to the date on which the dumping inquiry is instituted.

Now this is only one test provided as to when the Commission must make an injury finding. There are other tests—tests almost too complicated to explain—certainly so within the time here.

May I conclude by saying that the two major proposals for amendment of the Antidumping Act are nettles. You can't grasp them without being struck. They do not provide for fair and equitable findings. They attempt to freeze determinations in advance and without regard to the facts found by the Tariff Commission or the Treasury Department. No discretion is left to the administrator to do equity—to dismiss cases where the dumping prices have been discontinued bona fide—to dismiss cases where the prices were set in ignorance of the law or the complicated formulas incorporated in the law and regulations for determination of a fair price—to find no injury if injury exists but is infinitesmally caused by the dumped sales and 99 percent by other causes.

I don't come here suggesting the gates to dumping practices should be opened. I am a lawyer. I believe wholeheartedly in favor of sound administrative procedures. I believe that laws are good if they lead to justice and equity.

The proposed amendments to the Antidumping Act would lead to international reciprocity. Instead of being treated fairly our exporters may be crucified by dumping proceedings instituted against them abroad if the proposed amendments are adopted.

If they are adopted we will have adopted the most unfair trade code it is possible to imagine.

While I don't agree with all of the injury findings made by the Tariff Commission, I find it to have been objective—and in all cases aware of the purposes the act is intended to serve. Since the Congress as a practical matter cannot make dumping decisions it must delegate that authority.

It has done so and has set reasonable standards for application of the dumping penalties to be exacted if certain circumstances are found to exist. The process is working well in my opinion and no change is required or needed.

I urge that you leave the system as it is. It works—works well and need not be encrusted with rules arbitrarily set. As in all determinations, some discretion must be left to somebody to prevent injustices.

Based on 14 years experience in dumping matters I have absolute confidence in the Tariff Commission and the Treasury Department. I hope members of this committee share that confidence.

Thank you, Mr. Chairman.

(Mr. Sharp's prepared statement follows:)

STATEMENT OF JAMES R. SHARP, ATTORNEY, ON BEHALF OF HARDBOARD MANUFACTURERS

I am James R. Sharp, attorney for several U.S. companies who for some years past have imported substantial quantities of hardboard. Hardboard is a wood product made of imploded or ground up wood, the fibers of which are thereby torn apart and put back together by wet matting and pressing. Hardboard is used largely in the building and furniture business. The companies I represent here are: Elof Hansson, Inc., New York, N.Y.; Pan Pacific Trading Corp., New York, N.Y. and Robinson Export-Import Corp., of Alexandria, Virginia, one of our local Washington area companies.

On behalf of these clients I support the International Dumping Code formulated in the course of the Kennedy Round negotiations and I oppose the bills pending before this Committee which would amend the Antidumping Act of 1921 in a very substantial manner. The principal bills now pending before you are H.R. 8510 introduced by Representative Herlong of Florida, and H.R. 16332 introduced this Session by Representative Saylor of Pennsylvania.

I have had considerable experience in respect to dumping matters having acted as counsel for numerous American importers in a broad spectrum of dumping cases over the past 14 years. I have also frequently counseled with American manufacturers with respect to their complaints relative to dumping of foreign products on this market. Dumping is an unfair trade practice. However, the term has been loosely used to apply to all sorts of marketing practices—fair ones as well as unfair ones. The concept of dumping as spelled out in our 1921 Act is the sale of goods produced abroad to U.S. buyers at lower f.o.b. mill price than the price charged for the same goods on an f.o.b. mill basis for consumption in the producing country involved.

There has been a lack of uniformity in the concepts of dumping incorporated into the laws of the major trading nations. The laws of some countries like Canada have provided that a mere difference in price for home country and for export constituted dumping. Under the laws of such nations it makes no difference whether imports injured or threatened injury to their domestic producers of like or similar goods, nor is the extent of competition between the foreign and domestic goods an issue.

The laws of other countries, like those of Great Britain for instance, have provided that a dumping order requiring additional duties would be entered only if the sales for export were lower than the sales for domestic consumption in the exporting country, and a domestic industry in the importing country was injured or was likely to be injured by such sales.

In the recent Kennedy Round the diversity in the statutes applicable to dumping practices in the major trading nations led to the desirability of negotiating a common code providing uniformity in the rules to be applied in determining when dumping penalties should be applied. Of additional importance was the fact that in the United States we have developed a system of administrative practice before agencies of the Government which provides fair and equitable investigations, open hearings and the adoption of orders under the dumping statute only after all interested parties had been given an adequate hearing on the factual and legal issues involved. In other countries the dumping proceedings have historically been conducted *in camera* with neither the accused or the accusers being provided the opportunity of hearing the other side of the story or knowing the factors taken into consideration by the administrator of the dumping law in arriving at a proposed decision.

In the Kennedy Round, a great concession was obtained by our negotiators, a concession which involved the requirement that other countries *conform to our own pattern of administrative procedures.* In other words, we obtained a concession which will require all those nations who accept the International Dumping Code before entering a dumping order, to hold an open, fair and square hearing in which all parties concerned may express themselves openly and frankly with the knowledge of their adversaries so that the facts can be clearly laid before the administrators of the law before their decision is made.

This concession by other nations is bound to be of great advantage to the United States. In some areas, particularly in the area of agricultural products, we have maintained a two-price policy—selling our agricultural products abroad for less than they would draw in the domestic market. This is dumping under the standards generally accepted by our country and dumping in the concept of that word as used in the laws or regulations of other countries if the sales should result in injury or the likelihood of injury to the country to which the goods are shipped.

While I don't know too much about U.S. products as to which dumping proceedings have been instituted by foreign countries, I do know that dumping proceedings have been instituted in the United States with respect to a large variety of commodities. They have involved everything from cold rolled sheets of steel to cement, cellophane, bicycles, fertilizer, vital wheat gluten, chromic acid, window glass, titanium dioxide, fig paste, plastic baby carriages, badminton shuttles, 12-ounce canned luncheon meats, halibut steak and a host of other products, including bubble chewing gum.

As most of you know, the complaints under the Antidumping Act were few and far between from the period 1930 to 1944. During that period it was practically a dead issue. Since that date as competition between foreign producers and U.S. producers increased, so has the volume of dumping complaints in the U.S. increased. As a result, it became of utmost importance that in the Kennedy Round our negotiators tackle this international problem and arrive, if possible, at an agreed upon code for application of dumping duties—a code which would provide uniform rules for the instigation of dumping orders and,

insofar as possible, uniform administrative procedures in line with our domestic procedures. Obviously it is of importance that this country's exporters be treated with the same fairness in dumping proceedings which may occur abroad as we find necessary in dumping proceedings in our own country.

Based on our experience in this field I and my clients are satisfied that our negotiators did a good job in the Kennedy Round and therefore we support the International Dumping Code agreed on in that Round. I am quite aware of the fact that it has been charged by a substantial number of members of this Congress and by representatives of a number of industries in the United States that our negotiators agreed to matters which either go beyond, or are contrary to, provisions of our 1921 Antidumping Act. A recent report of the U.S. Tariff Commission rendered March 18, 1968, indicated that three of the five Commissioners agreed with those Congressmen and industries who believed that the Code goes beyond our own statute and is not altogether interpretative but instead requires a change in our law. Without taking a position on whether the majority of the Commission was correct in that conclusion, I can only say to you that it is of the utmost importance to our administrative procedures and to our international relations that this problem be solved by the Congress promptly and definitively. There should be no uncertainty in the effectiveness of our laws or our international agreements. Be it otherwise, our trading partners may well shy away from conformance with the Code. Should this happen, our exporters will be denied the procedural and substantive benefits which will flow from the Code. If this Congress should renounce the Code or prevent the President from putting it in effect, reciprocal action will undoubtedly occur and we will face an international battle which would in the long run affect our exports in a much larger measure than we might anticipate.

One of the major points involved is whether an injury investigation should be conducted at the same time as a fair value determination. Prior to 1955, the Treasury Department conducted both of these investigations and it conducted them simultaneously. It was only after adoption of the 1955 amendments to the Act that an initial determination was required by the Treasury Department on the fair value question, followed by a subsequent reference to the Tariff Commission on the question of injury. May I ask what is all the yelling about? Isn't a simultaneous determination not only more efficient but more rapidly determinative of the issues involved, *less* ruinous if the determination is in the negative, and *more* beneficial if the determination is in the affirmative. Why should the Congress fight over the question of whether our Executive Department exceeded its authority in the Kennedy Round by agreeing to more or less simultaneous inquiries into the fair value and injury questions? This seems to be an argument which has no merit. If the President's agreement makes sense we should go along with it and if necessary enact legislation approving it. Enough of the argument as to whether the Executive exceeded its authority. If what it did is good let's go along with it or, if necessary, bless it after the fact.

Frankly, in other ways it seems to me that the Members of Congress and the industries who criticize the International Dumping Code, or who fail to propose that our own statutes be conformed to that Code, if necessary, are standing on principle rather than on practical considerations. Thus, some argue that our Statute provides that a dumping price exists if exports are sold to the United States at less than "*fair value*" whereas the Code provides that it is a dumping price if they are sold at less than "*normal value.*" Our Anti-dumping Law contains no definition of "fair value." The International Code defines normal value in terms approximately equivalent to the definition of fair value as provided in the regulations of the Treasury Department long since adopted. So why should an argument prevail over this matter?

Similarly, there has been considerable argument over the injury test provided in the International Dumping Code as distinguished from the injury test in our statute as it has been interpreted by the Tariff Commission, which since 1955 makes the injury findings. In the International Code it is provided that the sales at less than normal value must be "the principal cause of material injury" but that in making a determination as to "principal cause," the administrative body involved must consider *all other factors* which are simultaneously adversely affecting the industry involved. Our statute simply provides that the Tariff Commission must find that the U.S. industry is being or likely to be injured "*by reason*" of the imports of the sales at less than fair value. To my mind this is simply fiddledee and fiddledum and not worth extending considera-

tion and to say the least not a protracted argument between the legislative and executive branches of the government over whether or not authority of the legislature has been usurped by the executive. Over the 34 years during which it made injury findings, I don't believe the Treasury Department, or the Tariff Commission over the 14 years since, has ever made an injury finding unless it involved *material* injury. No administrative body in determining whether injury has been brought about by one factor can blind itself to all the other factors which usually enter into the problems which an industry may face at any particular moment. Furthermore, why should we prejudice imports if they have not been a *principal* cause as distinguished from a minor cause of the difficulties of a domestic industry.

Article III of the International Code sets forth the factors which are to be considered in evaluating the effect on an industry or "dumped imports." The factors are, frankly, fair considerations which any administrative body *should* consider and which I am confident both Treasury during its period of injury findings, and the Tariff Commission during its jurisdictional period, have considered. But the Tariff Commission's majority and those who would emasculate the 1921 Act complain that the Act is silent as to how less than fair value imports of an industry should be evaluated in an injury proceeding. What in the world is wrong with our country agreeing with other countries that our exporters will get fair and square treatment in dumping proceedings instituted abroad? What is wrong with the idea that reasonable factors should be considered by any administrative body determining an injury question in a dumping proceeding? I cannot see any merit in this argument.

Similar arguments have been made with respect to the scope of the industry which is to be considered in a dumping proceeding, i.e., whether it can be regional or national. I think the International Code conforms with the scope of the industry "concept" which was adopted by the Tariff Commission in 1955 in the first injury finding it made. That one related to British soil pipe. The concept adopted is that if injury or likelihood of injury would result to the U.S. industries selling in a particular area as a result of sales in that area, it makes no difference that the entire industry in the United States may not be seriously affected—dumping is dumping even if only a segment of the entire industry is affected thereby. This in my opinion is precisely what the Code requires. So I don't go along with the argument that the Code goes beyond our presently enacted statute.

Now, having discussed the International Dumping Code. I should like to turn to the two major bills which I have identified above and which are now pending before this Committee.

What do I find wrong with them? Time does not permit a detailed analysis. In general they would turn the fair value finding and the injury determination into a farce. Little if any discretion would be left to the fact finding body regardless of the facts found. Injury findings would be required of the Tariff Commission if sales to the U.S. occurred at less than foreign market value even if potential or actual injury was only in *minute part* caused by such sales; *and* an injury finding is *required* of the Commission if the dumped imports *plus* all other imports of a similar class or kind, *even though sold to the U.S. at fair prices*, are in excess of 10% but less than 90% of all sales of the product in the U.S. (imported and domestically produced) measured either by quantity or value during the 16 month period prior to the date on which the dumping inquiry is instituted.

Now this is only one test provided as to when the Commission must make an injury finding. There are other tests—tests almost too complicated to explain—certainly so within the time the Committee has granted me.

May I conclude by saying that the two major proposals for amendment of the Antidumping Act are nettles. You can't grasp them without being stuck. They do not provide for fair and equitable findings. They attempt to freeze determinations in advance and without regard to the facts found by the Tariff Commission or the Treasury Department. No discretion is left to the administrator to do equity—to dismiss cases where the dumping prices have been discontinued bona fide—to dismiss cases where the prices were set in ignorance of the law or the complicated formulae incorporated in the law and regulations for determination of a "fair price"—to find no injury if injury exists but is infinitesimally caused by the dumped sales and 99% by other causes.

I don't come before you suggesting the gates to dumping practices should be opened. I am a lawyer. I believe whole heartedly in favor of sound administra-

tive practices. I believe that laws are good if they lead to justice and equity. The proposed amendments to the Antidumping Act would lead to international reciprocity. Instead of being treated fairly our exporters may be crucified by dumping proceedings instituted against them abroad if the proposed amendments are adopted.

If they are adopted we will have adopted the most unfair trade code it is possible to imagine.

Finally—dumping is not a problem peculiar to our country. U.S. producers have probably been as guilty of the practice as have foreign producers. What we hand out we are bound to get slapped back at us possibly with compounded interest.

It makes no sense to start a protectionist international battle on this front, what with all the others we now have. Fair is fair—and square is square. The Treasury Department has done an outstanding job in developing an equitable approach to the dumping problem—fair to the foreign producers and fair to the U.S. industries the law is designed to protect. While I don't agree with all of the injury findings made by the Tariff Commission. I find it to have been objective—and at all times quite aware of the purposes the Act is intended to serve. Since the Congress as a practical matter cannot make dumping decisions it must delegate that authority. It has done so and has set reasonable standards for application of the dumping penalties to be exacted if certain circumstances are found to exist. The process is working well in my opinion and no change is required or needed. *Fair* hearings and confrontations between accuser and accused were adopted by the Treasury Department voluntarily and without any Congressional prods. The Tariff Commission has formulated sound criteria for the injury findings it must make.

I urge that you leave the system as it is. It works—works well and need not be encrusted with rules arbitrarily set. As in all determinations, *some* discretion must be left to *somebody* to prevent injustices. Based on 14 years experience in dumping matters I have absolute confidence in the Tariff Commission and the Treasury Department. I hope the Members of this Committee share that confidence.

Mr. BURKE (presiding). Thank you.

Are there any questions?

Mr. BATTIN. I was just wondering whether Canada has expressed herself on adopting any code?

Mr. SHARP. I know that Canada has not, but I am frankly not up to date on it. Canada I know must change its law in order for it to become a party to the code but I am frankly uninformed on what countries have or have not agreed to it.

Mr. BATTIN. I was wondering, where the code exists in the United States and doesn't exist in another country, for example, Canada or any other country that does not adopt a code but say the United States does, what forum do we work in there?

Mr. SHARP. What forum, you say?

Mr. BATTIN. Yes.

Mr. SHARP. Well, the code does not provide for any international hearing device or anything of that kind. Each country would still adminster its own laws.

Mr. BATTIN. I agree. So that we are really talking just about domestic law then rather than any international code?

Mr. SHARP. We are except that as I pointed out in most other countries it has been an in-camera process and as I understand it in England and most of the other countries it is conducted where you don't know any rules.

In this country the Treasury Department has acted openly. It has these confrontations where the counsel and all sit around the table and everybody knows what is going on. They know the basis for the deter-

mination of what made this an unfair price, how did you arrive at the comparison, what allowances did you make for discounts for volumes.

Our exporters who got caught in dumping in Europe did not have that advantage. None of the European countries provide it.

My principal statement here is that we got them to move our way to adopt things which will be protection for our people when they are caught in dumping in Europe.

The real differences between this code and ours are just fiddle dee-fiddle dum. There is this big argument and the argument stems from the fact that obviously the legislature is concerned about alleged encroachment on its legislative power by the President and I can readily agree that this should be of considerable concern but this dumping code, although maybe it is close to the edge or a little over to the edge on this question of encroachment, it provides sufficient advantage that it shouldn't be held up because of that argument which in some way or other can be solved by other means than attempting to sabotage the President's efforts to obtain advantage for us abroad.

Mr. BATTIN. As I recall there was no requirement in the Kennedy round that before any of the concessions would go into effect they had to adopt or move toward our system of hearings on antidumping charges.

It is just that we adopted it and, should they do it, and they said they would give it consideration, no adjustment in tariffs is tied to this particular thing.

Mr. SHARP. I think you are quite correct in that respect.

Mr. BURKE. Thank you.

Mr. SHARP. Thank you, sir.

Mr. BURKE. The next witness is Mr. Charles F. Travis.

STATEMENT OF CHARLES F. TRAVIS, PRESIDENT, TRANOCO, INC.

Mr. TRAVIS. Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you today.

I am Charles F. Travis, president of Tranoco, Inc., manufacturers of picker sticks and other wood machine parts used in the textile industry.

Having worked in the field of textiles and in the field of manufacturing machine parts, specifically for the textile industry for the last 13 years, I feel qualified to submit to you the following statement in support of H.R. 10950, or H.R. 10973.

These two bills were introduced in an effort to correct a very unfair situation brought about by our current existing tariff laws.

COMMODITY INFORMATION

Manufacturers of wooden machine parts for the textile industry have found that densified wood produced by European manufacturers is the best material for certain loom parts such as picker sticks. It is possible to manufacture these parts from American hardwoods and I have done this in the past, but my customers, the textile mills have found, for example, that picker sticks made from European densified wood lasts as much as 10 to 15 times longer than those produced from our best indigenous woods, such as hickory. In other words, the Euro-

pean material is simply the most practical product on the market today for this purpose.

I would like to deviate for the moment from my written statement which I felt rather unqualified to prepare in the sense that I am not a lawyer but am a woodworking man.

For that reason I attached to my statement samples of the articles I wish to discuss, miniature samples, so that you can see for yourselves better than I can tell you my problem, I think.

Mr. BATTIN. Before you go on, will you tell me what a picker stick

DUTY RATES UNDER PRESENT TARIFF SCHEDULES

Mr. TRAVIS. Yes. A picker stick is a part of a loom. Do you have a copy of the statement? A picker stick is a part of a loom or weaving machine and you will find the sample on the righthand side of the page there of a one-quarter scale model, in fact, of a finished picker stick which is currently dutiable at the rate of 12½ percent ad valorem. On the left side you will see a sample of a semiprocessed picker stick or picker stick blank, the material from which to make the item, which is currently dutiable at 18 percent.

Foreign manufacturers whose labor and production costs are already much lower than we have here in this country because of this are being given a further cost advantage and it makes it very difficult for U.S. firms to compete with these manufacturers even under the best of circumstances, but with this inequitable situation, it is much worse.

Partly because of this within the last 3 years approximately 38 percent of firms who were previously manufacturing picker sticks in the States have either gone out of business or have ceased the manufacture of this product. Given a reasonable equitable tariff law however I think that my firm as well as the other remaining manufacturers of these products can be fully capable of effectively competing against most foreign competitors.

It is not my purpose to ask you for protective tariffs or import quotas which would restrict the activities of foreign manufacturers selling their products on the American market. I think the current duty rates on finished picker sticks, as well as on other textile machine parts are reasonable and just, and apparently you gentlemen in Congress studied the matter very carefully before setting current rates. However, I think it is grossly unfair to U.S. manufacturers to have to pay a higher rate for the material than these foreign manufacturers are having to pay for the finished product that they market here in the States.

I don't think it was your intention originally to have this rate apply to these materials to make these specific items. For example, I have noted in the tariff schedules and I quote from it "wood blocks for shuttles" which is another part made from these same woods, can be imported duty free and this is under tariff schedule item No. 200.55.

Why should the rate for compressed wood shuttle blocks be 18 percent whereas the natural wood blocks dedicated for finishing into shuttles aren't dutiable at all.

The customs appraiser of the port of Charleston, S.C., has informed us that under the present tariff schedules, although he realizes this seems to be a very unfair situation, and very difficult to understand,

he cannot classify our compressed, or densified "wood blocks" as "wood blocks dedicated to finishing into specific articles such as shuttles" or picker sticks (item 200.5500), since the material is "compression modified or densified wood" which falls under another item, 203.1000.

PREVIOUS LEGISLATIVE ATTEMPT

On August 12, 1965, Senator Thurmond of South Carolina offered an amendment to H.R. 7969 which would have helped correct this difference. This is recorded on page 19461, volume 111, Congressional Record 148 of August 12, 1962. The amendment was passed by the Senate when H.R. 7969 was passed. Later, however, the amendment was deleted from the bill in conference. Since the provision was not in the bill when it originally passed the House of Representatives but was added in the Senate, we understand the House conferees stood firm in their opposition to it. I do not fully understand this matter, but we were informed that according to the Constitution all such legislation must have its origin in the House of Representatives.

GENERAL ECONOMIC EFFECT—BENEFIT FROM PROPOSED LEGISLATION

We feel that this legislative proposal would help solve the difficult problem of foreign competition facing the textile machine parts industry. It would ultimately be of very tangible benefit to the textile industry as a whole, as it would enable American manufacturers of wooden machine parts to offer not only the prompt service which they demand from me and other manufacturers but it would also help enable the American manufacturers to offer reduced prices on their requirements for picker sticks, shuttles and so forth. Thus you can see that the current unfair tariff law affects manufacturers of wood machine parts and their employees, as well as indirectly affecting the textile industry and anything that affects the textile industry, I think, affects the economy as a whole.

ACTION REQUESTED

I therefore ask that you please give this matter—either H.R. 10950 introduced by Hon. Robert T. Ashmore, Representative of South Carolina, or H.R. 10973 introduced by Hon. William L. St. Onge, Representative from Connecticut—your serious and careful consideration as soon as possible.

Thank you.

Mr. BURKE. Do you know whether there were any objections raised by anyone about the bills that were filed by Congressman Ashmore and Congressman St. Onge?

Mr. TRAVIS. I do not, sir.

Mr. BURKE. Do you know whether any of the Federal agencies objected?

Mr. TRAVIS. On these specific bills, no, sir, I do not. Congressman Ashmore filed a previous bill that he was not pleased with and he filed this one in lieu of it and there were some reports.

I have a copy here with me of a report from the U.S. Tariff Commission concerning it.

Mr. BURKE. Have you the report there?

Mr. TRAVIS. I can find it if you will give me just a moment I think.

Mr. BURKE. Can you give just one paragraph of their conclusions or if you want to leave it with the staff you may.

Mr. TRAVIS. Yes, I will be happy to leave it. They made a point regarding the fact that the bill that Congressman Ashmore had introduced would be made retroactive back to 1963. This is because in 1963, the duty rate was increased on this particular item from, at that time, 16⅔ percent to 20 percent and Congressman Ashmore as well as Congressman St. Onge in order to correct the inequitable situation that has existed since that date had stated that this bill would be made retroactive, and one point that the tariff reported that I don't agree with is that they commented, and I quote "A retroactive rate reduction in such a case can only serve as a windfall to importers who no doubt have completed most of their business transactions involving such imports." This is not the case.

Mr. BURKE. That is based on the fact that it was retroactive. Were there any other reasons that they gave besides that?

Mr. TRAVIS. Well, it was rather incongruous to me. They made statements such as "densified woods used in manufacturing shuttles and picker sticks is not distinctly different from wood used for other purposes."

If that is true then I think the rate should be free because we have this other classification.

Could I make one other point? I would like to mention this. When I first saw the value of this material and how much better it was than our indigenous woods I didn't want to import my material requirement from Germany but I started importing shipments through the Port of Charleston.

On the first shipment I imported, the appraiser set a rate of 20 percent. He classified it under item 203.10. Then the next shipment and several shipments later apparently another appraiser had examined the material, and he classified it under this other item, 670.74 which was at 14 percent.

Initially my shipments were classified under two classifications. I never knew what the rate would be. I have a big mouth and I used it to my disadvantage in that I pointed out then to the customs people in Charleston that they were charging me more on some shipments than on others.

That prompted them to go back and charge me the difference on the ones that I had imported at 14 percent so that my big mouth got me in trouble.

Mr. BURKE. They didn't give you the reduction.

Mr. TRAVIS. No, they didn't. One gentleman—and I won't give you his name——

Mr. BURKE. Do you import the semiprocessed material?

Mr. TRAVIS. Yes, sir.

Mr. BURKE. Would the answer to your problem be reducing the 18 percent ad valorem on the semiprocessed material?

Mr. TRAVIS. The bill that Congressman Ashmore has introduced would reduce it to 7 percent. This was before the Kennedy negotiations.

Mr. BURKE. You mean the semiprocessed material?

Mr. TRAVIS. That is correct. It would not reduce the rate on the finished article. I see nothing wrong with the current rate on the finished article. Given a fair situation I will compete with any foreign manufacturer. I have certain design patents that I market, and I in fact am now getting my design ideas patented in Europe, and I even plan to compete with them on the European market due to some design ideas I have. But first of all I, as well as other manufacturers, need an equitable an even basis, and frankly I think the rate on the finished article should definitely be higher than that on the material from which it is made.

For instance, natural wood shuttles are also, that is, the finished shuttle, is also dutiable at 12½ percent currently under item 670.74 whereas the material, the natural wood shuttle block, is duty free.

There is a 12½-percent difference there. Congressman Ashmore is only suggesting about a 5-percent difference.

Mr. BURKE. In other words, you feel that the high rate on the semiprocessed material in comparison to the scale finished work is unfair to you?

Mr. TRAVIS. Most definitely.

Mr. BURKE. You feel that the finished product should be higher?

Mr. TRAVIS. Yes, sir, because it is a completely finished product. Currently these products are being manufactured by European manufacturers 100 percent in Europe and these manufacturers have selling offices here in this country and they are importing the finished article at a lesser duty cost, not only rate, but cost, because my semiprocessed material is so far processed that it is almost as expensive as the finished article.

But they are being given a definite cost advantage over American manufacturers. We have some advantages over them as I mentioned, design ideas, and in some ways we are ahead of them but as far as material is concerned, quite frankly, they are ahead of us. They developed this product back during the war, the Germans did, when they could not obtain American hardwoods. They developed a means of compressing their indigenous woods and came up with a product far better than we have ever had on the market.

I have sought domestic manufacturers of similar material. My firm was chosen by the Atomic Energy Commission to evaluate the wood plastic material. You may be familiar with this product. They work with Lockheed Corp. in Marietta, Ga., developing primarily as a research project applications for this wood-plastic material which our Government holds a patent on. Its a Government patent, I understand.

Mine was one of two firms chosen to evaluate this material and quite frankly it is a good material, but for our purposes it is quite impractical in that the European woods last about three times as long as this more expensive wood plastic that I have tested thoroughly for the Atomic Energy Commission. They paid me for my cost of participating, et cetera.

Mr. BURKE. Are there any further questions?

Thank you very much, Mr. Travis.

Mr. TRAVIS. Thank you.

Mr. BURKE. This completes the testimony for today and the committee now stands adjourned to meet at 10 a.m. toworrow morning.

(The following statements were received, for the record, by the committee:)

STATEMENT OF EDWIN A. LOCKE, JR., PRESIDENT, AMERICAN PAPER INSTITUTE, INC.

Mr. Chairman and members of the committee, I am Edwin A. Locke, Jr., and I am testifying as President of the American Paper Institute. It is a privilege to appear before this Committee again—I say "again" because in 1962, when I was associated with a different industry, I made a statement supporting the Trade Expansion Act of that year. There can be little doubt, I believe, that the decision taken by your Committee in 1962 initiated a great forward step in America's foreign economic relations, and one from which important economic benefits have been flowing for our people. In a sense that decision expressed the powerful driving impulse toward freedom which is the essence of the American spirit.

If I may be permitted a brief reference to history, I have always subscribed to the view that a major factor contributing to the rapid and tremendous growth of the American economy in the past century has been the freedom of trade among our states, permitting the unchecked movement of goods from coast to coast, without tariffs and without quota restrictions. Now, in the space age, we have led the way in bringing the same principle to bear among the nations of the entire free world. The position of the industry I represent is that if our government, having done so much, were now for any reason to reverse the trend toward freer international trade that it has set in motion, the move would not only gravely injure our business and many others, but might mark a dangerous turning point in American life. Such an action might well be regarded by other nations as the beginning of a retreat from our historic position as the chief exponents of freedom in world economics.

Getting down to specifics, I would like to bring out at once some facts about the American Paper Institute, relating directly to the issue before you. Our members are manufacturers producing about 90% of the nation's pulp, paper and paperboard, with a wide range of essential products ranging from woodpulp to tissues, from newsprint to containers, and from wrapping materials to writing papers. The industry's assets total $15.6 billion, conservatively estimated. We rank among the 10 largest industries in the country. Our annual wage bill is $5 billion and is rising. Our sales last year were $17 billion. They will be higher this year.

At the present time, the industry has the capacity to produce annually about 55 million tons of paper and paperboard and some 44 million tons of wood pulp. That is somewhat more than the actual current rate of production of 49 million tons of paper and board and 38 million tons of pulp. But since we anticipate steadily rising sales, our total capacity is continuing to expand and within 18 months will be 7% greater than at present for paper and board and 4% greater for pulp. In other words, we are a large industry, a growing industry, and obviously I think an important segment of the nation's economy.

We are moreover an industry with considerable up to date experience in foreign trade. One reason for our hopeful view of the future is the increasing importance of exports to our business. Last year our exports were over $700 million, representing 1.7 million tons of pulp and over 2 million tons of paper, paperboard and paper products. That is almost double the tonnage exported in 1960, but it is only half the tonnage that we expect to export within 10 years. Our plans for the period ahead, including contemplated capital expenditure for new plant in this country, are to a considerable extent based on the assumption that international trade in the years ahead will be subject to fewer and fewer restrictions, with corresponding growth of our world market.

A CHANGE OF VIEW—AND ITS RESULTS

I must make it clear that prior to 1955, thirteen years ago, the paper industry was rather indifferent to international trade. Like some other industries today,

many paper companies were then not yet aware of the potentialities of the foreign market. Their mood was protectionist. They were relying on traditional marketing practices that could no longer fully serve the needs of a rapidly changing world. But in that year, 1955, their policy began to change. Thanks in part to the farsighted leadership of the late J. D. Zellerbach, who headed one of the major paper companies until he became American ambassador to Itlay—thanks to him and others, the industry was persuaded to take a fresh look at the prospects for foreign trade. In 1962, leaders of our association were among the strongest proponents of the Trade Expansion Act, and the testimony they gave is equally cogent today. Since then the progress of the industry has been striking. If today I am able to state our conclusions with confidence, it is because they are based on the solid facts of experience.

The main facts can be quickly summarized. Thirty-eight years ago, when the Smoot-Hawley tariff bill was enacted, the weighted average of tariffs on imports of paper and paper products was approximately 35%. Other countries had also built economic walls around themselves, so that paper companies did not have much opportunity or incentive to expand their foreign business. Our total annual exports in the early 1930's averaged slightly more than 200,000 tons, or in dollars, less than $22 million. In 1934, the Reciprocal Trade Act started a liberalization of our foreign trade relations, and exports began to rise, but 20 years later, in 1954, they were still only $231 million. The next year, however, 1955, the weighted average of tariffs on paper was brought down to 20%, with moderate cuts by some other nations, and in 1956 the paper industry's exports climbed to $275 million. Now we were beginning to move. Six years later came the first Trade Expansion Act followed by the Kennedy Round of 1967. Today the weighted average of United States tariffs for our industry is down to about 8%—and last year's exports were over $700 million, or 3.8 million short tons. That is 19 times the tonnage that we exported during the Smoot-Hawley era.

And the story is still unfolding. By 1972, under existing agreements, our comparable tariffs will be down to 4%—and for that year we conservatively project an export total of $1 billion—40% greater than at present, and almost four times larger than the figure for 1956. In other words, since 1934 the pattern has been one of declining tariffs on paper imports and rising export sales.

TARIFFS DOWN—JOBS UP

The ratio of our current exports to our total sales is now over 4%. This incidently is also the percentage of the nation's Gross National Product derived from exports. For the paper industry, as for the nation, it is a very important 4%—and not only because of the direct profits involved. Exports utilize a substantial amount of domestic plant capacity that might otherwise have to be shut down or might never be built. It must be considered, too, that in addition to our direct exports, we provide paper and paper products which play a part in the exports of other industries. These indirect exports comprise $300 million of printed matter and $275 million of packaging materials for which other industries receive export credit.

The figures below summarize the overall export position of our industry last year:

	1967 (in millions)
Direct exports	$700
Indirect exports:	
Printed material	300
Packaging materials	275
Total	1,275

Our latest data indicate that in our industry employment attributable to exports, direct and indirect, amounts to 8% of total employment. This means that at the current rate of employment 54,000 jobs are attributable to exports. Given a continuation of present trade policies this figure will rise in the years ahead; but if tariff icreases or other trade restrictions here and abroad were to produce a serious decline in our exports, the impact on employment in our industry could be sharp and painful.

EXPORTS CATCHING UP WITH IMPORTS

I believe that the Committee may be especially interested in the effect of our industry's international business on America's balance of trade. As our foreign sales and revenues have risen, imports of pulp and paper have likewise increased and in 1967 totaled $1.36 billion. The great bulk of these imports, some 92%, consists of newsprint and wood pulp from Canada. But the rate of increase for imports is substantially less than that for exports. In the 15 months to March 31 of this year, when the *overall* United States figures showed imports climbing faster than exports, the figures for our industry presented a marked contrast, for in the same period our direct exports increased and our imports actually decreased. This year our direct exports will certainly reach at least $750 million and quite possibly $800 million, an improvement of 5–10%. Imports will not increase at all and may well decline.

To appreciate fully the significance of this trend, it must be realized that of all the paper imports coming into this country, only 8% are dutiable. On all the rest no duty whatever is charged. Thus, although our government impose no tariff at all on 92% of imports in the pulp and paper category, we are steadily narrowing the export-import deficit in our industry. If the trends of recent years continue, by 1975, after our tariffs have been lowered to 4% on 8% of imports—near the vanishing point—we expect our industry's exports to be close to, or even higher than our imports.

This forecast assumes that other countries, with which we trade intensively will parallel our course. As matters stand, many of them have not yet removed import restrictions to an extent comparable to our own.

Tariffs on paper imports in certain countries—West Germany, France, Canada—are currently more than double ours. Unnecessary delays in issuing import licenses have impeded our exports in numerous instances. To overcome such inequities and barriers will obviously require hard, even tough bargaining. We hope and urge that our government will make sustained and substantial efforts to get foreign governments to reduce their import restrictions and to fulfill all their commitments under existing international agreements. Assuming a degree of success for such efforts—and success there must be—we have every reason to believe that the current excess of imports over exports in our industry will be reversed in the next decade.

BILLIONS IN FOREIGN INVESTMENT AT STAKE

In addition to export orders, our industry receives considerable sums from abroad in the form of licensing fees, royalties on patented processes, and dividends and interest on investments; and other American industries receive orders for machinery, equipment and supplies from the foreign paper plants in which our industry has invested. We have found by actual survey that in the three years 1965–66–67, for each million dollars of new investment made overseas by our industry, an average of $3.55 million was returned to this country.

Results as favorable as these could hardly have been generated except in the favorable economic climate created by the Trade Expansion Act of 1962 and by the extensive multi-lateral lowering of tariff barriers which is now beginning as a consequence of that Act.

Further easing of present restrictions on international trade will, I have no doubt, add to our revenues from foreign investment. It is worth noting, too, that at a time when it has become urgent to reduce America's deficit in the balance of payments, this type of income is especially useful to the government. Royalties, dividends and interest are regular and substantial and represent significant credits to our side of the international payments ledger.

In the event of an adverse change in our trade relations, the negative effect would be promptly felt not only in exports, but in return on foreign investment. Since the nation's annual income from foreign investmet according to the most recent figures was $5½ billion, this is a danger that canot be taken lightly. As I am sure this Committee realizes, a plant established in a foreign country with American capital depends heavily on the goodwill of the host government. The present American policy on tariffs and trade has helped to create an economic at-

mosphere congenial to our investments in many countries. But if we impose tariffs prejudicial to the exports of the host country, reprisals would almost certainly be taken, and the conditions under which we now profit from investments abroad could quickly change. Similarly, our foreign investments could be seriously injured if restrictions on the export of capital from this country prevent us from providing foreign subsidiaries with funds essential to their growth, or if the rules governing repatriation of earnings from such firms hamper their operations and efforts to expand.

INDIRECT GAINS FROM TRADE EXPANSION

So far I have stressed the paper industry's large tangible gains from exports and investments abroad; but there have also been indirect gains which in the long run may also prove to be of great value. As an industry we have benefited psychologically as well as economically from trade with other countries. In the time that I have been with the American Paper Institute, I have observed that rigid, hidebound or complacent managements are certainly not characteristic of paper companies. It seems to me unquestionable that their open-mindedness and interest in new ideas stems in part from experience gained in the markets of other parts of the world. Exposure to foreign competition and foreign technology has helped to stimulate the expansion of research and development in this country with respect to new types of raw materials, new processes, and new products.

Our industry is intent on maintaining its important position in the world's markets. We will have to step up our pace to do it. In western Europe paper manufacturers are making long strides in technology and marketing. The Russians too are coming along in this field, and have the potential at some future date to offer formidable competition. We can stay ahead, but only if we take full advantage of our current momentum. That means not only intensive research, efficient production and imaginative marketing—it also means, and I emphasize this strongly, a continuation of the present trend toward freer trade. If we and western Europe were to begin to punch and counter-punch with trade restrictions, everyone would lose.

BUILDING TRADE WITH THE DEVELOPLNG COUNTRIES

The same principle applies with equal force in our relations with the markets of Asia, Africa and South America. Unless we can encourage their exports, and bring our goods to their ports at prices within their means, our industry will be faced with serious problems. The paper industry, I believe, plays a peculiarly significant role in our trade with developing nations. It has been widely recognized that one measure of the level of economic development of any nation is its per capita consumption of paper. The range is very great—from over 500 pounds per capita in this country to no more than 3 pounds in India. Whenever the living standards of a people begin to rise, the consumption of paper increases very rapidly. Demand for newspapers, school books, magazines, containers, and papers for medical, commercial and domestic uses has a high priority in such countries.

The press and the government of a developing country are likely to be extremely sensitive to the conditions governing their purchases of paper. It may be an exaggeration to say that as paper exports go, so go all our exports; but I think it is a fact that the industrial nation supplying a relatively poor country with paper for its cultural development and better living is usually in an advantageous position to sell many other products in that market.

Our industry is keenly aware that some developing countries, as well as a number of industrialized nations, have imposed relatively high duties on their imports of paper. In some instances these tariffs are so unreasonable as to be self-defeating, for they result in shortages injurious to the living standards of the peoples concerned.

For example, one Latin American country prohibits paper imports that compete with local products. Another bars imports of grocery bag paper although the local product costs three times as much as ours.

As in negotiations with European nations and Canada, we count on straight talk and reasoned firmness on the part of our government negotiators to overcome such irksome difficulties. We certainly do not propose countering impulsively with restrictions of our own. This nation, as the world's leading industrial power and exporter, plainly has the responsibility to set an example and to avoid a combative posture in its trade policies. To press hard for a fair chance to compete is our right and our obligation but our methods must be consistent with our overall interests.

THE "PROTECTION" FALLACY

Your favorable decision on the present trade expansion bill would have a stimulating effect on our trade throughout the world, but its most important benefits would be felt here at home. Our present worry about the payments deficit is largely rooted in rising costs of production that hurt exports. And with every new restriction on imports, costs tend to rise even more, promoting more inflation. Every restrictive move carries its own heavy penalty. Establish higher tariffs or import quotas, and other countries do likewise, so that our overall exports decline, our foreign investments are imperiled and our payments deficit increases. Compel manufacturers to use high-cost, quota-protected or tariff-protected materials, and our export prices go up, making us less competitive in foreign markets, and again worsening our payments deficit. Impose tax laws prejudicial to the operation of American companies in other countries, and the national income from foreign investment declines, and the dollar is weakened in foreign exchange. After years in which the exporting businesses of this country have geared their policies to gradual reduction of trade restrictions, an abrupt reversal of this beneficial trend would produce an economic shock of alarming proportions. If the efforts being made in some quarters to restrict competitive imports have aroused deep concern in the paper industry, it is not only because of the immediate financial loss that we foresee, but even more because of the long-range consequences for the economy as a whole.

It may be natural that companies feeling the pinch of competition from low-cost imported goods should wish restrictions on this competition. But surely the word "protective" used in reference to import restrictions is misleading. If anything is clear, it is that in the long run import restrictions do not really protect anything. On the contrary, by weakening the American economy they imperil every American industry. The protection they offer is spurious, a mirage. If we try to turn the economic clock back to the trade policies that prevailed in the early 1930's, we invite the kind of industrial crisis that prevailed in the 1930's. We can never afford to lose sight of the fact that policies of economic isolationism are policies of depression. The economic clock is a sensitive mechanism; if we turn the hands back, the main spring, our competitive vigor and initiative, may be seriously damaged.

I cannot help but wonder what would happen if the same line of thought that has led to current demands for import quotas were followed with respect to domestic competition. Suppose companies that are being out-distanced by their American rivals came running to the government with pleas for legislation to protect them. I suspect they would be told that under the American enterprise system it is up to them to defend their competitive positions by their own abilities and efforts.

There may perhaps be an extreme emergency when temporary, moderate and highly selective restrictions on a few imports may be justified, if that is the only way to stimulate other countries to remove unfair restrictions on our exports. Even such moves made for bargaining purposes are risky and should be avoided if at all possible. Both business experience and economic analyses tell us that the nation has little to gain and much to lose from new trade restrictions—that no country can nowadays solve its problems by higher tariffs or import quotas.

OVERCOMING COMPETITION FROM IMPORTS

I believe experience has amply demonstrated that the only sound recourse for an industry or a company that is under pressure from competition, foreign or domestic, is to do a better job, compete harder, get prices down by greater

efficiency in production, bring to bear more imaginative research, more vigorous marketing and more dynamic management. A good example comes from a segment of the paper industry that has always had to face heavy competition from imports—our newsprint manufacturers. Instead of clamoring for protective legislation, they have concentrated on developing new processes and improving efficiency, quality and service. As a result the American newsprint industry, despite foreign competition and despite the total absence of tariff or quota protection. has increased its capacity by over 40% in the past five years.

Another way to offset pressure from imports, and one that has been neglected by many companies, is to move vigorously into the export market.

The experience of the paper industry demonstrates the extent to which entry into the export field can overcome the inroads of imports, and how rapid progress can be in foreign sales. In the middle 1950's few paper companies had as yet investigated the potentialities of foreign markets. Now the entire industry recognizes that its effort to sell abroad has been an effective answer to foreign competition at home. We feel convinced that this type of resiliency and positive response to the problem deserves careful consideration by all industries faced with import competition and should have maximum encouragement from the government, for every company that builds its foreign sales strengthens the nation's balance of payments.

ACTION NEEDED

America's constructive moves to expand foreign trade in this decade have been one of the major creative economic contributions of the age. Soundly conceived and hard-headed agreements on tariffs among the nations have now become the keystone of our economic position in the world. The immediate effect of those agreements is to enhance our export trade and foreign investments, but they also profoundly affect our national prestige, the political attitudes of many other nations, and the general health of our economy. Speaking both as businessmen and as concerned citizens, the members of the American Paper Institute attach high importance to the renewal of the principles of trade expansion, as expressed in the bill before this Committee.

Our profound hope is that action on the bill will be prompt. Prolonged uncertainty as to our trade policy could gravely damage this nation's exporting position. By passing the Trade Expansion Act of 1968 this year, or if not at the earliest practical moment next year, the Congress would demonstrate to all countries our nation's undeviating commitment to the expansion of world trade and to the principles of economic freedom.

Thank you.

STATEMENT OF STANFORD SMITH, GENERAL MANAGER, AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION

My name is Stanford Smith. I am General Manager of the American Newspaper Publishers Association (ANPA). I am pleased to have the opportunity on behalf of the ANPA to submit to the Committee this statement of its position with regard to certain aspects of potential tariff legislation which are of concern to its more than 1,000 members, publishers of daily newspapers in the United States.

ANPA is the national trade association of daily newspapers. The present membership of more than 1,000 daily newspapers represents about 90 percent of the total daily newspaper circulation in the United States. About one-half of ANPA members have daily circulations of less than 25,000 copies.

ANPA opposes any legislation which would impose restrictions in any form on the continued duty-free importation of standard newsprint paper from Canada; whether by imposition of a tariff, a border tax or any other non-tariff barrier to the current uninhibited flow of Canadian newsprint.

In recognition of the central role of newspapers and their dependence on Canadian newsprint paper, several Congresses at the turn of the century passed legislation steadily lowering customs duties on newsprint, and in 1922, Congress

placed "standard newsprint paper" on the duty-free list.[1] The trend toward unimpeded flow of newsprint was predicated on the recognition that America's woodlands and paper-making capacity could not supply U.S. publishers with the necessary requirements of newsprint paper.

Imposition of a tariff, a border tax or other trade restriction on newsprint imports runs counter to the historical policy of the United States to promote trade and to bolster the mutual economies of the United States and Canada. The most recent example of that policy is the exemption granted by the Office

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[1] At the turn of the century, newsprint imported into the United States was a dutiable item. The Tariff Act of 1894 taxed all printing paper *ad valorem*, 15% of the value of the paper. As newsprint consumption increased, the limited American softwood forests were threatened with depletion and attention was focused on the vast Canadian forest reserves of wood especially adapted to pulping for newsprint manufacture. To increase use of Canadian pulpwood and Canadian newsprint, the then applicable duties had to be reduced and were reduced gradually, first on pulpwood and then on newsprint paper.

Initially, the reduction of the tariff barriers was effected through the valuation method. The Canadian Reciprocity Act of 1911, which for the first time gave specific treatment to newsprint paper, placed newsprint valued at not more than 4 cents per pound on the free list. The 1913 Tariff Act placed on the duty-free list printing paper which was "suitable for the printing of books and newspapers" and valued up to 2½ cents per pound. As the price of paper increased, the tariff exemption was modified accordingly: in 1916, the maximum nondutiable value was raised to 5 cents and in 1920, to 8 cents per pound.

As newsprint prices reached new highs after World War I, the valuation method of effecting duty-free entry became impracticable. In 1922, when a thorough revision of the tariff laws was enacted, valuation was abandoned and the tariff description "standard newsprint paper" was created to designate duty-free paper.

Congress assumed that this term was well known to the trade as describing the kind of paper actually used by newspapers. However, when it soon became apparent that no defined sheet was regarded as "standard", various attempts were made to determine the specifications of the various grades of newsprint sheets.

This recognition of the intent of Congress was clearly apparent in one of the first implementing regulations promulgated by the Customs Bureau under the 1922 Act, which provided that:

". . . unless there are circumstances connected with a particular importation or an inspection of the same raises the question whether the paper is within the limits of the above definition, no samples should be taken and there should *be no delay in the delivery of such paper when consigned to newspapers, agents of newspapers, or those dealers whose business it is to furnish such paper to newspapers.* However, paper invoiced or entered as standard newsprint paper consigned to firms or individuals who are not known to be furnishing paper to newspapers should be carefully examined and if deemed necessary samples taken for the purpose of determining its proper classification." (T.D. 40996) emphasis added)

The Customs Bureau guidelines clearly recognized the primary legislative intent of Congress, i.e., "To free list that class of papers upon which newspapers are printed. . . ." *Crown Williamette Paper Co.* v. *United States*, 16 C.C.P.A. 431 (1929).

Thereafter, under the Tariff Act of 1930, Congress by re-enacting the 1922 provisions, verbatim, confirmed its desire to continue its previous tariff treatment of newsprint paper. The implementing regulations issued by the Customs Bureau in relation to newsprint paper reflected this Congressional intent, and in a letter dated January 11, 1932, the Bureau stated:

"You will aslo note that the collector has been authorized to pass rolls of newsprint paper without sampling if consigned to the newspapers, agents of newspapers, or dealers who furnish such paper to newspaper publishers."

Subsequent pronouncements of both the Congress and the Courts have periodically reaffirmed and explained these expressions of Congressional policy.

Accordingly, it was held that the "Obviously . . . intended purpose of free-listing 'standard newsprint paper' was to lower the price to the newspaper owner and possibly the price of the newspaper to the reading public, and for the additional purpose of conserving our natural resources." *United States* v. *C. J. Tower & Sons*, 29 C.C.P.A. 1 (1938).

Congressional policy was interpreted as not intended to prevent newspaper publishers from improving the quality of their papers. . . ." *F. W. Myers & Co.* v. *United States*, T. D. 49254 (1937), 29 C.C.P.A. (Customs) 464 (1937):

"It is obvious that the slight or inconsequential change in 'Standard newsprint paper', made subsequent to the passage of the act, might not take it out of the class of paper known as 'Standard newsprint paper', notwithstanding the fact that it could be said that no paper like the newspaper was in existence at the time of the passage of the act. These changes or differences might not change its character so as to take it out of the class of paper which existed prior to the passage of the act."

Congressional policy was interpreted to have broad reach and unduly restrictive interpretations of the free-listing of newsprint were held to ". . . penalize the improvements and progress in the newspaper industry . . ." and were thus considered to be ". . . contrary to the plain intent of the Congress as indicated by the legislative history." *J. Fred Larsen & Co.* v. *United States*, T. D. 49254 (1937) (concurring opinion).

In 1953, the special Antitrust Committee of the House Judiciary Committee reconfirmed these statements of Congressional policy by referring with approval to ". . . the policy enunciated by Congress for over 40 years that paper entering the country for use in printing newspapers should be exempted from tariff imports."

In summary, the Congressional policy recognizes that an adequate supply of standard newsprint paper is the essential ingredient of the newspaper business. It also recognizes and is predicated on the fact that United States newsprint producers cannot supply the tremendous newsprint tonnage requirements of United States newspapers.

The tariff policy of the United States reflects an awareness that this tonnage must flow in an uninterrupted stream across our borders, since few newspapers are able to maintain inventories of newsprint sufficient to cover more than a relatively few days of publication.

of Foreign Direct Investment exempting Canada from the restrictions on foreign investment and repatriation of earnings imposed by the Administration on January 3 of this year.[2]

THE ADMINISTRATION BILL

The Administration bill, to which testimony at these hearings has been largely devoted, does not, as presently drafted, contemplate a change in the current status of standard newsprint paper as a duty-free commodity. The American Newspaper Publishers Association urges that no action be taken which would affect this duty-free status.

The Administration bill also does not call directly for enactment of border taxes or other non-tariff duties or limitations on imports.[3] Nevertheless, some government officials have given consideration to border taxes as one remedy for the balance of payments deficit and as a response to the system of similar taxes maintained by the members of the European Economic Community. Without commenting on the advisability of this course of action, the American Newspaper Publishers Association urges that, if such border taxes are imposed, they be made subject to the duty-free classification of standard newsprint paper currently established by 19 U.S.C. 1202, item 252.65 of the Tariff Schedules of the United States.

ADVERSE ECONOMIC EFFECTS

Basic to the overall Canadian economy is the fact that Canadian paper mills, Canada's largest manufacturing industry, cannot absorb the cost of a U.S. tariff or a border tax.

Furthermore, the imposition of a tariff or border tax would cause serious economic hardship to daily newspapers. Over the past decade, the U.S. daily newspaper business, as a whole, has maintained a rather stable head count of approximately 1,750 daily newspapers.[4] But the situation in the largest cities has

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[2] Published in the *Federal Register,* March 12, 1968, at p. 4442:

CANADA—APPLICATION OF FOREIGN DIRECT INVESTMENT REGULATIONS

General Authorization No. 4, set forth in proposed form below, is issued to implement the exchange of letters on March 7, 1968, between the Secretary of the Treasury of the United States and the Minister of Finance of Canada.

Proposed General Authorization No. 4, among other things, generally (a) authorizes direct investments by direct investors in Canada notwithstanding the limitations on transfers of capital to Schedule B countries in § 1000.504(a)(2) of the Foreign Direct Investment Regulations ("Regulations"): (b) exempts repatriation of earnings by a direct investor attributed or allocated to affiliated foreign nationals in Canada notwithstanding the repatriation requirements for Schedule B countries of § 1000.202(b) of the Regulations; (c) exempts direct investors from the requirement to reduce the amount of all bank deposits and other short-term financial assets held in Canada notwithstanding the requirements for Schedule B countries of § 1000.203(a) of the Regulations; and (d) excludes from the base period for Schedule B countries direct investments in Canada; subject, in all cases, to the provisions set forth below in Proposed General Authorization No. 4.

[3] The Administration's Section-by-Section Analysis of the "Trade Expansion Act of 1968" explains that section 302(a) of the bill permits an indirect increase in import restrictions on a finding by the Tariff Commission that an industry is adversely affected by the tariff reductions, the President may increase import quota protection for that industry. The Analysis, at page 16, states:

> "Under section 302(a) of the TEA, if the Tariff Commission makes an affirmative finding with respect to a petition for tariff adjustment filed on behalf of an entire industry, the President may furnish increased import protection (e.g., increased tariffs or quotas) to the industry involved, and/or provide that the firms and workers in the industry may request the Secretaries of Commerce and Labor, respectively, for certifications of eligibility to apply for adjustment assistance."

It is highly unlikely that the domestic paper industry would seek to demonstrate entitlement to administrative adjustment of the tariff.

[4] Since 1957, the number of newspapers and their combined circulations have varied according to the following table:

Year	*Number of dailies*	*Total daily circulation*
1957	1,755	57,805,445
1958	1,751	57,418,311
1959	1,761	58,299,723
1960	1,763	58,881,746
1961	1,761	59,261,464
1962	1,760	59,848,688
1963	1,754	58,905,251
1964	1,763	60,412,266
1965	1,751	60,357,563
1966	1,754	61,397,252
1967	1,749	61,560,952

reflected severe economic problems in the case of many newspapers. The New York City case history vividly illustrates the current economic malady which has caused a change in identity and size of newspapers. Between 1960 and 1967 in New York City, four Manhattan metropolitan dailies suspended publication. The numerical count of daily newspapers may remain about the same but the suspension and merger of many metropolitan dailies has been a loss to the American people.

An increase in the cost of newsprint would have its greatest adverse impact on the metropolitan dailies with their large circulation and multiple daily editions. These newspapers are the largest consumers of newsprint, and furthermore, newsprint represents a larger proportion of total operating cost for these newspapers than for smaller dailies.

An increase in the cost of newsprint would also make more difficult the already difficult problem of founding new newspapers, of creating new voices for political discussion and interchange of ideas.

Newspapers, as a matter of necessary business practice, will pass as much of any increased cost in newsprint to the advertiser a competition will permit. The intense competition among the various communications media is reflected in the fact that the share of the total advertising dollar spent on daily newspaper advertising has shrunk from 33.6% in 1955 to 29.0% in 1967. The intense competition from other media seriously limits the ability of newspapers to raise their advertising rates.

BALANCE OF PAYMENTS

A tariff or a border tax on newsprint would not improve the United States balance of payments problem because a tax could not significantly reduce the demand for imported newsprint.

During the past decade, America's total consumption of newsprint has steadily increased from 6.6 million tons of newsprint in 1958 to approximately 9.25 million tons in 1968. This trend points toward increased American consumption of newsprint. During the past decade, Canada has annually supplied approximately 70 per cent of the newsprint consumed in the United States.[5] The twin factors of America's need for newsprint and Canada's supply of pulp wood and production capacity indicate that the consumption of Canadian newsprint in the United States will not decrease, but in all probability will increase in the future.

Because American woodlands are limited, American newspapers cannot significantly reduce their imports of Canadian newsprint in favor of using American newsprint. A tariff or a border tax would not therefore, reduce U.S. imports or improve the national balance of payments.

Congress has accorded duty-free status to many imported commodities in addition to standard newsprint paper in recognition of the economic needs of American users and the economic benefits to American businesses. The adverse economic effects of abolition of duty-free status would be far reaching and far outweigh any short-term alleviation of the balance of payments.

The ANPA respectfully requests continued recognition of the duty-free status of standard newsprint paper and other similarly situated commodities.

STATEMENT OF J. MASON MEYER, EXECUTIVE SECRETARY, AMERICAN HARDBOARD ASSOCIATION

The American Hardboard Association, a non-profit organization of domestic hardboard producers, welcomes this opportunity to express its views on U.S.

[5] Since 1957, consumption of newsprint by the United States and supply of newsprint by Canada have varied according to the following table:

(In tons of newsprint)

Year	*U.S. consumption*	*Canadian shipment*
1957	6,820	5,055
1958	6,600	4,827
1959	7,104	5,118
1960	7,376	5,279
1961	7,330	5,227
1962	7,486	5,229
1963	7,547	5,180
1964	8,042	5,648
1965	8,460	6,093
1966	9,077	6,610
1967	9,149	6,263

tariff and trade policy to the House Ways and Means Committee and to submit suggestions regarding areas where corrective measures should be considered.

The domestic hardboard industry occupies a unique position, being one of the very few industries which has had direct experience with the Antidumping Act of 1921 by virtue of a 1954 dumping determination as to Swedish hardboard. Moreover, our experience under the Antidumping Act occurred during a period of unprecedented growth in hardboard imports. The coincidence of these two factors and the resulting hardships which our industry encountered, provide us with special qualifications to comment to this Committee on the shortcomings of U.S. trade policy as it has affected domestic industry.

SUMMARY AND RECOMMENDATIONS

While the domestic hardboard industry experienced a healthy 160% rate of growth during the period 1952 to 1965, the same period witnessed an overwhelming increase of 2,775% in hardboard imports! Further expansion in the volume imports is expected as the tariff reductions negotiated in the Kennedy Round become effective, and this expectation appears to be borne out by import figures for the first four months of 1968 which show a 65% increase over the same period in 1967.

During much of this time this burgeoning increase in hardboard imports was going on, a dumping finding was in effect with respect to Swedish hardboard. That finding, entered in August 1954, was the first under the Antidumping Act since before World War II, and it remained in effect at least as to some Swedish producers until January 8, 1964. But timid and clumsy administration rendered the finding virtually useless. Cumbersome procedures resulted in long delays before dumping duties were imposed, and even these duties were watered down by administration "adjustments." The Customs Bureau and the Department of Treasury refused repeated requests from domestic industry for information on the actions being taken, and domestic industry was thereby prevented from effectively assisting in the defense of the nearly 350 Customs Court cases which ultimately ensued, about 100 of which were still pending as recently as November of 1967.

In the face of this dismal enforcement record, it is now proposed that the United States adopt, without Congressional approval, the International Antidumping Code. Domestic industry opposes this step first, because it is patently illegal; but second, because its obvious effect will be to frustrate even the meager facilities for antidumping enforcement which are available under the present Act, and, ultimately, to eliminate dumping prohibitions in this country altogether. We cannot conceive how action of this kind can be said to serve the best interests of the United States, particularly in view of our growing balance of trade deficit and recurring weakness in the dollar.

The domestic hardboard industry urges this Committee to recommend legislation to reverse this potentially disastrous drift of our trade policy. Specifically, we recommend that this Committee (1) propose legislation nullifying attempted administrative implementation of the International Antidumping Code; (2) propose amendments strengthening the Antidumping Act of 1921 and streamlining its enforcement and (3) report out "The Fair International Trade Act of 1968" introduced by Congressman Utt which would establish import quotas on a uniform and non-discriminatory basis.

DESCRIPTION OF HARDBOARD

Hardboard is the generic term for a hard, dense, grainless board, composed of wood, having a high tensile strength and density, and low water absorption. It is a tough, dense wood taken apart and reformed mechanically into large, wide hardboards. Under heat and pressure, the natural cohesive substance in wood, lignin, is used to bind the fibers together. Hardboard is engineered wood that is superior in many uses. It contains none of the undesirable characteristics of wood in that it does not split, splinter or crack; it has the desirable features of wood in being easy to work and finish; and it has unique features of its own being grainless and a thinner, wider form of wood.

Hardboard is an invented wood product, born of research aimed at developing uses for the wood residues from Southern sawmills. It came from the laboratory in 1924 and was first commercially produced in 1926. Now its use has spread all over the world, and it is manufactured in a great many forested countries. It is

found in some form in nearly every home, office and factory, being used in the furniture and millwork industries, in construction and remodeling, and in the merchandising and display, transportation, education, recreation, electronics and manufacturing industries. This uniquely versatile material, ranging in size up to five feet in width and 16 feet in length, and in thicknesses from 1/12 to 1/2 inches, is made with one or both surfaces smooth, striated, grooved, tiled, embossed or ribbed. Hardboard is also perforated, prefinished, prime-coated and other finish patterns are or can be applied, for use in either indoor or outdoor applications.

During World War II, hardboard became essential to the War Effort, and literally went to war. Wherever our Armed Forces went, they slept under, walked on, ate upon, rode in, used, handled or otherwise came in contact with hardboard. It not only replaced other critical materials but became essential for its own features in tanks, trailers, aircraft, boats, trucks, hospitals, dispensaries and laboratories.

Hardboard production uses wood in practically any form for raw material. Not only are timber logs and round wood utilized but also sound wood material in odd-shaped chunks, slabs and other logging residues. Extensive use is also made of wood residues from sawmills and plywood plants, thus contributing significantliy to the more effective utilization of trees and to improved conservation of forest resources.

DISPROPORTIONATE GROWTH OF IMPORTS AS COMPARED WITH DOMESTIC SHIPMENTS

The presentation herein is based upon comparisons between 1952 and 1965. The year 1952 was the first year in which the American Hardwood Industry became acutely aware of dumping practices by foreign producers. The year 1965 is the last year covered in the U.S. Tariff Commission's Summaries of Trade and Tariff Information, Volume 1, entitled "Wood and Related Products", released in April of 1967, and in developing this statement, we have used materials from the Tariff Commission's Summary as a basis for observation and comparisons, where applicable.

The hardwood industry in the United States enjoyed a healthy growth from 1952 to 1965 of 160%, but the 2,755% increase in imports was far more dramatic. The relative increase in total shipments over the 15-year span is illustrated by the following schedule: [1]

	U.S. Industry	Imports
1952	1,056,988,000	20,834,393
1965	2,921,103,000	571,161,191

Significantly, by 1965 imports had grown to where they were more than 50% of domestic manufacturers' shipments in 1952.

The two major foreign producers who enjoy the highest volume of imports into the United States are Sweden and Finland. Both of these nations have had not only unusually sharp volume increases since 1952, but the ratio of their imports to domestic manufacturers' sales has had a radical growth.

In 1952, 5,515,765 square feet were imported from Sweden, which was equal to approximately .005 per cent of domestic manufacturers' shipments. By 1965, Swedish imports totaled 215,209,711 square feet, equal to 7.3 per cent of domestic manufacturers' shipments.

Hardboard imported from Finland totaled 4,149,451 square feet in 1952, equal to .004 per cent of domestic manufacturers' shipments. By 1965, Finnish imports totaled 117,408,066, equal to 4 per cent of domestic manufacturers' shipments.

Imports from all countries in 1952 totaled 20,834,393, or 1.9% of domestic manufacturers' shipments. As listed in the previous table, this had developed to 571,161,191 in 1965, or 19% of domestic manufacturers' shipments.

The tariff reductions negotiated in the Kennedy Round (discussed in the next section) appear to have accelerated significantly the volume of hardboard imports entering this country. The total for the first four months of 1968, 203,814,000 represents a *65% increase* over the total during the comparable period in 1967.

[1] The numbers shown are square feet, on a 1/8" thickness basis. All square footages given throughout this statement are taken from figures published by the Bureau of Census, except where otherwise indicated.

Sweden and Finland continue to be the principal factors in this process, accounting for about 40% and 15% respectively of the totals.

In summary, there is every reason to believe that the American Hardboard industry will continue to expand, but that its growth will be limited by the fact that imports will increase at a faster rate.

EFFECT OF KENNEDY ROUND NEGOTIATIONS ON HARDBOARD

With few exceptions, the American hardboard industry is faced with almost a 50% decrease in tariff on hardboard, as a result of the Kennedy Round negotiations. Hardboard is presently listed in Part 3 of Schedule 2 of the Tariff Schedules of the United States. It is described by an *eo nomine* description, "hardboard." There are four items of classifications of hardboard in the tariff schedules, three of which relate to non-face finished hardboard, including face-finished. The schedule showing the present tariff rates, and the final stage of the Kennedy Round concession rate is as follows:

[In percent]

Tariff schedule	Current rate	Concession rate final stage
$245.—, valued not over $48.33 per short ton	[1] 15	[1] 7½
$245.10, valued over $48.33⅓ but not over $93.66⅔ per short ton	[1] 7½-15	[1] 7½
$245.20, valued over $93.66⅔ per short ton	[1] 7½	[1] 7½
$245.30, other hardboard	[1] 26	[1] 15

[1] Ad valorem.

It should be pointed out that the present low reduced duty on hardboard ($2.72 per thousand square feet [2] on ⅛ inch standard, the bellweather grade and thickness) is but a fraction of the combined transportation and wage cost advantage of most foreign producers in reaching major U.S. hardboard markets, and is, therefore, not restrictive of imports. This is amply borne out by the facts set forth regarding the tremendous growth in imports of hardboard.

ANTIDUMPING EXPERIENCE OF THE HARDBOARD INDUSTRY

The hardboard industry is among the very few industries in the United States that has had practical experience with the operation of the Antidumping Act of 1921, having secured in 1954, the first finding of dumping in 16 years. Unhappily, however, our experience has been both frustrating and disillusioning and serves to illustrate the shortcomings which have characterized administration of the Act.

In 1952, various members of the hardboard industry became increasingly concerned with the dumping practices of foreign producers and, through the American Hardboard Association, an investigation of these practices was undertaken. On March 31, 1953, a petition for a finding of dumping with respect to the importation of hardboard from Sweden was filed with the Secretary of the Treasury. In June, 1953, a similar petition was filed with respect to hardboard imported from Finland. On August 26, 1954 (17 months after the original complaint was filed), the Acting Secretary of the Treasury made a finding of dumping with respect to the Swedish hardboard. The petition concerning Finnish hardboard was rejected. The finding of dumping as to the Swedish hardboard remained in effect, at least as to some Swedish concerns, until January 8, 1964.

The validity of this finding was upheld in the *Elof Hansson* litigation which was finally concluded in November, 1961 when the United States Supreme Court

[2] The present reduce rate on non-face finished hardboard (Schedule 2, Part 3, Item 245.00, Tariff Classification Act of 1962) is a combination duty of $7.25 per short ton, but no more than 15% a.v., nor less than 7½ % a.v. The specific rate applies to the principal imported type hardboard, i.e., ⅛" standard or untreated, whenever its dutiable value is between $18.11 and $36.25 per M sq. ft., below $18.11 the 15% a.v. rate applies and above $36.25 the minimum 7½ % a.v. rate becomes applicable. The duty on imported ⅛" hardboard (with an assumed weight of 750 lbs. per M sq. ft.) with a value within the aforesaid range is $2.72 per M sq. ft.).

denied certiorari from a decision of the Court of Customs and Patent Appeals.[3] The importers made a second unsuccessful attempt to upset the finding of dumping as to importers other than Elof Hansson in the *Hoenig Plywood* case. The validity of the finding was again upheld by the Customs Court and the importer abandoned its appeal in February, 1964.

After the finding of dumping was made, dumping duties were imposed by a protracted procedure involving preparation of a master list of Swedish hardboard home market prices for each year. It was nearly a year and a half after the August, 1954 finding before the master list covering 1953 and 1954 entries of Swedish hardboard was finally prepared in January, 1956. It was another year and a half thereafter before the master list covering 1955 entries was finally prepared. No master list for 1955 entries was prepared until 1958 and master lists for 1957, 1958 and later entries were not prepared until 1963.

In most cases where these duties were finally assessed, appeals were taken for reappraisement to the Customs Court and, at one point, there were more than 350 such cases pending before that Court. Incredibly, even as late as November, 1967, there were still approximately 100 hardboard antidumping cases pending on the Customs Court calendar, many of these cases having been first filed as early as 1958.

The deterrent effect of the Antidumping Act upon hardboard importers was dissipated by viture of the lengthy administrative delays in enforcing the dumping finding. The vast increase in the volume of hardboard imports referred to earlier in this Statement are clear testimony to this fact. Moreover, the dumping duties imposed on entries of Swedish hardboard, were watered down as the result of administrative "adjustments," and the duties ultimately imposed were mere token duties for the most part. Yet despite this dismal record of enforcement, five Swedish hardboard producers were released from finding on August 21, 1956, and another on October 1, 1956. All of the Swedish producers were released by January 8, 1964.

During the period of time the dumping finding was in effect with respect to Swedish hardboard, domestic industry attempted to cooperate with and to assist the Department of Justice in defending the more than 300 Customs Court cases which ulitmately ensued. Our attempt was frustrated, however, by the lack of cooperation given by the Customs Bureau. The Commissioner of Customs went so far as to instruct his department not to disclose any facts regarding assessments of antidumping duties of Swedish hardboard to the public. That instruction was used to prevent the domestic hardboard industry's attorneys from learning any of the pertinent facts regarding the pending suits—either to inform domestic industry of the actions taken to enforce the findings or for any other purpose. In both 1956 and 1958, attempts made by domestic industry to ascertain facts surrounding implementation of the hardboard dumping finding were rebuffed by the Assistant Secretary of the Department of the Treasury who advised that no information could be disclosed.

The effect of this attitude and the policy of confidentiality has operated to prevent domestic industry from deriving the intended benefits of the Antidumping Act whenever the Department of the Treasury of the Customs Bureau chooses not to actively implement it. This lack of vigorous enforcement has been shielded by a wall of confidentiality even where the matter is in the courts. We submit that such a policy is in direct conflict with the intent of the Antidumping Act and that it amounts to administrative frustration of congressional purpose.

Our unhappy experience with the Antidumping Act and the manner of its enforcement demonstrates the need for congressional reffirmation of the principles underlying the Act, and new legislation that will compel administrative adherence to those principles.

Specifically, we suggest legislation requiring the Customs Bureau to streamline the time-consuming procedures which have heretofore characterized enforcement of the Act. The technique of allowing "adjustments" to undermine the levy of dumping duties should be eliminated. The policy of confidentiality should be reversed. (The amended procedures under the Antidumping Act have made a

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[3] In the first appeal to reappraisement involving dumping duties assessed on Swedish hardboard, *Elof Hansson, Inc.* v. *United States*, 41 Cust. Ct. 519 (R.D. 9212) (1958), the Customs Court upheld the validity of the finding of dumping. The Third Division of that Court, in the Appellate Term (43 Cust. Ct. 627), A.R.D. 114 (1959) reversed. In turn, the Court of Customs and Patent Appeals reversed that decision and upheld the validity of the finding of dumping (296 F. 2d 779 (C.C.P.A. 1960); cert. denied, 368 U.S. 889 (1961)).

start in the last direction, but their coverage should be expanded to include public disclosure of pertinent information relating to the levy of dumping duties and the process of reappraisement.) Finally, the Department of the Treasury and the Customs Bureau should be compelled to recognize that domestic industry is intended to be the prime beneficiary of the Antidumping Act and that domestic industry is therefore entitled to full cooperation from these two agencies.

As pointed out in the next section of this Statement, adoption of the International Antidumping Code is not the way to achieve this result. In our judgment, the Antidumping Act of 1921 should be strengthened rather than dissipated and we therefore urge this Committee to propose legislation which facilitates vigilant antidumping enforcement.

THE INTERNATIONAL ANTIDUMPING CODE SHOULD BE GIVEN NO EFFECT IN THE UNITED STATES

The American Hardboard Association strongly endorses Senate Concurrent Resolution 38 of the 90th Congress, stating the sense of Congress that (1) the provisions of the International Antidumping Code are inconsistent with and in conflict with the provisions of the Antidumping Act of 1921; (2) the President should submit the Code to the Senate for its advice and consent in accordance with the United States Constitution; and (3) the provisions of the Code should become effective in the United States only in accordance with legislation enacted by the Congress.

The American Hardboard Association recommends that this Committee propose legislation which would nullify attempted implementation of the International Antidumping Code and strengthen the provisions of the Antidumping Act of 1921.

The conflict between the proposed Code and the existing Act is analyzed in detail in the Report of the majority of the Tariff Commission filed with the Senate Committee on Finance on March 13, 1968. We concur in that Report and we call particular attention to its conclusions (pp. 32–33):

"It is well settled that the Constitution does not vest in the President plenary power to alter domestic law. The Code, no matter what are the obligations undertaken by the United Sates thereunder internationally, cannot, standing alone without legislative implementation, alter the provisions of the Antidumping Act or of other United States statutes. As matters presently stand, we believe the jurisdiction and authority of the Commission to act with respect to the dumping of imported articles is derived wholly from the Antidumping Act, and 19 U.S.C. 1337."

Moreover, wholly aside from the illegality of administrative implementation of the International Antidumping Code, the American Hardboard Association opposes this action for policy reasons. In our judgment, no justification exists from undermining what little effectiveness remains in the U.S. Antidumping Act of 1921 by watering down the standards by which it is applied. In particular, we object to the following.

1. *Alteration of the Injury Test.* Article 3 of the Code provides in substance, that dumping duties may be imposed only in those cases where dumped goods are shown to be individually the cause of material injury, and the injury so caused is greater than that resulting from all other causal factors taken in the aggregate. Alternatively, the injury test applied under the Antidumping Act has always been whether the imports which are being sold at less than fair value were causing, or were likely to cause material injury, i.e., any injury which is more than de minimis. It has proven exceedingly difficult for domestic industry to establish "injury" even under the test applied under the Antidumping Act. Adoption of the standards proposed by the Code would be even more burdensome and would probably have the ultimate effect of eliminating antidumping protection in the United States by making proof of the offense impossible to establish as a practical matter.

2. *Narrowing the Regional Industry Test.*—Paragraph (a) of Article 4 of the Code defines "industry" in such a fashion as to require that all or almost all of the producers within a given "competitive market area" be injured materially before an affirmative determination of injury could be made. It would limit the concept of a regional industry to all producers "within such a market" who "sell all or almost all of their production of the product in question in that market." This new concept is unrealistic as applied to the United States since there is no industry of any significance in this country where all or substantially

all of the production in that industry is sold in a particular regional area. The United States comprises a vast number of regional markets and it would be simply impossible to establish a concentration in sales of the kind called for by the Code in one of these regional markets. The effect of this restrictive provision would be, as a practical matter, to read the regional industry concept right out of the antidumping laws of this country.

3. *Simultaneous Consideration of Dumping and Injury.*—Article 5 of the Code states that a dumping investigation must not be initiated unless the Administrator finds both arithmetic dumping and injury to domestic industry. This concept is wholly inconsistent with the established procedures of the U.S. Autidumping Act wherein the Treasury Department makes an initial determination as to whether there have been sales at less than fair value and the Tariff Commission thereafter determines whether or not there is injury or the likelihod of injury to domestic industry. As the Report of the Tariff Commission observes: "Effective simultaneity [in making these two determinations] in any real sense is not procedurally feasible or logical." Here again, a new concept sought to be injected into administration of the antidumping laws in the United States appears calculated to frustrate enforcement of such laws, and, in effect, to render them meaningless.

4. *Permissive Assessment of Dumping Duties.*—Paragraph (a) of Article 8 of the Code provides that the assessment of dumping duties is permissive rather than mandatory. This provision is altogether inconsistent with the U.S. Antidumping Act under which the assessment of such duties is mandatory and the amount of the duties so assessed is required to be the difference between fair value and the lower price at which sales are found to have been made.

5. *Elimination of Interim Safeguards.*—Under the U.S. Antidumping Act, the Secretary of the Treasury is required to authorize the withholding of appraisement as to merchandise entered or withdrawn from warehouse for consumption, where he has reason to suspect that there are sales at less than fair value. Once appraisement reports are ordered withheld, the merchandise is not released from customs except under bond with surety guaranteeing the payment of dumping duties should such duties thereafter be assessed. The Code would prohibit imposing such provisional measures until the administrator has made a preliminary decision that there are in fact sales at less than fair value and is in possession of adequate evidence of injury. Adoption of this principle by preventing the use of interim safeguards, would open the floodgates to dumping of imported merchandise in the United States. The procedures employed by the Treasury Department and Tariff Commission to make the necessary preliminary determinations called for by the Code would take several years to run their course, and during that period of time importers could literally make a killing without being subjected to any penalties whatever. It is simply inconceivable that this country would even consider adopting a provision of this kind that would invite dumping and, at the same time, prevent our customs administrators from imposing any sanctions upon the importers responsible for the dumping.

In summary, it seems apparent that adoption of the International Antidumping Code by the United States would undermine the traditional notions of dumping in this country to such an extent that its ultimate effect would be to eliminate dumping prohibitions altogether. Even though the U.S. Antidumping Act has been only sporadically and timidly enforced over the last several decades, its very presence and the threat of enforcement has deterred importers from flagrant abuses. Adoption of the Code would eliminate this safeguard and invite massive dumping.

ENDORSEMENT OF QUOTA LEGISLATION

The domestic hardboard industry has become thoroughly disenchanted with current U.S. trade policy. Hardboard imports have increased, as the result of tariff concessions and lax enforcement of our antidumping laws to the point where they exceed $17 million annually; yet no reciprocal concessions have been secured from any foreign countries to enable domestic industry to engage in any substantial amount of export trade. In short, insofar as our industry is concerned, U.S. trade policy has been a one-way street, inviting imports at the expense of domestic industry.

The fundamental unsoundness of this policy is starkly revealed in the dramatic decline in U.S. merchandise trade surplus, the persistent deficits in our balance of payments and the consequent weakness of the dollar. Much of the

blame for this condition rests upon U.S. trade policy which has invited massive penetration of American markets by foregin producers and thereby aggravated an already serious economic imbalance.

We submit that a change of direction is clearly in order, and we therefore advocate enactment of import quotas and urge this Committee to consider favorably. "The Fair International Trade Act of 1968," H.R. 17088 introduced May 7, 1968 by Congressman Utt. This proposal is designed to reverse the trend of our trade deficit by providing for expansion of imports only in proportion to the growth of domestic markets. By careful delineation of impartial standards for imposing quotas, this bill eliminates the risk of "speical interest" legislation and provides for application of uniform restrictions. In our judgment, it would ably serve the nation's best interests, as well as those of the domestic hardboard industry, and we commend it to the Committee's attention.

Statement of Hardwood Plywood Manufacturers Association

INTRODUCTION

My name is Clark E. McDonald and I am the Managing Director of the Hardwood Plywood Manufacturers Association. Our Association represents the domestic manufacturers of hardwood plywood and is the industry spokesman. Its membership consists of 65 of the leading producers of hardwood plywood and includes companies employing as many as 1,500 employees, as well as small manufacturers, in some cases family-owned, employing as few as 12. The members manufacture products ranging from wall panels and furniture components to shoe heels.

IMPACT OF IMPORTS ON HARDWOOD PLYWOOD INDUSTRY

The domestic hardwood plywood industry has been most severely affected by imports, this can be readily established by concrete evidence. In 1950, United States manufacturers produced 93% of our domestic consumption. That same year, plywood was added to the Offer List for the GATT Negotiations, despite the efforts of our Association (then, Hardwood Plywood Institute), which filed a brief and then made an appearance before the United States Tariff Commission and the Committee of Reciprocity Information. At the GATT Negotiations in 1951, the general duty on plywood was reduced from 40% ad valorem to 20% ad valorem.

The year 1952 was the beginning of the deluge, with the Japanese assuming the lead which they have yet to relinquish. By 1954, hardwood plywood imports had increased 740%, accounting for over one-third of the entire United States consumption. In the fall of that year, the Hardwood Plywood Institute filed an Escape Clause Complaint with the Tariff Commission; the hearings were held in March, 1955. In June, 1955, the Tariff Commission issued its decision finding no injury and stated that the downward trend of the industry had not existed for a sufficient length of time to establish serious injury.

By 1958, after plywood imports had increased 1500% from the 1950 total and accounted for more than 50% of the United States consumption, a second Escape Clause Complaint was filed. Hearings were held in April, 1959, and again the Tariff Commission denied relief. (See Chart—Exhibit A.)

There are 187 hardwood plywood mills in twenty-eight states (Exhibit B). The hardwood plywood mill is typically located in a small community and is its greatest supplier of income. The workers are generally unskilled or semi-skilled laborers, who have little job mobility. From 1953 to the present date, in spite of an overall 400% increase in domestic consumption of hardwood plywood, 93 domestic mills have ceased operation in communities which could ill afford the loss of any industry.

In spite of the rising costs of materials, labor and distribution factors, the domestic manufacturers, in order to compete with imports, have been forced to cut into domestic return on investment in order to survive. The following Wholesale Price Index Chart from the Department of Commerce discloses that the price of hardwood plywood has declined since 1951, contrary to most other products. (See Chart—Exhibit C.)

According to Association records, the average labor rate in a hardwood plywood mill in 1960 was $1.00 per hour compared with $1.55 in 1967. The figures speak for themselves.

OBJECTIONS TO ADMINISTRATION PROPOSALS

It is necessary to present the above background information as a prelude to our objections to the administration proposals.

Many times, the plight of our industry was explained with charts and other factual data before members of the special advisory team to the President on GATT Negotiations. As a result of our efforts, our industry won some well-deserved concessions from the across-the-board 50% tariff reductions at the Kennedy Round.

World trade is valuable and essential, but it must not be permitted to sacrifice American jobs and domestic industries. Our industry objects to the extension for two years of the authority of the President to enter into trade agreements with the authority to reduce rates by as much as 50% which he did no use by the close of the Kennedy Round of trade negotiations.

If our industry is any example of the few others that escaped the across-the-board slash, we believe that those few exceptions from further tariff concessions were very deservedly exempted after full and complete consideration by our negotiators. To place it within the power of the President to bargain and trade tariff concessions without reference to the affect on industries creates, in our opinion, a severe threat to industries already vitally affected by imports. We do not believe that the provision for adjustment assistance to firms and workers is the answer.

CONCLUSIONS

The very serious current domestic problems involving the lack of new employment opportunities in industries and the balance of payment crisis can very rapidly worsen as a result of increased tariff concessions and uncontrolled free trade.

Regulations and guidelines must be implemented to establish positive formulas for the determination of the impact of imports on any given segment of domestic industries. Our domestic manufacturers must not be placed in the untenable position of being put out of business on the basis of an individual discretionary decision, or by virtue of vague and unenforceable relief and adjustment or escape clause hearings.

As an industry that was told in 1954, after a 740% increase in imports and again in 1958 after a 1500% increase, that the domestic manufacturers had not been injured, we must go on record as begin firmly opposed to any further tariff concessions, or even the possibility thereof, that might have further detrimental effect on our industry.

EXHIBIT A

HARDWOOD PLYWOOD: U.S. MARKET SHIPMENTS, IMPORTS, EXPORTS, AND CONSUMPTION, 1950–67

[In thousand square feet, surface measure]

Year	Market shipments	Imports	Exports	Apparent U.S. consumption	Ratio of imports to U.S.	
					Shipments (percent)	Consumption (percent)
1950	[1] 752,908	57,835	365	810,378	8	7
1951	[1] 805,249	66,761	553	[1] 871,457	8	8
1952	[1] 794,857	84,931	260	[1] 879,528	11	10
1953	819,017	218,862	463	1,037,506	27	21
1954	755,464	426,054	431	1,181,097	56	36
1955	933,948	617,936	325	1,551,559	66	40
1956	886,640	695,515	496	1,581,659	78	44
1957	791,431	840,962	393	1,632,000	106	52
1958	803,572	907,165	1,129	1,709,608	113	53
1959	976,717	1,318,035	1,951	2,292,801	135	57
1960	944,028	1,014,853	1,845	1,957,036	108	52
1961	1,088,561	1,097,445	1,556	2,184,450	101	50
1962	1,230,502	1,438,964	2,707	2,666,759	117	54
1963	1,414,260	1,620,158	3,640	3,030,778	115	53
1964	1,598,007	1,946,697	3,156	3,541,548	122	55
1965	2,200,900	2,130,794	5,634	4,326,060	97	49
1966	2,164,200	2,553,764	7,423	4,710,541	118	54
1967	[1] 2,100,000	2,530,491	6,656	4,623,835	120	55

[1] Estimated.

EXHIBIT B

Number of hardwood plywood plants by States

State:	*Number of plants*
Alabama	8
Arkansas	3
California	8
Florida	4
Georgia	7
Illinois	1
Indiana	8
Kentucky	6
Louisiana	2
Maine	4
Massachusetts	2
Michigan	3
Minnesota	2
Mississippi	5
New Hampshire	2
New Jersey	1
New York	3
North Carolina	30
Oregon	13
Pennsylvania	4
South Carolina	16
Tennessee	6
Texas	5
Vermont	6
Virginia	10
Washington	8
West Virginia	2
Wisconsin	18
Total	187
Number of States	28

EXHIBIT C

U.S. BUREAU OF LABOR STATISTICS

[Wholesale Price Index (1957–59=100)]

Year	Hardwood	Birch [1]	Gum plywood [2]
1947	96.7	86.5	102.8
1948	100.9	90.3	107.5
1949	88.7	89.0	88.3
1950	96.7	96.4	96.7
1951	105.8	103.9	106.6
1952	96.6	102.0	92.9
1953	103.4	107.6	100.5
1954	95.7	101.9	91.5
1955	97.9	103.5	94.1
1956	99.9	103.6	97.4
1957	99.0	99.8	98.4
1958	99.7	100.0	99.6
1959	101.4	100.3	102.1
1960	102.8	101.2	103.8
1961	101.4	98.9	104.4
1962	97.8	94.7	103.8
1963	97.3	93.2	104.0
1964	98.5	94.4	104.9
1965	98.2	94.1	104.9
1966	99.0		
1957	97.7		

[1] Birch ¼" Standard Panel (specifications as below).
[2] Gum ¼" Standard Panel Grade 1-3 or 1-4, Type II Glue, 3-Ply, 48" x 96" car lots, manufacturer to wholesaler or dealer, f.o.b. factory, M per square foot.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

STATEMENT OF CHARLES M. GRAY, MANAGER, INSULATION BOARD INSTITUTE

This statement is filed on behalf of the domestic insulation board industry by the Insulation Board Institute in response to the May 9, 1968 announcement of the Honorable Wilbur D. Mills, Chairman of the House Committee on Ways and Means, inviting comments on U.S. tariff and trade policy.

SUMMARY AND RECOMMENDATIONS

The Kennedy Round of trade negotiations eliminated all tariff protection for insulation board by reducing the applicable duty rate to zero, effective in 1972. No reciprocal concessions were secured from foreign countries, however, with the result that domestic industry still faces high tariff walls in countries of export, particularly in Canada where the eventual "reduced" rate will be 15% a.v.

The disparity in duty rates is unfair. By inviting imports and countenancing barriers to exports, U.S. trade policy will harm the domestic insulation board industry and, more basically, will contribute to the instability of this country's competitive position in world trade. The imbalance of U.S. imports and exports, which current policies foster, must be reversed and reasonable protection must be restored for U.S. industry.

The Insulation Board Institute therefore recommends favorable consideration by this Committee of—

(1) legislation to restore higher tariffs;
(2) proposals to establish import quotas;
(3) legislation to levy border taxes on imported merchandise.

INSULATION BOARD

The Insulation Board Institute is made up of thirteen domestic producers of insulation board products accounting, in the aggregate, for about 97% of total U.S. insulation board production. A list of the member companies is attached.

Insulation board is a pre-formed, rigid fibrous building material made principally from wood or cane fibers. Its use contributed substantially to the strength and the thermal and sound insulating characteristics of a structure. The following list of insulation board products and their uses amply demonstrates the industry's importance in the construction market:

Types of board	*Principal uses*
Building board	General purpose structural insulation board; decorative interior finish; base for plastics, paints, wall coverings, and other interior decorative finishes.
Insulating roof deck	Three-in-one product; roof-deck, insulation and interior finish for flat, pitched or shed-type open beamed ceiling roof constructions.
Roof insulation board	Roof insulation under built-up roofing on flat roofs and under certain types of roofing on pitched roofs.
Ceiling tile: plain or perforated	Decorative insulating wall and ceiling panels. Also used with building board and/or plank.
Plank	Decorative, insulating wall and ceiling finish. Also used with building board and/or ceiling tile.
Wallboard	General purpose utility board.
Sheathing:	
Regular density	Wall sheathing under masonry veneer, siding, shingles, or stucco.
Intermediate density	Wall sheathing without supplementary corner bracing.
Nail-base	Wall sheathing in frame construction with direct application of exterior siding materials, such as wood or asbestos shingles.
Shingle backer	Undercoursing for wood or asbestos cement shingles applied over insulation board sheathing.

Types of board	*Principal uses*
Insulating formboard	Permanent form for reinforced gypsum or light weight aggregate concrete poured-in-place roof construction.
Sound deadening board	In-wall assemblies for apartments, commercial buildings, homes, hotels and motels to control sound transmission between units.

Under current conditions, domestic industry's position is a precarious one. After the post World War II building boom, while U.S. productive capacity continued to increase, the growth of industry demand began to slacken. This leveling-off process has continued to the present time, with the result that the industry is burdened with excess production capacity of about 30%.

This trend resulted from two basic factors. First, the use of insulation board is confined, almost exclusively, to the construction industry. Unlike particleboard and hardboard, it is a product which lacks versatility and the industry has been unable to create new uses for it outside construction. Insulation board today serves basically the same kind of construction purposes it has fulfilled for more than four decades.

The other factor contributing to the lagging U.S. demand for insulation board is the competition the industry has encountered from newer substitute materials. Insulation board, being made from wood or bagasse fiber, is a combustible product. There has been an increasing effort by building code agencies to restrict certain construction to noncombustible materials such as gypsum, mineral wool and fiber glass. This factor has served to confine the use of insulation board primarily to residential and farm construction, with only a limited variety of uses in industrial and public building construction.

The result of this combination of factors has been a saturation of the domestic insulation board market. Demand has increased by an average of less than one percent annually for the past fifteen years and is now about 30% below domestic production capacity.

Market limitations facing the domestic industry stemming from a saturated American demand and intensified competition from incombustible products, demonstrate the vulnerability of the industry to injury from imports.

TARIFF TREATMENT OF INSULATION BOARD

Insulation board was formerly classified under Tariff Item 1402 of the Tariff Act of 1930, as "pulpwood, wallboard . . . not plate finished." It is now classified under Item 245.90 of the Tariff Schedules as "Building boards not specially provided for, whether or not face finished . . . other boards of vegetable fibers."

The duty rate applicable to insulation board in 1963, when the Tariff Schedules were enacted, was 5% a.v., having been reduced from an original duty rate of 10% a.v. by virtue of a 1949 trade agreement concession. As a result of the bilateral trade agreement with Canada announced by the President on December 31, 1965, the duty rate was further reduced to 4% a.v. in 1966 and 1967, 3% a.v. in 1968 and 1969, and 2½% a.v. thereafter.

These reductions were increased and accelerated by the results of the Kennedy Round, under which the staged duty rate reductions for insulation board are as follows: 1968—3% a.v.; 1969—2% a.v.; 1970—1.5% a.v.; 1971—0.5% a.v.; 1972—Free.

Thus, in three and a half years, all tariff protection on insulation board will be eliminated, and imported insulation board may enter this country duty free.

NEED FOR TARIFF PROTECTION

For the domestic insulation board industry, the fruits of the Kennedy Round have been bitter indeed. In return for total elimination of tariff protection for insulation board in this country, our negotiators secured only token reductions in the tariff walls erected by other countries. Over the same five year period that U.S. duty rates will be reduced to zero, rates in the European Economic Community will go from 15% to 11%; rates in Great Britain and Northern Ireland from 20% to 18%; rates in Japan from 25% to 22½%; and rates in Canada from 20% to 15%.

It is perfectly obvious that there is no reciprocity here. As far as our industry is concerned, the Kennedy Round was a one-way street.

We contend that disparities in duty rates of this magnitude are patently unfair, and that they do not comport with the intent of Congress in authorizing the Kennedy Round. That authorization did not envision the kind of surrender that deprives our industry of tariff protection at home and leaves it faced with intolerable tariff barriers abroad. The Canadian "concessions" are particularly indefensible in return for 100% reduction by the United States, Canada reduced its duties by only 25% leaving in effect an eventual rate of 15% which will continue to inhibit fair competition between U.S. and Canadian producers in Canadian markets.

In light of these tariff disparities, therefore, we ask that Congress enact legislation suspending the staged rate reductions in duty rates negotiated in the Kennedy Round until truly reciprocal reductions are made by our trading partners—particularly Canada. Alternatively, we support the principle of import quotas proposed in over 700 bills introduced in the current session of Congress. As a further alternative, we support the proposal to impose a border tax on imports.

NEED FOR REVERSAL OF U.S. TRADE POLICY

While increased protection is of vital importance to our industry, we also suggest that such action has become necessary as a matter of over-all U.S. trade policy. For years, the United States has realized a substantial surplus in merchandise trade with the rest of the world. This surplus has been a key factor in offsetting chronic deficits in other sectors of U.S. trade—such as foreign aid, overseas military expenditures and tourist trade—with its associated gold drain, within tolerable limits.

But that surplus has now just about melted away. From a $4.1 billion surplus rate last year, the trade surplus for the first four months of this year—worked out to an annual rate—totals only about $1.3 billion. Moreover, a sizeable share of the export side of this balance (about $3.2 billion annually) is financed by the U.S. government under foreign aid and various other public programs. Taking this sum out of the balance, U.S. foreign trade accounts show a current deficit of about $2 billion annually.

Even when it enjoyed a comfortable trade surplus, the United States ran a deficit balance of trade and suffered a serious and continuing gold drain. The dramatic reduction in the U.S. trade balance surplus is certain to aggravate these problems and is likely to trigger further attacks on the dollar.

We recognize, of course, that the insulation board industry represents only a miniscule part of this over-all picture. But what is true of our industry is true of others as well: high tariffs in foreign countries greatly impede our ability to export, and the absence of protection at home invites the entry of imports. The aggregate effect of this kind of tariff structure in many industries (including insulation board) is to increase the adverse trend in U.S. trade balance and, ultimately, to weaken the American economy.

We suggest to the Committee that U.S. tariff and trade policies over the last decade must bear major responsibility for our shaky competitive posture in the world economy today. These policies have invited massive penetration of U.S. markets by foreign goods without securing reciprocal advantages for U.S. goods abroad. They have been all give and no take, and the process has undermined the strength of our economy. We call, therefore, for a complete overhaul of our tariff and trade policies to bring a halt to this potentially disasterous trend in our trade balance.

Specifically, we urge the Committee to propose legislation restoring reasonable tariff protection for U.S. industry and conditioning negotiation of duty concessions upon truly reciprocal concessions by foreign countries. As an alternative to tariff hikes, we endorse, as mentioned earlier, the establishment of import quotas or border taxes. Such policies would restore strength to the U.S. bargaining position in any future trade negotiations, and would require foreign governments to make realistic concessions as a quid pro quo for favorable tariff treatment in the U.S. They would reverse the trend toward surrender of our favorable trade posture and vastly strengthen the domestic economy.

STATEMENT OF STEWART M. TATEM, TATEM MANUFACTURING CO., INC.

The bills H.R. 10950 and H.R. 10973, were introduced for the purpose of rectifying an unfair situation that exists in our present tariff law schedules.

THE COMMODITY

Compressed laminated wood, not impregnated, is a wood material generally made up of thin sheets or veneers and compressed to varying degrees of density modifying the physical characteristics of hardness, strength, weight, etc. This material is generally manufactured in Europe from beechwood which produces, because of the physical characteristics, a superior machine part. This improved quality therefore improves the quality of the textile machine parts which follows through to improved more efficient production in our U.S. textile industry.

COMPARISON

Compressed laminated woods produced in Europe are sufficiently different in characteristic as to be unique and to my knowledge do not compete directly with domestic sources since our indigenous woods have never adapted well to the process due to technical physical differences.

THE PICKER STICK INDUSTRY

The picker stick industry is largely made up of small family type businesses that operate on a minimum capital base, and can be severely harmed by an inequity such as exists in our present tariff law. The product is a vital one to the operation of our textile industry which is a key industry in our economy, which in turn makes this relatively small picker stick industry an important cog in the nation's industry.

DUTY RATES

The present tariff schedules allow a finished picker stick (a textile loom part) produced with foreign labor to be entered under item 670.7400 at 12%[1] ad valorem. The same compression modified wood material in blank or semiprocessed form, used to make the picker stick in the United States with United States labor is entered under item 203.1000 and dutiable at 18%[1] ad valorem.

Therefore, the present rates are creating 44% increase in raw material cost to our picker stick industry before we meet the labor cost differential which exists. These products are usually produced to custom spec's, and therefore produced in job shop type of operations that do not allow the technological sophisticated high volume production advantages needed to make up the difference in the aforementioned costs.

PURPOSE

It is my purpose to seek the simplest most equitable solution to this problem in the framework of forward looking economic cooperation within the U.S. and with our foreign neighbors. Therefore I do not feel the approach should be to erect "protective tariffs" or quotas as barriers. Rather we should look at what we have, find out how we got here, and proceed to correct the problem. I cannot criticize the duty rates on textile machinery and accessories as they appear to be equitable. The situation with respect to compression modified wood was not optimum under the 1930 Tariff Act but was made anomalous by the tariff revision effective in 1963. However, it is my opinion that the raw or semiprocessed material should be allowed to enter the U.S. at a lower rate than the finished product made from the same material by foreign labor. I understand that that principle prevails in other commodities where in some cases raw materials are entered duty free.

The customs appraiser Goodwin at the Port of Boston once stated that the rates do not seem equitable but he, of course, had no choice and therefore assessed the duty according to law. The materials in the form of sheets, blocks, etc. are sufficiently uniform and limited in size as to make them easily recognizable for the purpose of specific classification to their use in the production of picker sticks.

[1] Reflects G.A.T.T. adjustments.

OTHER LEGISLATION OFFERED

On August 12, 1965, Senator Thurmond of South Carolina offered an amendment to H.R. 7969 to help correct this inequity and it was passed in the Senate but was deleted in the conference committee I understand because it did not originate in the proper chamber.

On March 23, 1966 Congressman St. Onge of Connecticut introduced H.R. 13953 but the bill was never reported out of committee due to lack of time for departmental reports.

BENEFIT FROM LEGISLATION

I feel the proposed subject legislation is the simplest, most equitable solution to the problem and will, 1. alleviate a serious burden now weighing down a small yet important industry of small family business as stated, and 2. help to assure the continued supply of vitally needed textile machine parts to that industry at stable and possibly reduced prices, 3, to insure the continued opportunity for U.S. labor to produce these products.

SPECIFIC ACTION

Therefore it is respectfully requested that you give this matter—either H.R. 10950 introduced by Hon. Robert R. Ashmore, State Representative from South Carolina, or H.R. 10973 introduced by Hon. William L. St. Onge, State Representative from Connecticut—after careful study and serious consideration a favorable report for early action by the Congress.

(Whereupon, at 4:40 p.m., the committee adjourned, to reconvene at 10 a.m., Friday, June 28, 1968.)

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