U.S. Trade Policy and Congressional Opinion (*)

by

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"Foreign governments have difficulty in understanding the unique United States system of trade policy formation and administration. The U.S. Congress has the constitutional responsibility for regulating trade but it delegates the administration of this responsibility to the Executive."

(The Williams Commission Report)

INTRODUCTION

United States trade policy has traditionally been primarily concerned with the level of import tariffs imposed on foreign products entering the U.S.A., and in more recent times, with reciprocal actions taken by foreign nations importing American goods. The U.S. policy has throughout history embraced both "protectionists" and "free trade" concepts and virtually every enactment by Congress affecting trade policy has represented in a small degree a compromise between the respective position of these two opposing attitudes to U.S. commercial relations. Protectionism is considered a policy of fostering home industries by imposing relatively high tariffs on imports from abroad, whereas free trade promotes international trade independent of government regulation and free of protective duties. There are only two methods by which a U.S. trade agreement can become effective. The President may negotiate such an agreement in the form of a treaty which becomes effective upon ratification by a two-thirds vote of the Senate, or he may negotiate such agreements and put them in effect without Senate ratification, provided he is authorized to do so by an act of Congress [15, p. 29] (*)

(*) A significant contribution to this paper was made by Wm. W. Brannon.
(†) Bibliography on p. 94.
Since 1967, when the Trade Expansion Act of 1962 expired from a trade agreement standpoint, the President of the United States has been without authority to carry out agreements with other countries for tariff reductions. In 1968, President Johnson attempted to extend the Trade Expansion Act but hearings by the Ways and Means Committee produced no conclusive action. This question of U.S. trade policy with other nations has received major attention recently in both the House and the Senate as a result of the Proposed Trade Act of 1970. The features of this abortive trade bill, which have caused the most controversy, would have authorized the imposition of U.S. import controls on several categories of foreign-made products, particularly textiles and footwear.

THE TRADE EXPANSION ACT OF 1962

Present U.S. trade policy is expressed in the Trade Expansion Act of 1962 whose general purposes were to stimulate the economic growth of the United States and maintain and enlarge foreign markets for the products of U.S. agriculture, industry, mining and commerce; to strengthen economic relations with foreign countries through the development of open and nondiscriminatory trade in the free world; and to prevent Communist economic penetration [34, p. 1].

Trade agreements

The President was authorized to establish categories of goods in whose trade the United States and all countries of the European Economic Community (EEC) together accounted for approximately 80 per cent of the world's export value, and to demand duties on such categories. The Act also authorized the President, through negotiations over the period 1 July 1962 to 30 June 1967, to reduce duties by 50 per cent of the 1962 levels in return for appropriate foreign concessions on tariffs and other matters relating to trade. This was known as the Kennedy Round, which was the sixth round of the General Agreements on Tariff and Trade negotiations with over 50 countries beginning in 1964 [24, p. 99]. The goal for across-the-board tariff reductions of 50 per cent was agreed to by Austria, Denmark, Finland, Norway, Sweden, Switzerland, Japan, United Kingdom, United States and the EEC (negotiating as a unit). Other countries, primarily developing and less-developed nations, agreed to grant concessions on a reciprocal and item-by-item basis but not on an across-the-board of linear basis. Nations that were participating on a linear basis also submitted
exception lists to the 50 per cent tariff reductions and lists of offer for agricultural products. At the conclusion of the Kennedy Round, worldwide tariff reductions approximated 35 per cent on over 6,000 products, primarily manufactured goods [4, p. 5]. Although it some cases tariffs were eliminated, a number of products such as steel, textiles, and foodstuffs were not touched by the tariff cuts, or received only modest cuts.

The President was also authorized to reduce or abolish tariffs on certain agricultural products even if they did not meet the provisions of the 80 per cent rule, if he felt that such action was necessary to maintain or increase the level of U.S. farm exports. Additionally, the Act authorized the abolition of tariffs on products currently dutiable at a rate of 5 per cent or less [53, p. 35]. Further, the President had the authority to respond to restrictive trade practices employed by other countries. He could withdraw any concessions to any country which applied unreasonable restrictions to U.S. imports and could authorize the imposition of duties or restrictions on imports from countries which employed burdensome restrictions on U.S. agricultural exports. Under the “National Security” provisions, the President was authorized to restrict those imports which he felt threatened U.S. national security and could suspend any “most favored nation” benefits which had been extended since 1930 to countries dominated by Communism, if in his judgement such action would promote a nation’s independence from Communist domination. Other provisions of the Act required the President to provide the Tariff Commission with a list of the articles he planned to negotiate; to establish an interagency trade organization at Cabinet level within the Federal Government; and to appoint a special representative for trade negotiations who would be the principal U.S. spokesman in trade matters with other countries [53, p. 36].

**Tariff adjustment and adjustment assistance**

After a thorough investigation by the Tariff Commission, the President could act to mitigate the impact of tariff reductions on U.S. industry, where it could be demonstrated to the satisfaction of the Tariff Commission that business firms were being hurt by increased imports, resulting from either past or future tariff cuts. The President was further authorized to raise tariffs, negotiate quota agreements or provide federal assistance to business firms that were injured. Assistance to firms under this adjustment assistance clause authorized
business firms to carry back a net operating loss, for tax purposes, for 5 years instead of 3 years; provided technical assistance to affected firms; and furnished or guaranteed direct loans for rebuilding or reinvestment. Additionally, if workers were affected by tariff reductions, the Act authorized unemployment compensation, retention and relocation, and travel allowances.

THE "PROTECTIONIST" TRADE BILL OF 1970

In November, 1969, President Nixon sent a special message to Congress on foreign trade coupled with proposed legislation to further the movement towards freer trade... termed the Trade Act of 1969. The President stated in part: "It continues the general drive towards freer world trade. It also explicitly recognizes that while seeking to advance world interests, U.S. trade policies must also respect legitimate American interests, and that to be fair to U.S. trading partners does not require us to be unfair to our own people" [49]. As H.R. 14870, the Administration bill or proposal was introduced in the House of Representatives by Representative John Burns, ranking Minority Member of the Committee on Ways and Means (the body which has legislative responsibility for all revenue bills). The bill stated as its purpose: "to continue and strengthen the trade agreements program of the United States; to establish a viable program of tariff adjustment for industries and other assistance for firms and workers affected by imports; and to promote the elimination or reduction of non-tariff barriers to trade" [49].

Concurrently, some 200 bills were in the House seeking to limit by tariff or quota U.S. imports of textiles, footwear, steel and other products competing with domestic industry. Significant among them was H.R. 16920 authored by the Ways and Means Committee Chairman Wilbur Mills. The Mills Bill contained a variety of provisions not included in H.R. 14870 and included the authorization of import quotas on textiles and footwear products.

Hearings on the proposals were concluded on June 25, 1970, and the Administration's bill (H.R. 14870) was altered and included in the Mills bill (16920). The revised bill is now known as H.R. 18790 or the Trade Act of 1970. Generally, the bill authorized the repeal of the American Selling Price (ASP), a system of tariff valuation in which duties imposed on classes of chemical products imported into the United
States are based on the wholesale American selling price of such products rather than the customary European price; imposed quotas on the import of textiles and footwear unless the United States was able to negotiate voluntary quotas with the foreign nations involved; authorized the President to cut tariffs by as much as 20 per cent and provided for Congressional appropriations for U.S. participation in the General Agreement on Tariffs and Trade (GATT). [36, p. 11].

Specifically, the main features of HR 18790 provided for trade agreement authority, tariff adjustment, annual quotas, adjustment assistance on textiles and footwear, and associated trade provisions.

**Trade agreement authority**

The President would have had extended authority to make reductions in the rates of duty under the Trade Expansion Act of 1962 to 1 July 1973. This authority would be limited to 20 per cent of the rates or duty which will exist when the final stage of the Kennedy Round reduction is made in January 1972. The bill provided new authority and direction to the President to act against import restrictions or other acts of other countries which unjustifiably or unreasonably burden or discriminate against United States commerce. An amendment to the Trade Act of 1962 removes the word "agricultural", so the President could take such action as he deemed necessary and appropriate when a foreign country unjustifiably restricts any United States product. Such action might include the imposition of duties or other import restrictions on foreign products imported into the United States. The President is also directed to take action against foreign subsidies and is given new authority to take such action as he deems necessary against the imports of a foreign country when it is appropriate to obtain the removal of restrictive acts or subsidies and to provide access for U.S. products to foreign countries on an equitable basis. Further, the President will be directed to impose duties or other import restrictions when unreasonable foreign import restrictions substantially burden U.S. commerce.

Further, determination and import adjustments for safeguarding National Security will be determined by the Director of the Office of Emergency Preparedness within one year after an investigation is requested. (Current law sets no time as to when determinations are to be made [47, H 10486]).
TABLE I
U.S. ratio of imports to consumption, 1970

<table>
<thead>
<tr>
<th>Item</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles (including apparel)</td>
<td>12%*</td>
</tr>
<tr>
<td>Steel</td>
<td>15%**</td>
</tr>
<tr>
<td>Flatware</td>
<td>22%*</td>
</tr>
<tr>
<td>Footwear (nonrubber)</td>
<td>30%*</td>
</tr>
<tr>
<td>Leather gloves</td>
<td>30%*</td>
</tr>
<tr>
<td>Sewing machines</td>
<td>49%*</td>
</tr>
<tr>
<td>Black and white televisions</td>
<td>52%**</td>
</tr>
<tr>
<td>Amateur motion picture cameras</td>
<td>66%*</td>
</tr>
<tr>
<td>Radios</td>
<td>70%**</td>
</tr>
<tr>
<td>Calculating machines</td>
<td>75%**</td>
</tr>
<tr>
<td>Hairworks, toupees, and wigs</td>
<td>85%*</td>
</tr>
<tr>
<td>Magnetic tape recorders</td>
<td>96%**</td>
</tr>
<tr>
<td>35 mm still cameras</td>
<td>100%**</td>
</tr>
</tbody>
</table>

* By value.
** By volume.

Source: Peter G. Peterson, A Foreign Economic Perspective.

Tariff adjustment

The tariff adjustment criteria for determining serious injury to an industry will be reviewed by the Tariff Commission to determine if increased imports are substantially contributing to the serious injury of a domestic industry. If this is the case, then a majority vote of all of the members present is necessary for a decision. If an affirmative determination is made by the Tariff Commission, then an additional determination must be made considering the following: (1) Do imports of the articles in question constitute more than 15 per cent of the U.S. consumption in the first calendar year preceding the calendar year in which the investigation was made? And has there been an increase of 3 percentage points in the ratio of the imported articles to consumption over the second calendar year and 5 percentage points over the third preceding calendar year? (2) Is domestic production...
of the competitive product declining or likely to decline to a point that will substantially affect the ability of the domestic producers to continue to produce so as to realize a reasonable profit? (3) Is the imported article offered for sale at a price which is substantially below that of like competitive products produced in the United States? Do they constitute an increase in the proportion of domestic consumption? Additionally, are the labor costs necessary to produce the imported article substantially below those costs required to produce a like or competitive article in the United States? [47, H 10487]. Incidentally, the President does not have to provide tariff adjustment for an industry or workers after a favorable injury determination by the Tariff Commission but must provide them an opportunity to request eligibility for adjustment assistance.

**Adjustment assistance**

The criteria for adjustment assistance are similar to those of tariff adjustment and the Tariff Commission will make a report to the President to assist in his determination of adjustment assistance. The amount of trade adjustment allowances payable to workers who have been adversely affected by imports will be from 65 to 75 per cent of their weekly wage [47, H 10488].

**Annual quotas of textiles and footwear**

Generally, textiles are considered as those articles made of cotton, wool, man-made fibers and combinations thereof. Footwear are those articles which are considered non-rubber. The total quantity of imports of certain textiles and footwear will be limited by category and by country beginning in 1971, to the average annual quantity imported during the period 1967-69. After 1971, the total quantity of imported textiles and footwear will be limited to the quantity determined for the foreign country for the preceding year, plus some increases to be determined by the President. Such increases, however, will not be over 5 per cent of the total quantity permitted entry to the U.S. and would be across-the-board or the same for all countries [47, H 10489].

The President may limit the quantity of imports for periods of less than a year and may exempt the imports from quotas. This would apply when he feels that the articles in question would not disturb the U.S. market or would be in the best interest of the United States. He may also negotiate agreements whereby imports may be controlled, and if so, would not fall under the quantitative limitations.
The Bill provides that the President would terminate quota limitations in July 1976, unless he determines that extensions, not to exceed 5 years, would best serve the national interest [47, H 10490].

Other trade provisions

The President will be authorized to modify tariff schedules as appropriate to carry out international agreements which relate to the elimination of the American Selling Price if he considers reciprocal concessions granted the United States acceptable. However, this would be subject to Congressional Resolution.

The Secretary of the Treasury will be authorized to act within four months as to the status of dumping actions, i.e. the sale in the U.S. of products at prices below the price at which the products are normally sold within an exporting country.

Perhaps one of the more important provisions would be the imposition of tariff rates or suspension of trade with those nations having no systematic control of opium, heroin, etc., which would permit these drugs to fall into illicit trade channels and ultimately be consumed in the United States.

Domestic international sales corporations

This new proposal would allow the right of tax deferral on profits realized from exports with the primary purpose to encourage expansion of U.S. exports. Qualification for DISC, however, would require that 95 per cent of a corporation's receipts must accrue from export-related activities. The central emphasis is on the sliding scale principle — only 50 per cent of exports would be taxed in 1970, 25 per cent in 1971 and 1972, and none thereafter [47, H 10460].

PRESSURE GROUPS

As a result of the above described bill, foreign and domestic interests engaged in an all-out fight over U.S. foreign trade policy. This struggle has produced intensive lobbying at all levels in order to influence American public opinion. The major stake has been the continuance of a freer U.S. trade policy rather than a return to protectionism as proposed by the Trade Bill of 1970. Perhaps two of
the largest lobbyists are the multinational corporations, which are in favor of freer trade, and the labor unions lobbying for a greater degree of protectionism so as to protect U.S. employment.

Lobbyists for liberalized trade

The Emergency Committee for American Trade (ECAT) with a membership of some fifty companies is the general spokesman for the multinational corporations. These multinationals feel that peace can be brought about by interlocking channels of trade and finance throughout the world rather than by a balance of power among nation states [35]. Attempts to suppress competition from abroad are not considered economically feasible or in the best interest of a free society.

The Committee for a National Trade Policy (CNTP) has long been an advocate of free trade and as such is opposed to the Trade Bill of 1970, since they consider it a serious attack upon the antitrust policy of the U.S. [35, p. 3069].

The American Farm Bureau Federation (AFBF) favors lower trade barriers since the production from one acre out of four is exported and U.S. agricultural exports would be one of the first categories of exports foreigners will attempt to curtail. The AFBF estimates that the passage of the Trade Bill would seriously injure agriculture more than any other segment of the U.S. economy [35, p. 3069].

The Chamber of Commerce of the United States supports continued free trade, and its representatives have emphasized that almost four million American jobs depend on exporting and importing. They believe that the Trade Bill of 1970 would jeopardize these jobs by foreign retaliation [35, p. 3069].

The American Importers Association (AIA) feels that there has been no case of injury in the textile and apparel industries and that international negotiations on wool and man-made fiber textiles have not produced an agreement, since the U.S. has insisted on a comprehensive arrangement covering all textile products without proof or demonstration of injury [35, p. 3070]. This impasse in negotiations is felt to be due to the unreasonableness of the U.S. rather than specific attitudes of foreign nations.

The Committee of Economic Development (CED) supports continued free trade policies and stresses that the U.S. should take the initiative by promoting free trade since without such a movement, the
U.S. and other leading trading nations will slip back into economic nationalism. The most basic problem of the U.S. is that although national interest is served when U.S. capital and workers are engaged in the most efficient industries, a continuous process of restructuring is required to meet changes produced by competition. The most prudent approach is to negotiate with foreign countries involved to remove restrictive measures likely to distort trade [8, p. 271]. A desirable system would be an adjustment assistance program for import competition that is part of a comprehensive assistance program which would deal with adjustments necessitated by domestic as well as foreign developments.

**Lobbyists for protectionism**

The AFL-CIO feels that the U.S. position in world trade has deteriorated in the 1960’s due to the spread of government managed national economies, the internationalization of technology, increase in imports, and the rising growth of the multinational corporations. U.S. imports have risen faster than exports. As a result, in the latter 60’s the trade surplus dropped from $ 5 billion in the early 60’s to $ 1.3 billion in 1969. The increase in imports has had a definite impact on U.S. employment and with the rise of multinational corporations, U.S. jobs are being unnecessarily exported. It appears that during the period 1966-69 some 700,000 American jobs were lost due to the rising tide of imports [8, p. 274]. Production and maintenance workers — usually the unskilled, semi-skilled and the most vulnerable — are being forced to bear most of the deterioration of the U.S. position in world trade.

The Trade Relations Council of the United States argues that some basic industries in the U.S. have experienced a net trade deficit of their products due to the reality that the U.S. has reduced its tariffs so low. Additionally, a high competitive advantage is realized by countries which have the same technology and worker motivation as does the U.S. [35, p. 3065].

The American Textile Manufacturers Institute (ATMI) maintains that the American textile-apparel industry with its 2.4 million employees along with hundreds of thousands of people engaged in the allied activity of cotton, wool and man-made fiber production, is far too valuable a national asset to be traded off to foreign producers [8, p. 276]. The ATMI favors restrictive trade legislation, since the future of the textile industry and whether it will continue to function as one of the country’s major sources of employment at all skill levels and as a custo-
TABLE II

U.S. trade in selected manufactured products

<table>
<thead>
<tr>
<th>Million US $</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exports</td>
</tr>
<tr>
<td><strong>Technology Intensive</strong></td>
<td></td>
</tr>
<tr>
<td>Fabricating Machinery</td>
<td>1,956</td>
</tr>
<tr>
<td>Motor Vehicles and Parts</td>
<td>3,549</td>
</tr>
<tr>
<td>Aircraft and Parts</td>
<td>2,659</td>
</tr>
<tr>
<td>Basic Chemicals and Compounds</td>
<td>1,642</td>
</tr>
<tr>
<td>Power Generating Machinery</td>
<td>1,395</td>
</tr>
<tr>
<td>Computers and Parts</td>
<td>1,104</td>
</tr>
<tr>
<td>Scientific and Professional Instruments</td>
<td>857</td>
</tr>
<tr>
<td>Construction Machinery</td>
<td>733</td>
</tr>
<tr>
<td>Telecommunications Apparatus</td>
<td>661</td>
</tr>
<tr>
<td>Synthetic Materials</td>
<td>653</td>
</tr>
<tr>
<td>Electric Power Machinery</td>
<td>611</td>
</tr>
<tr>
<td>Medicinal and Pharmaceutical Products</td>
<td>421</td>
</tr>
</tbody>
</table>

| **Non-technology Intensive**     |        |         |         |
| Yarns, Fibers, and Fabrics       | 603    | 1,136   | -533    |
| Clothing                         | 200    | 1,267   | -1,067  |
| Footwear                         | 10     | 630     | -620    |
| Paper and Manufactures           | 622    | 1,087   | -465    |
| Iron and Steel                   | 1,270  | 2,032   | -762    |
| Nonferrous Metals                | 964    | 1,652   | -688    |
| Furniture                        | 54     | 231     | -177    |
| Wood Manufactures                | 132    | 414     | -282    |

mer for large amounts of goods and services from other industries, as well as agricultural products, is at stake. The significance of the textile industry is somewhat unique and has been called the "gateway industry" because it offers opportunities for people of diverse skills and talents to hold down jobs which require varying degrees of training. There is a social impact also, since the textile industry employs an unusually large number of Black Americans, as well as women. (Some 43 per cent of the textile and 80 per cent of the apparel workers are women.)

The Nation-wide Committee on Import-Export Policy (NCIEP) does not favor liberalized trade and feels that the anti-tariff crusade that has lasted for the past thirty years has not produced the projected trade paradise. NCIEP contends that the U.S. has received little from its trading partners in return for reductions in American tariffs. Imports have grown to the degree that in some cases they account for 25-40 per cent of the domestic consumption, and protective measures must be implemented to curtail the erosion of U.S. industry. This Committee points out that other nations surely will understand practical acts of economic self-preservation and that any nation must avoid rising unemployment caused to a large degree by unfair foreign competition and the flooding of U.S. markets [8, p. 286].

CONGRESSIONAL OPINION

The 1970 Trade Bill received a great deal of attention in the House and after two days of extensive debate HR 18970 (Trade Act of 1970) passed by a roll call vote of 215 for and 165 against and was sent to the Senate on 19 November 1970 [27, p. 2847], where it encountered vigorous opposition. Most arguments centered around prices and the jobs that will be lost due to the imposition of import controls and the jobs that have been lost due to the unfair competition of foreign imports.

Arguments against the trade bill

Honorable Philip Crane of Illinois said that "the trade bill is the biggest anti-consumer bill seen so far. It will permit the U.S. to enforce quotas on shoes and textiles which will mean higher prices and may start a trade war..." [39].
Honorable Peter Frelinghuysen of New Jersey stated:

There are about four million jobs attributable to U.S. imports and one person out of four in the New Jersey and New York metropolitan area earns his living in the field of foreign trade. The port of New York handled $1 billion worth of textiles and footwear in 1969. Numerous shipping companies are operating at a loss now and the economic impact on the port of New York, including the Jersey side is staggering. Passage of the trade bill will be a calamity and other trading partners will surely retaliate. The total tonnage that would be authorized in the textile area alone would be some 262,518 tons for 1971, which is less than 1968 and 1969. The total tonnage in footwear also would be much less in 1971 than in 1968 and 1969. It is estimated that nearly 2 million people have jobs associated with ports and employment will be cut in half if the trade bill passes [44].

Honorable James Scheuer of New York stated:

More than 4,000 economists have signed a letter warning that the trade bill will cause gross inflation and hurt the U.S. position in the world trade market. These warnings however are drowned out by the mushroom growers of Pennsylvania, Hawaiian passion-fruit producers and other businessmen who want protection from low priced imports. The bill rigidly limits imports of textiles and footwear and the 1971 level must be held to the 1968-69 level, which will result in a 30 per cent reduction from current levels.

The bill's most mischievous feature is the so-called "trigger mechanism". It forces the President to impose quotas and higher tariffs on any foreign product that is increasing rapidly in sales and has captured 15 per cent of the U.S. market, provided the U.S. industry can prove injury. The consumer has never been heard and he must pay the bill. It is estimated that by 1975 consumers will be paying an extra $3.7 billion a year for shoes and textiles alone. The reason is that Americans will not be able to get low priced imports as easily as they do now, and the prices of U.S. goods will rise because of less competition from abroad. The costs also will be primarily borne by the poor, who must spend a larger share of their income for shoes and textiles than the well-to-do.

Japan is presently attempting negotiations for voluntary limitations to avoid the rigid quotas of the trade bill. European governments are conferring on ways to retaliate against American exports. The first target will be the $500 million worth of soybeans the U.S. farmers sell annually to Europe. Next may come small airplanes, computers and light industry. It's time to take note of what is happening, since U.S. exports produce more income to the U.S. than the auto or home building industries [48].

Honorable Charles Walen of Ohio stated:

After more than forty years of progress toward freer international trade, the U.S. is suddenly threatened to retreat once again into protec-
tionism. The Trade Bill of 1970 would mark a definite reversal of the policy the nation has pursued since Cordell Hull. In fact, it would enjoy the dubious distinction of being the most restrictive trade legislation since the Smoot-Hawley Tariff of 1930. There have been numerous mistaken assumptions: For example, the foreign competition is unfair because pay scales are lower than in the U.S.; or that the U.S. is the only open market on earth. Actually, low wages abroad are associated with lower productivity. The U.S. can maintain its wage differential and its higher standard of living provided its workers continue to be more productive. Curbing imports of textiles, shoes and other products would remove the spur of competition which is one of the most important factors promoting productivity.

The notion that the U.S. is an "open market" is pure myth. More than 20 per cent of U.S. imports are controlled by quotas (such as oil and farm products). The average U.S. tariff level on industrial goods is above the Common Market average. American businessmen however do have some ground for argument in view of the Japanese quotas and barriers to U.S. products. The Common Market is also creating discriminatory trade blocs thru preferential trade agreements with other countries in violation of GATT. The U.S. can maintain its commitment to freer trade and still refuse to condone the double game of trade as practiced by some nations. The President now has extensive powers to protect American producers and, by insuring that U.S. producers are on an equal footing with foreign competitors, will negate the restrictive trade barriers proposed by the Trade Bill of 1970 [52].

**TABLE III**

<table>
<thead>
<tr>
<th>Tariffs on industrial trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
</tr>
<tr>
<td>------------------------------</td>
</tr>
<tr>
<td>United States</td>
</tr>
<tr>
<td>European Community</td>
</tr>
<tr>
<td>United Kingdom</td>
</tr>
<tr>
<td>Japan</td>
</tr>
</tbody>
</table>


**Arguments in favor of the trade bill**

Honorable John Dent of Pennsylvania stated:

The flood of imports in such major industries as electronics, steel, textiles, shoes, apparel, glass and others has reached such flood proportions
that millions of American jobs are threatened. Other nations through tariffs, taxes and quotas are keeping out U.S. goods. Imports affect many industries but the strongest challenge to Pennsylvania is in the areas of electronics, footwear, steel and apparel. Pennsylvania is one of the major footwear producing states in the union with 150 shoe factories employing 29,000 people. In 1968 these factories produced 85 million pairs of shoes and in 1969 production dropped to 78 million pairs due to imports. Some 200 million pairs of footwears are expected to be imported into the U.S. this years. If these shoes were produced in the U.S. it would mean jobs for 40,000 additional people.

Steel is also in a critical position. Continued imports will create ghost towns since it has been estimated that the impact of increased steel imports will equal the exportation of 70,000 jobs. Labor costs continue to be a problem. Some advocate that the consumer should get the best product for the best price. Japanese cars cost as much as U.S. compacts and the wage differential is some $ 3.90 an hour between Japanese and U.S. workers. Whot gets the benefit? Not the American consumer [40].

**TABLE IV**

**Quantitative restrictions on industrial trade**

<table>
<thead>
<tr>
<th>Country</th>
<th>Value of industrial imports subject to QR's $(billions of $)</th>
<th>Percent of industrial imports subject to QR's</th>
</tr>
</thead>
<tbody>
<tr>
<td>European community</td>
<td>0.9</td>
<td>4.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Japan</td>
<td>1.4</td>
<td>11.4</td>
</tr>
<tr>
<td>United States</td>
<td>5.1</td>
<td>16.5</td>
</tr>
</tbody>
</table>


Honorable Walter Mizell of North Carolina stated:

I believe no nation in the world need fear the Trade Bill of 1970. The Japanese need not fear it since it provides for them a sizeable portion of the American textile market and provides for expanded increases as the market continues to expand. A textile company in North Carolina was forced to curtail operations due to the price competition of imports and consequently 400 people lost their jobs. Almost 10,000 have lost their jobs state-wide due to the flooding of the textile markets with cheap labor from the Far East employed at rates with which we cannot compete. I believe that our trading partners will recognize the need for us
to see to it that American workers are not systematically excluded from earning a living as a result of our own trading policies [46].

Honorable Orval Hansen of Idaho stated:

Liberalized trade has some real problems that need immediate attention. The upsurge of textiles and apparel imports has been tremendous. By the end of the decade of the 60's U.S. import of textiles was in excess of $2.1 billion a year, more than double that of the early 60's. Loss of jobs due to increased textile and apparel imports amounted to over 200,000 in the 60's. It stands to reason also that the domestic apparel industry, in which hourly earnings in 1969 were $2.31 cannot compete successfully with imports produced by labor which is paid as little as $0.26 per hour in Hong Kong and $0.39 per hour in Japan.

Opponents of the bill simply refuse to recognize that the period of reconstruction following World War II has long passed; that this is 1970; that the economies of our major trading partners are flourishing; that despite such circumstances these nations retain a variety of trade barriers and that trade is a two way street [43].

Honorable James Burke of Massachusetts stated:

The world has changed so dramatically that what is defended as free trade is to a great degree no longer free or trade. A new approach is needed to save the livelihood and purchasing power of America's millions of working families. Some 700,000 U.S. workers have lost their jobs between 1966-69 due to imports. The provisions of the trade bill are urgently needed now to prevent further erosion of U.S. jobs and the dismantling of our productive capacity. Because of the inadequacies of the present laws, U.S. production of radios, black and white television sets, sewing machines and many other items have almost been wiped out due to the rise of imports. The entire world is wise enough to know that the U.S. has a problem and that Japan and the Common Market have full employment, while we have a jobless rate of approximately 6 per cent annually [37].

In summary, those Congressmen who favor the trade bill feel that the competitive position of the U.S. has become so weak that imports need to be curtailed; that the U.S. is losing ground due to high American wages; that low foreign wages make import competition unfair, and that the textile and shoe industries, in particular, need to be protected due to the volume of foreign imports. Those who are against the bill contend that the U.S. is competitive; that exports still exceed imports; that the economic position of the U.S. is not solely dependent on international trade; that differences in prices is what actually stimulates trade; that there is no economic reason to impose quotas on textiles and shoes, since such industries have not asked for any assistance, and that economic adjustment is the key to import competition and such adjustment is the essence of a free enterprise system.
U.S. TRADE POSITION

The foreign trade of the United States, although larger than the foreign trade of any other country, is somewhat small relative to the Gross National Product. The percentage of U.S. exports to GNP has ranged from 3.2 per cent in 1934 to 3.9 per cent in 1968 and averages about 3.9 per cent annually. Between 1958 and 1968 imports increased from 3.0 per cent to 3.8 per cent of the GNP. This rate of increase has been more rapid than the rate of exports and GNP [15, p. 8].

There is a difference of opinion as to the U.S.'s actual trade position. The U.S. has not been holding its own with respect to exports. Between 1960-69 U.S. exports increased 84 per cent, but the U.S. share of the total world exports decreased from 18 per cent to 15 per cent. Conversely, over the same period U.S. imports increased 116 per cent while the total world imports increased only 88 per cent. Consequently, exports have increased but not as rapidly as imports. Statistics are difficult to interpret, inasmuch as some government export statistics include exports of AID and other government subsidies, and others reveal only commercial exports. Additionally, U.S. imports are figured on an f.o.b. basis (free on board at point of exportation), while most other countries show their imports on a c.i.f. basis (cost at point of exportation plus insurance and freight). It has been estimated that insurance and freight account for 8-10 per cent of the selling price of imports to the U.S. The export statistics are shown on an f.o.b. basis by the U.S., so when freight and insurance are added to the f.o.b. import statistics to show the landed cost of the imports in the U.S., the excess of exports over imports is narrowed considerably. A case in point: In 1968 according to official government statistics, the U.S. had a surplus trade balance of 1 billion dollars. However, if imports are adjusted to a c.i.f. basis and AID and other government subsidies are subtracted from the official export statistics, the net trade balance was a $4.6 million deficit, not a $1 billion surplus [15, p. 17].

Impact of Japan

Japanese products account for approximately 10 per cent of the world's exports, and there has been a strain in U.S.-Japanese relations during the past 2½ decades due to the failure of Japan to relinquish tariffs and trade barriers on U.S. exports [55, p. 53]. The overall trade position of the U.S. has remained somewhat weak, whereas Japan continues to get economically stronger. The U.S. is Japan's major trading partner, absorbing some 33 per cent of her exports.
TABLE V

U.S. trade with Japan
(millions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Export</th>
<th>Import</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>642</td>
<td>416</td>
<td>+ 226</td>
</tr>
<tr>
<td>1960</td>
<td>1,335</td>
<td>1,126</td>
<td>+ 209</td>
</tr>
<tr>
<td>1965</td>
<td>2,084</td>
<td>2,414</td>
<td>- 330</td>
</tr>
<tr>
<td>1966</td>
<td>2,370</td>
<td>2,963</td>
<td>- 593</td>
</tr>
<tr>
<td>1967</td>
<td>2,699</td>
<td>2,999</td>
<td>- 300</td>
</tr>
<tr>
<td>1968</td>
<td>2,954</td>
<td>4,054</td>
<td>-1,100</td>
</tr>
<tr>
<td>1969</td>
<td>3,490</td>
<td>4,888</td>
<td>-1,398</td>
</tr>
</tbody>
</table>


The importance of the U.S. market is especially evident, because the U.S. absorbs about one half of Japan's total export of radio receivers, more than one half of its pottery, clothing, plywood and toys; three quarters or its television receivers and about one third of its automobiles. Conversely, 27 per cent of Japan's imports are from the U.S. in terms of mineral fuel, foodstuffs, raw materials and manufactured goods. As these imports from the U.S. have grown more slowly than Japan's total imports, the U.S. share of the Japanese import market has been declining. This decline from a $500 million U.S. surplus in 1965 to a $1.2 million deficit in 1969 has prompted the U.S. to get Japan to impose export controls on cotton textiles and woolens, radios, television sets and automobiles, or face some restriction on sales, as proposed by the Trade Bill of 1970, to U.S. markets. Sales of Japanese automobiles in the U.S. for example, have climbed from 6,500 units in 1965 to approximately 250,000 units in 1970, whereas sales of U.S. automobiles in Japan were only some 17,000 units in a market of approximately 4.5 million units [22, p. 42].

Thus Japan seems quite willing to flood U.S. markets with products at low prices so as to develop a stable market over the long run and yet is unwilling to relax her internal control of U.S. imports. The
result is a situation where the Trade Bill of 1970, if passed, could involve retaliations, which, if not checked, could endanger the multilateral trading system as a whole.

### TABLE VI

#### PART A

**EEC trade with U.S.**

(millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>EEC Exports</th>
<th>Per cent change</th>
<th>EEC Imports</th>
<th>Per cent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1958</td>
<td>1,664</td>
<td>+10.9</td>
<td>2,808</td>
<td>−27.0</td>
</tr>
<tr>
<td>1960</td>
<td>2,242</td>
<td>−5.4</td>
<td>3,380</td>
<td>+44.5</td>
</tr>
<tr>
<td>1964</td>
<td>2,849</td>
<td>+11.2</td>
<td>5,438</td>
<td>+7.7</td>
</tr>
<tr>
<td>1965</td>
<td>3,425</td>
<td>+20.2</td>
<td>5,693</td>
<td>+4.7</td>
</tr>
<tr>
<td>1966</td>
<td>4,098</td>
<td>+19.6</td>
<td>6,022</td>
<td>+5.8</td>
</tr>
<tr>
<td>1967</td>
<td>4,423</td>
<td>+7.9</td>
<td>5,858</td>
<td>−2.7</td>
</tr>
<tr>
<td>1968</td>
<td>5,768</td>
<td>+30.4</td>
<td>6,393</td>
<td>+9.0</td>
</tr>
<tr>
<td>1969</td>
<td>5,958</td>
<td>+3.3</td>
<td>7,326</td>
<td>+14.6</td>
</tr>
<tr>
<td>Average annual, 1960-1969</td>
<td>+16.6</td>
<td></td>
<td></td>
<td>+9.1</td>
</tr>
</tbody>
</table>

#### PART B

**EEC imports from the U.S.**

(millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>1964</th>
<th>1967</th>
<th>1968</th>
<th>1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural</td>
<td>1,151</td>
<td>1,414</td>
<td>1,414</td>
<td>1,400</td>
</tr>
<tr>
<td>Non-agricultural</td>
<td>4,286</td>
<td>4,445</td>
<td>4,975</td>
<td>5,926</td>
</tr>
</tbody>
</table>

Impact of the EEC

The Common Market exports products amount to approximately $35 billion which exceeds total U.S. exports. If Great Britain joins the EEC, then they would be responsible for 40 per cent of the total trade of the industrial powers, not including the internal trade within the Common Market. The trade policies of the Common Market have been somewhat overtly protective since 1967, as evidenced by the agricultural and non-tariff barrier policies. Specifically, the variable import levy on agricultural products as instituted by the Common Market has resulted in a decline of U.S. exports to the Common Market. Behind this protection has been a sharp increase in production stimulated by high price level supports made possible by import barriers. These production increases have brought about surpluses and have turned the Market into net exporters [6]. The result is that the Market is somewhat mercantilistic in its import restrictions, stimulation of domestic production and promotion of exports with most of the cost being paid by third countries.

It appears that the EEC and the U.S. are waging a sort of cold war which could flare into an open trade war. The scars of the "Chicken War" of 1963 still remain and should demonstrate the futility of open trade warfare. A significant point to remember is that neither the U.S. or the EEC can fully comply with the rules of the GATT in the area of preferential trade agreements, which prevents such agreements unless they are to lead to freer trade or customs union. The Trade Bill of 1970 could provide a retaliatory environment in the area of textiles and agricultural products in particular.

The Americans recognize not only that the country's leadership in the world economy has been challenged by both the EEC and Japan, but also that a transition to a new age of international economic "co-equality" is in progress. A realistic facing of, and dealing with, these obvious tendencies makes dependence on such a piece of legislation as represented in the trade bill under consideration unnecessary and unwarranted. In fact, if the Trade Bill of 1970 ever became a reality, it would articulate U.S. lack of confidence in the nation's ability to compete in the changing world.

EPILOGUE

President Nixon's New Economic Policy

The measures, "the most comprehensive policy to be undertaken in four decades", which the U.S. President proposed on August 15,
1971, in order to cope with both the dollar crisis abroad and the internal recessionary inflation, were received favorably by most Americans*. International consternation over some of the measures notwithstanding, the proposed stabilization program and presidential show of leadership impressed the people and their political representatives as well as economists, one of whom (Prof. O. Eckstein) characterized the policy as "a triumph in common sense". In the apprehensive nation the view was generally shared that the Nixon decisions were of historical importance, likely to pay off politically as well as economically.

As the President's program was accepted with considerable optimism, the customary differences of opinion between the executive and legislative branches of the U.S. government failed to manifest themselves; the President had all the benefit of doubt. However, these differences and controversy should not be ruled out; in fact, they can be anticipated in the near future in such congressional committees as the Ways and Means Committee of the House of Representatives and the Senate Finance Committee.

In the meantime it is apparent that the Congress has bent to the President, which was predictable, inasmuch as his action was not only based on the Economic Stabilization Act of 1970 (which, paradoxi- cally, Nixon had opposed), but implemented also many ideas urged on him by the Democrats. In addition, President Nixon's economic program and "shocker" have been enormously assisted by the diplomacy (or salesmanship) carried out by the Secretary of the Treasury, Mr. Connally, among U.S. Congressmen and Senators. The Secretary has been equally active, yet hardly as effective, abroad where he went to show what the President meant when he declared that "the time is past for the U.S. to compete with one hand tied behind its back ".

(*) The President's stimulative package included suspension of the convertibility of foreign-held dollars into gold; imposition of a 10% surcharge on most imports; a wage-price-freeze program; and several fiscal measures to encourage industrial investment.
BIBLIOGRAPHY


