

Speech on Reciprocal Trade  
By Senator Hubert H. Humphrey  
In The Senate of the United States  
Wednesday, July 16, 1958

Mr. President, the Senate is faced with a major challenge in the effort to promote a free and healthy world economy.

We now have before us a proposal to extend the Trade Agreements Act. But the bill that the committee has recommended has been riddled with so many protectionist devices that it is a pitifully weak instrument of our domestic and foreign economic policy. In fact, as was pointed out here last Thursday by the distinguished senior Senator from Illinois (Mr. Douglas), the passage of this bill in its present form endangers the whole idea of reciprocal trade, to which this nation has been committed, and from which we have received such benefits for twenty-five years.

I hope that we will extend the Trade Agreements Act, but I hope that we will strengthen it instead of weaken it in the process. The committee amendments would make the Act an ineffective instrument of foreign economic policy. We should extend the Act in such a form that it will be an effective device and a ringing declaration of our commitment to expand trade opportunities for our own industries and workers and those of other free countries.

Foreign policy, as I have repeatedly emphasized, must be carried on simultaneously on many fronts. Ours cannot be a military campaign alone, nor a propaganda campaign, nor even these two together with a campaign of economic and technical assistance through grants and loans. We are under dire compulsion to find a way increasingly to encourage development of all non-Communist countries, including our own, through the operation of natural economic processes--principally trade. Expanding world trade is at least as essential as any of the other measures we have taken to insure our strength against the Soviets.

Many of us have felt that we need a thorough rethinking and extensive additional action to break through the problems of world economic growth. Our present international programs are a patchwork. This is because they have been individually devised to meet particular crises, and because they have been revised from time to time in the face of other considerations, not necessarily relevant to foreign policy.

A study of requirements for a coordinated international economic policy, with some concrete suggestions for meeting them, has now been advanced. I refer to the study of the Rockefeller Brothers Fund called "Foreign Economic Policy for the Twentieth Century." This study provides much of the background we need to develop a sound, coherent foreign economic policy that relates aids, grants, loans, technical assistance, and trade.

But, Mr. President, obviously, we are not going to get any broad-gauge all-inclusive program from this Administration. Instead, we must deal with individual aspects of foreign policy as they come before us. Thus we are here considering only one facet, though an integral one, of our whole foreign economic policy.

#### ROLE OF FOREIGN TRADE

The role of foreign trade in foreign policy seems obvious. But we do not find among the public nor in Congress an increased understanding of its importance nor a readiness to liberalize our own trade barriers in return for equal consideration from other countries.

Instead, this year we see the Reciprocal Trade Program in more trouble than it has ever been since it was born in 1934. Earlier in the year we heard that the Administration would be lucky to get a minor extension of existing law with no liberalization, or even with new restrictions on the President's tariff cutting powers.

Luckily, disaster was staved off in the House. The House of Representatives in the crucial vote on the so-called Simpson substitute, rejected this protectionist measure by something like a 5 to 3 ratio. This was welcome news to those concerned with the big picture of maintaining a viable free world economy.

But the victory was achieved at a price--the price of compromises made before the fight began by the Administration, and before going to the floor by the House Committee.

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These developments in the House bill were serious enough, but they were taken as part of the price which had to be paid for a five-year extension of the Trade Agreements Act.

The Senate Committee has now mortally wounded the reciprocal trade program. That will be a program in name only if the Senate Committee bill is enacted into law. The reduction from five years to three, opening the flood gates for all important industries to qualify under the national security clause, permitting the President to raise tariff rates to 50% above the Smoot-Hawley level, and the unconscionable amendment requiring an affirmative vote of both Houses in order to defeat a Tariff Commission recommendation -- these constitute a crushing blow to the best interests of this nation's economy and of the free world.

And now the enemies of trade, those who would stifle huge segments of our economy in the mistaken belief that they will aid some particular locality or industry, hope to weaken the bill further.

#### ENEMIES OF TRADE

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protectionist sentiment has been rising in the United States. While the nation has come to accept its international political role in the world, there has been a gradual retreat to isolationism in the economic realm.

This is no accident. Many men have been hard at work for a long time, working to destroy the Reciprocal Trade Agreements Act. They are the lobbyists for the high-tariff interests. They would like to ring this country with tariff walls higher than the ones that cut us off from the rest of the world until 1934, when Cordell Hull succeeded in having the Reciprocal Trade Agreements Act passed.

The high tariff lobbyists are busy not only in Washington. They are active all across the United States. They know that the surest way to a Congressman's heart is through the people in his home district. Wherever an industry is in trouble and must lay off some of its employees, the high tariff lobby is there. Its message is convincing in its simplicity: low-cost foreign labor threatens the jobs of American workers. The solution is equally simple: raise tariffs. This simplistic explanation for all economic ills has been spread around so long that it has almost taken on the dignity of a national myth.

As long ago as Woodrow Wilson's first term, he felt it necessary to issue the following warning to the country: "I think the public ought to know the extraordinary exertions being made by the lobby in Washington to gain recognition for certain alterations in the tariff bill. Washington has seldom seen so numerous, so industrious, and so insidious a lobby. The newspapers are being filled with paid advertisements calculated to mislead not only the judgment of public men, but also the public opinion of the country itself. There is every evidence that money without limit is being spent to sustain this lobby, and to create an appearance of a pressure of opinion antagonistic to some of the chief items of the tariff bill. It is of serious interest to the country that the people at large should have no lobby and be voiceless in these matters, while great bodies of astute men seek to create an artificial opinion and overcome the interests of the public for their private profit. It is thoroughly worth the while of the people of this country to take knowledge of this matter. Only public opinion can check and destroy it." That was Woodrow Wilson speaking more than 40 years ago. His words are equally fitting today. The special interest lobbies are riding high, and the more general interest of the public is suffering.

We in Congress are wise to the ways of lobbies--we know when to discount the hundreds of letters pouring in, all with nearly the same wording, inspired by a pressure group. But when a lobby molds public opinion for many years, as the high tariff lobby has done, it becomes difficult for a member of Congress to resist the kind of pressure that results. Much of my mail, not obviously inspired, shows a genuine concern that unemployment in my state is caused by the lowering of tariffs. I know that there are many reasons, other than competition from imports, causing the economic distress. But I also know that if I ignore the pleas of the people I represent, I may one day cease to represent them.

This steady pressure on Congress has resulted in recent years in a series of amendments to the Reciprocal Trade Agreements Act: the escape clause, the peril point provision, and the "national security" amendment. This year the Finance Committee proposes to broaden the national security clause and make tariff commission recommendations for all purposes final. We have before us other amendments to make rigid import quotas mandatory. These actions are altering the Act from its true purpose. Any tariff that has been lowered under a reciprocal trade agreement is in danger of being raised again if the escape clause or another of these protectionist devices is invoked.

The psychological effect is all important. United States trade agreements can no longer be relied upon. A businessman from another country is increasingly wary about exporting to the United States. He must invest in new packaging for his product, in advertising and in sales representatives in this country. As soon as his product begins to sell successfully--boom--the escape clause can be invoked and the tariff raised against him. Even if it is not invoked, the mere existence of these protectionist devices is enough to discourage businessmen in other countries. This is anything but reciprocal trade.

The question is, where does the true national interest of the American people lie? Is it simply, as the tariff lobby would have us believe, in shutting out low-cost foreign products so that American workers will not lose their jobs?

#### Soviet Economic Challenge

First, an almost overwhelming consideration--which the tariff lobby ignores--is the Communist economic offensive. Since the ICBM and Sputnik, we are in danger of fixing all our attention on the competition in armaments. However, the

Russians are not relying solely on military weapons. They are aware that all-out war could mean the destruction of themselves as well as the rest of the world. As far back as 1952, their strategy for spreading Communism shifted from military aggression to an economic and diplomatic offensive. It was Stalin himself who proclaimed the new economic warfare as the means whereby Communism would eventually dominate the world.

Each year since, their economic offensive has been stepped up. The Communists are concentrating on countries whose people yearn to rise out of the poverty that has always afflicted them. These nations sorely need investment capital if they are to industrialize. The Soviet and Chinese Communists are extending credit to them on terms we have not able to match. They need technical assistance. The Soviet Union, with its high educational output of scientists and engineers, now has surplus technicians available for export to backward countries. They do not always trust the United States and the countries of Western Europe because of racial discrimination and the legacy of colonialism.

The aspirations of these newly independent countries are probably greater than their capabilities for industrialization. No matter how much help they receive from the free nations and from the Communist bloc, some of them will probably not be able to achieve a continually rising standard of living. Their populations are increasing at terrific rates. The yearning of their people for economic betterment feeds upon the example before their eyes of the industrially advanced countries of the West. Yet many of them are now at a less advanced stage than the countries of Western Europe were before the industrial revolution began. For their present moderate, pro-democratic leaders, failure to satisfy the desires of their people will lead to political catastrophe. More extreme leaders, often friendly to Communism or outright Communists, would take over.

The leaders of the Communist bloc are alert to all this and have been playing upon the situation shrewdly. Listen to the words of a Soviet spokesman at the Asian-African conference held recently in Cairo: "Tell us what you need. We are ready to help you as brothers help brothers, without any interest whatever. Our only condition is extension of aid with no conditions at all. We don't ask you to participate in any blocs, reshuffle your governments, or change your foreign policy .... We can build industries for you, hospitals, schools, research institutes. We will send specialists to you, or you can send technicians to us. Do what is better for you. Tell us what you need."

That all this is offered "without any interest whatever" is put in doubt though when the rest of the Soviet spokesman's address is considered. He characterized capitalism as "world-wide oppression, consisting of a few robbers and their victims -- the vast majority of the world's population." Then he went on to tell the delegates at the Asian-African Conference that their countries should nationalize and expropriate the industries and other enterprises of the "capitalist-imperialist-colonizers," as Egypt did with the Suez Canal and as the mobs did in Indonesia. This, of course, would create chaos and deprive those countries of investment capital and technical assistance from any source other than the Communist bloc. This is exactly what the Communists want to subvert the countries in Southeast Asia and the Middle East.

Trade has been a primary weapon in the arsenal of this Communist economic offensive. Trade missions from the Soviet Union, Communist China, and the satellite countries have been busy, especially in the uncommitted countries of Asia and the Middle East. The number of trade agreements negotiated between the Communist bloc and other countries has more than doubled since 1953. The ultimate Communist goal is complete subversion of these countries. But, short of that, they would be happy if they could reorient the trade of many nations to their own Communist bloc. An example of the economic effects such reorientation of trade can have on Western nations was provided at the time of the Suez crisis. The denial of oil from the Middle East threatened the industry and transportation of Western Europe. The Report of the Commission on the Nation's Natural Resources gave us warning that the United States is equally vulnerable if our sources of strategic raw materials should be cut off.

Yet, while the Soviet, Chinese, Czech, and East German trade delegations have been out negotiating trade agreements, our own trade negotiations with other nations have become increasingly hamstrung by the protectionist amendments added to the Reciprocal Trade Agreements Act. Instead of assuring other nations that our trade policy is a steady, consistent one they can rely upon; the escape clause,



peril point, "national security" and quota provisions suggested to be added to the Reciprocal Trade Act have made our trade policy more and more unreliable. At the very time the Communists are stepping up their use of trade as a weapon against us in the Cold War, we are in danger of destroying our own most effective instrument for promoting trade among the free nations of the world. What is needed is a kind of economic Sputnik that would alert the American people the danger of losing the trade race.

#### Free World Economic Health

A second consideration concerns the importance of trade for the continued economic and political well-being of the whole free world. Nearly every nation in the non-Communist world -- with few exceptions -- needs to buy more products from the United States than we need to buy from them. This is economically unhealthy. Obviously, if other countries cannot sell goods to earn dollars with which to purchase U. S. goods, one of the following must result:

1) We must loan or give them the dollars they must have to buy from us. Oddly enough, often the same people who urge high tariffs also oppose foreign aid, which is in part made necessary by tariff barriers.

2) The countries who must buy from us but cannot sell as much to us, are caught in an inflationary situation. The current French financial crisis grew from paying out more for imports than could be earned by selling exports. Unless measures are taken to prevent such financial crises from deepening, political chaos results. Usually the corrective measures are injurious to trade with other countries, including the United States. Almost always, such crises injure our allies and weaken the strength of the free world. The trade and tariff wars that raged before the Trade Agreements Program came into being helped bring on the economic disasters of the 1920's and 30's.

3. Other nations are faced with the alternative of trading with the Communist bloc or developing arrangements among themselves. Such arrangements are beneficial to them but tend, ultimately, to exclude the United States from trade with its regular markets. The nations of Europe have had to resort to both alternatives in recent years. Their exports to Communist countries have increased considerably since 1951. In addition, six European nations have entered into a Common Market and others are considering the establishment of a free trade area. Both arrangements have the primary purpose of promoting trade among the nations of Europe... At the same time, however, the Common Market will establish a common tariff on goods entering the area from other nations. The authority will be able to lower tariffs within the common market by 30 percent. This is the reason President Eisenhower asked a five-year extension of the Reciprocal Trade Agreements Act and authority to reduce tariffs by a total of 25 percent over this period. The common tariff will become effective during 1962. Unless the President has the authority to negotiate reductions in tariffs, the Common Market tariff will tend to exclude United States products. Apart from the economic consequences, such divisive trade policies lead to a breakdown of the alliances we have with other nations providing mutual security against Communist aggression.

What is not usually fully appreciated in the United States is the importance to other countries of the products they sell to us. Our productive size is simply enormous compared to most other nations of the world. We are a veritable economic giant. Other nations must sometimes feel we are a blind giant, stumbling about the world and crushing them economically.

As one who has long been interested in the reciprocal trade program, I have from time to time initiated and engaged in studies of the impact of foreign trade on the State of Minnesota. Consequently I was particularly interested to receive some new material just released by the Department of Commerce entitled, "Foreign Trade Impact Study - State of Minnesota."

While I had no role in the preparation of this particular study and cannot take responsibility for its conclusions, nevertheless, I think it is of considerable interest not only to Minnesotans but to the country at large. Therefore, I ask unanimous consent that the text of this study be printed at the conclusion of my remarks.

Every time the escape clause is invoked, some nation or a number of nations suffer. During the past few months there have been escape clause actions resulting in the raising of tariffs on such items as clothes pins and safety pins. Probably few of us in the United States even noticed this in our newspapers. But for the nations that export these products to us, the consequences for their economies can be disastrous. Nations that have been affected by such actions in recent years include friends of ours -- Norway, Denmark, Switzerland -- whose economies are nowhere near the size of ours and who depend greatly on trade. The complaint in this country is that imports threaten some industry or other.

Imagine our reaction if, at the whim of another country, our entire economy was threatened. This is exactly what we may do when we invoke the escape clause against the exports of "single-product" countries. Little wonder there is resentment and the United States begins to lose its friends.

#### TRADE -- A TWO-WAY STREET

A third consideration, which the tariff lobby always carefully fails to mention, is the importance of trade to American industry, American workers, and the American consumer. To listen to the tariff lobby, trade is a one-way street -- there are low-cost imports flooding the American market, nothing more. Reciprocity is a misnomer, its enemies assert. But the United States not only imports, we export as well. In fact, our exports far exceed our imports. Last year's exports are reported to total more than \$20 billion, while imports were slightly more than \$13 billion.

It is surprising how little this is understood in the United States. Quite clearly, since the United States exports more than it imports, there are more workers employed producing products for export than could possibly be affected by imports. At least  $4\frac{1}{2}$  million Americans earn their living from foreign trade. Of these 3.1 million produce goods for export, and another 1.3 million are handling and processing imported goods. It has been estimated that no more than 150,000 workers could be affected by totally unrestricted imports, and many more would find new employment through further expansion of trade. Yet, you never hear the cry go up, "lower tariffs! High tariffs are hurting American business and throwing American workers out of work."

This is a measure of the success the high tariff lobby has had in spreading its too-simple explanation about trade and tariffs. Far more workers would be affected by the cut-back in exports that increased tariffs bring. If this were understood, I am firmly convinced, Mr. President, workers in industries whose products are sold abroad would be writing their Senators in support of Reciprocal Trade.

MORE



Other nations want to buy more from us than they presently can. When we get them to agree with us to lower tariffs, reciprocally, they can sell more to us and in turn buy more of those goods from us they need and would like to buy. The increased trade means that United States production increases and our whole standard of living is raised. In addition, the American consumer gets to buy at a reasonable price imported goods that we can now only buy with the heavy duty tacked on. Even for those who are oblivious to the Communist economic offensive or unconcerned about the well-being of our allies and alliances, there are sufficient reasons of more immediate self-interest for supporting reciprocal trade.

The benefits to the entire nation's standard of living would be so great from a reduction of tariffs, in fact, that the most advantageous policy the United States could adopt would be the elimination of almost all tariffs, unilaterally. This is being advocated by those who understand America's most-favored trading position in the world. Less industrially advanced countries must have tariff protection, just as we did when our industries were struggling to get their footing.

This is no longer the case for the United States. Our productivity far outstrips that of any other nation of the world. We are now in a position much like that of England at the height of her commercial power in the Nineteenth Century. Then, she did away with all tariffs. The United States would gain greatly in increased trade and the more rapid growth of our economy, if we were to eliminate completely our tariff barriers.

Instead, we have become and are becoming increasingly protectionist. As the same time we urge a lowering of tariffs on other nations, less favored in trade than ourselves. This is sheer folly and utter nonsense. Other nations of the free world can only despair and lose confidence in the United States as a responsible world leader when confronted with such contradictory words and deeds.

A rational trade policy for the United States would indeed be the nearly complete elimination of tariffs. Anyone faced with the battle now looming here in the Senate on Reciprocal Trade, though, must be concerned not so much with what should be done as with what is politically possible. I do not, therefore, Mr. President, urge radical advances in our trade policy. But certainly we cannot go on and on weakening the Trade Agreements Act at each extension. At this rate, it will not be long before the Reciprocal Trade is swept away altogether.

Our responsibility here at this time is clear. It is to reverse this tide of short-sighted protectionism that seems about to engulf the nation. We must reverse the 8-7 vote of the committee by which they recommended removal of Presidential authority to consider the national interest in ruling on escape clause proceedings. The Tariff Commission itself recognizes that it can consider only the narrowest evidence in its recommendations.

We must restore the 5-year extension and the authority to cut tariffs 25 percent as passed by the House. This is the only way that the President can bargain a favorable position for us from the European Common Market.

The President has clearly proved the need for these provisions. The responsible leadership of the Senate has recognized the urgency of meaningful extension of true reciprocal trade. We cannot afford to let short-term, narrow interests dictate our action on this matter so vital to our long-term national interests.

REMARKS  
by  
SENATOR HUBERT H. HUMPHREY  
on the  
RECIPROCAL TRADE AGREEMENTS ACT

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foreign economic policy. We should extend the Act in such a form that it will be an effective device and a ringing declaration of our commitment to expand trade opportunities for our own industries and workers and those of other free countries.

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#### SOVIET ECONOMIC CHALLENGE

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competition in armaments. However, the Russians are not relying solely on military weapons. They are aware that all-out war could mean the destruction of themselves as well as the rest of the world. As far back as 1952, their strategy for spreading Communism shifted from military aggression to an economic and diplomatic offensive. It was Stalin himself who proclaimed the new economic warfare as the means whereby Communism would eventually dominate the world.

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The aspirations of these newly independent countries are probably greater than their capabilities for industrialization. No matter how much help they receive from the free nations and from the Communist bloc, some of them will probably not be able to achieve a continually rising standard of living. Their populations are increasing at terrific rates. The yearning of their people for economic betterment feeds upon the example before their eyes of the industrially advanced countries of the West. Yet many of them are now at a less advanced stage than the countries of Western Europe were before the industrial revolution began. For their present moderate, pro-democratic leaders, failure to satisfy the desires of their people will lead to political catastrophe. More extreme leaders, often friendly to Communism or outright Communists, would take over.

The leaders of the Communist bloc are alert to all this and have been playing upon the situation shrewdly. Listen to the words of a Soviet spokesman at the Asian-African conference held recently in

Cairo: "Tell us what you need. We are ready to help you as brothers help brothers, without any interest whatever. Our only condition is extension of aid with no conditions at all. We don't ask you to participate in any blocs, reshuffle your governments, or change your foreign policy.... We can build industries for you, hospitals, schools, research institutes. We will send specialists to you, or you can send technicians to us. Do what is better for you. Tell us what you need."

That all this is offered "without any interest whatever" is put in doubt though when the rest of the Soviet spokesman's address is considered. He characterized capitalism as "world-wide oppression, consisting of a few robbers and their victims -- the vast majority of the world's populations." Then he went on to tell the delegates at the Asian-African Conference that their countries should nationalize and expropriate the industries and other enterprises of the "capitalist-imperialist-colonizers," as Egypt did with the Suez Canal and as the mobs did in Indonesia. This, of course, would create chaos and deprive



those countries of investment capital and technical assistance from any source other than the Communist bloc. This is exactly what the Communists want to subvert the countries in Southeast Asia and the Middle East.

Trade has been a primary weapon in the arsenal of this Communist economic offensive. Trade missions from the Soviet Union, Communist China, and the satellite countries have been busy, especially in the uncommitted countries of Asia and the Middle East. The number of trade agreements negotiated between the Communist bloc and other countries has more than doubled since 1953. The ultimate Communist goal is complete subversion of these countries. But, short of that, they would be happy if they could reorient the trade of many nations to their own Communist bloc. An example of the economic effects such reorientation of trade can have on Western nations was provided at the time of the Suez crisis. The denial of oil from the Middle East threatened the industry and transportation of Western Europe. The

Report of the Commission on the Nation's Natural Resources gave us warning that the United States is equally vulnerable if our sources of strategic raw materials should be cut off.

Yet, while the Soviet, Chinese, Czech, and East German trade delegations have been out negotiating trade agreements, our own trade negotiations with other nations have become increasingly hamstrung by the protectionist amendments added to the Reciprocal Trade Agreements Act. Instead of assuring other nations that our trade policy is a steady, consistent one they can rely upon; the escape clause, peril point, "national security" and <sup>Quota</sup> ~~quota~~ provisions suggested ~~to be~~ to be added to the Reciprocal Trade Act have made our trade policy more and more unreliable. At the very time the Communists are stepping up their use of trade as a weapon against us in the Cold War, we are in danger of destroying our own most effective instrument for promoting trade among the free nations of the world. What is needed is a kind of economic Sputnik that would alert the American people to the danger of losing the trade race.

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FREE WORLD ECONOMIC HEALTH

A second consideration concerns the importance of trade for the continued economic and political well-being of the whole free world.

Nearly every nation in the non-Communist world -- with few exceptions

-- needs to buy more products from the United States than we need to

buy ~~for~~ them. This is economically unhealthy. Obviously, if other

countries cannot sell goods to earn dollars with which to purchase

U.S. goods, one of the following must result:

1) We must loan or give them the dollars they must have to buy from us. Oddly enough, often the same people who urge high tariffs also oppose foreign aid, which is in part made necessary by tariff barriers.

2) The countries who must buy from us but cannot sell as much to us, are caught in an inflationary situation. The current French financial crisis grew from paying out more for imports than could be earned by selling exports. Unless measures are taken to prevent such financial crises from deepening, political chaos results. Usually



the corrective measures are injurious to trade with other countries, including the United States. Almost always, such crises injure our allies and weaken the strength of the free world. The trade and tariff wars that raged before the Trade Agreements Program came into being helped bring on the economic disasters of the 1920's and 30's.

3) Other nations are faced with the alternative of trading with the Communist bloc or developing arrangements among themselves. Such arrangements are beneficial to them but tend, ultimately, to exclude the United States from trade with its regular markets. The nations of Europe have had to resort to both alternatives in recent years. Their exports to Communist countries have increased considerably since 1951. In addition, six European nations have entered into a Common Market and others are considering the establishment of a free trade area. Both arrangements have the primary purpose of promoting trade among the nations of Europe.... At the same time, however, the Common Market will establish a common tariff on goods

entering the area from other nations. The authority will be able to lower tariffs within the common market by 30 percent. This is the reason President Eisenhower asked a five-year extension of the Reciprocal Trade Agreements Act and authority to reduce tariffs by a total of 25 percent over this period. The common tariff will become effective during 1962. Unless the President has the authority to negotiate reductions in tariffs, the Common Market tariff will tend to exclude United States products. Apart from the economic consequences, such divisive trade policies lead to a breakdown of the alliances we have with other nations providing mutual security against Communist aggression.

What is not usually fully appreciated in the United States is the importance to other countries of the products they sell to us. Our productive size is simply enormous compared to most other nations of the world. We are a veritable economic giant. Other nations must sometimes feel we are a blind giant, stumbling about the world and crushing them economically.

As one who has long been interested in the reciprocal trade program, I have from time to time initiated and engaged in studies of the impact of foreign trade on the State of Minnesota. Consequently I was particularly interested to receive some new material just released by the Department of Commerce entitled, "Foreign Trade Impact Study - State of Minnesota."

While I had no role in the preparation of this particular study and cannot take responsibility for its conclusions, nevertheless, I think it is of considerable interest not only to Minnesotans but to the country at large. Therefore, I ask unanimous consent that the text of this study be printed at the conclusion of my remarks.

(Exhibit A)

~~Mr. President, I am firmly convinced that~~



Every time the escape clause is invoked, some nation or a number of nations suffer. During the past few months there have been escape clause actions resulting in the raising of tariffs on such items as clothes pins and safety pins. Probably few of us in the United States even noticed this in our newspapers. But for the nations that export these products to us, the consequences for their economies can be disastrous. Nations that have been affected by such actions in recent years include friends of ours -- Norway, Denmark, Switzerland -- whose economies are no where near the size of ours and who depend greatly on trade. The complaint in this country is that imports threaten some industry or other.

Imagine our reaction if, at the whim of another country, our entire economy was threatened. This is exactly what we may do when we invoke the escape clause against the exports of "single-product" countries. Little wonder there is resentment and the United States begins to lose its friends.

TRADE -- A TWO-WAY STREET

A third consideration, which the tariff lobby always carefully fails to mention, is the importance of trade to American industry, American workers, and the American consumer. To listen to the tariff lobby, trade is a one-way street -- there are low-cost imports flooding the American market, nothing more. Reciprocity is a misnomer, its enemies assert. But the United States not only imports, we export as well. In fact, our exports far exceed our imports. Last year's exports are reported to total more than \$20 billion, while imports were slightly more than \$13 billion.

It is surprising how little this is understood in the United States. Quite clearly, since the United States exports more than it imports, there are more workers employed producing products for export than could possibly be affected by imports. At least  $4\frac{1}{2}$  million Americans ~~from foreign trade~~ earn their living from foreign trade. Of these 3.1 million produce goods for export, and another 1.3 million are handling and processing imported goods.

It has been estimated that no more than 150,000 workers could be affected by totally unrestricted imports, and many more would find new employment through further expansion of trade. Yet, you never hear the cry go up, "lower tariffs! High tariffs are hurting American business and throwing American workers out of work."

This is a measure of the success the high tariff lobby has had in spreading its too-simple explanation about trade and tariffs. Far more workers would be affected by the cut-back in exports that increased tariffs bring. If this were understood, I am firmly convinced, Mr. President, workers in industries whose products are sold abroad would be writing their Senators in support of Reciprocal Trade.



Other nations want to buy more from us than they presently can.

When we get them to agree with us to lower tariffs, reciprocally, they can sell more to us and in turn buy more of those goods from us they need and would like to buy. The increased trade means that United States production increases and our whole standard of living is raised. In addition, the American consumer gets to buy at a reasonable price imported goods that we can now only buy with the heavy duty tacked on. Even for those who are oblivious to the Communist economic offensive or unconcerned about the well-being of our allies and alliances, there are sufficient reasons of more immediate self-interest for supporting reciprocal trade.

The benefits to the entire nation's standard of living would be so great from a reduction of tariffs, in fact, that the most advantageous policy the United States could adopt would be the elimination of almost all tariffs, unilaterally. This is being advocated by those who understand

America's most-favored trading position in the world. Less industrially advanced countries must have tariff protection, just as we did when our industries were struggling to get their footing.

This is no longer the case for the United States. Our productivity far outstrips that of any other nation of the world. We are now in a position much like that of England at the height of her commercial power in the Nineteenth Century. Then, she did away with all tariffs. The United States would gain greatly in increased trade and the more rapid growth of our economy, if we were to eliminate completely our tariff barriers.

Instead, we have become and are becoming increasingly protectionist. At the same time we urge a lowering of tariffs on other nations, less favored in trade than ourselves. This is sheer folly and utter nonsense. Other nations of the free world can only despair and lose confidence in the United States as a responsible world leader when confronted with such contradictory words and deeds.

A rational trade policy for the United States would indeed be the nearly complete elimination of tariffs. Anyone faced with the battle now looming here in the Senate on Reciprocal Trade, though, must be concerned **not** so much with what should be done as with what is politically possible. I do not, therefore, Mr. President, urge radical advances in our trade policy. But certainly we cannot go on and on weakening the Trade Agreements Act at each extension. At this rate, it will not be long before the Reciprocal Trade is swept away altogether.

Our responsibility here at this time is clear. It is to reverse this tide of short-sighted protectionism that seems about to engulf the nation. We must reverse the 8-7 vote of the committee by which they recommended removal of Presidential authority to consider the national interest in ruling on escape clause proceedings. The Tariff Commission itself recognizes that it can consider only the narrowest evidence in its recommendations.



We must restore the 5-year extension and the authority to cut tariffs 25 percent as passed by the House. This is the only way that the President can bargain a favorable position for us from the European Common Market.

The President has clearly proved the need for these provisions. The responsible leadership of the Senate has recognized the urgency of meaningful extension of true reciprocal trade. We cannot afford to let short-term, narrow interests dictate our action on this matter so vital to our long-term national interests.

TRADE ADJUSTMENT

## TRADE ADJUSTMENT

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In dealing ~~this~~ this problem it is necessary to recognize that trade and tariffs present real problems for many members of Congress. Even some who realize the wisdom of reducing tariffs are often under such pressure from constituents that they must support protectionist amendments. What his constituents think to be true may be as much a political fact of life for a Senator as what he knows to be true.

For him especially, as well as for the nation, there is an alternative. The choice is not simply the perennial one between free-trade and protectionism. A member of Congress does not have to vote either to raise tariffs, thus endangering the free world as well as hurting the nation's economy, or to lower tariffs, and, as some claim, injure specific American industries and workers. There is a third way.



TRADE ADJUSTMENT

The alternative is **Trade Adjustment**. Under this program, the President would be given another means of dealing with an escape clause action. If the Tariff Commission in its studies concluded that an industry has been injured by a lowering of tariffs, the President would not have to raise the tariff again to aid the industry. He could instead recommend that assistance be given to help the threatened sections of the industry adjust to the new economic conditions.

If our trade policy requires that some industries and some workers suffer competition from increased imports, however slight, then it is only fair that that hardship should be shared by all of us. Trade Adjustment recognizes our responsibility for leadership in world trade but is not without conscience for those workers and industries that might experience some economic distress from a gradual lowering of tariffs.

The Trade Adjustment program is not a subsidy; it is not permanent assistance to enable industries or communities to hobble along. It is assistance to help them over a period of adjustment.

I like to compare the idea of trade adjustment assistance with veterans rehabilitation. We recognize the latter as a basic tenet of policy. When a man is wounded as a result of duty with the armed services of his country, his country has a responsibility to help him recover, and moreover, in case of permanent damage, to help him to develop new skills that will enable him to adjust to his changed condition and to lead a productive life.

We should view an industry injured as a result of our national trade policy, in much the same way. If we believe world trade is crucial for *national economic health and for our* success in foreign relations, as everyone should by now be convinced it is, then anyone seriously injured in the pursuit of this policy should be eligible to receive such aid as may be required to assist him to change operations to become productive again. Such workers or such firms as might be hurt by lowering trade barriers have, in fact, service connected disabilities in the cold war. Let us then treat them as we do others who suffer hardship from a deliberate national

policy. Let us not subsidize; let us not indemnify; let us instead assist them to adjust their activities to meet the new economic conditions that result. This is what we mean by Trade Adjustment Assistance.

Mr. President, recently I introduced two amendments to the Trade Agreements Extension Act and co-sponsored a third. All of them deal with Trade Adjustment Assistance.

Frankly, Mr. President, I do not know whether there will be any point in calling up these amendments this session. They are intended to be a reasonable solution for Senators who believe restrictions on trade should be reduced, but wish to aid those industries and workers who encounter hardships because of trade. Developments in the last few days have made it clear that foes of Trade Extension will not be satisfied with a means of helping those who are disadvantaged by our trade policy. I fear that they will not rest until all imports are choked off completely, unless the



resulting debacle of our own and the whole world's economy wakes them up to the essentiality of trade in the modern world.

I would, however, like to explain briefly the idea of Trade Adjustment. If we decide to reject the debilitating amendments to the Extension Act now before us, perhaps we can work out the details of Adjustment assistance.

The first amendment I introduced on Saturday, June 14, for myself and the distinguished Senators Douglas, Neuberger and McNamara. The text can be found on pages 10049-52 of the Congressional Record. It is a revision of earlier legislation I had the honor of sponsoring with the distinguished junior Senator from Massachusetts (Mr. Kennedy) in the 84th Congress.

I have restudied the proposals we made at that time. I think they are basically sound. What I propose in this amendment is the establishment of a Trade Adjustment Board. As an alternative to accepting peril point and escape clause recommendations of the Tariff Commission, the President could turn the matter over to the Trade Adjustment Board.

This Board, an interdepartmental committee, would

upon application by a community, an industrial development corporation, a business enterprise, an employee, or a union, determine whether the applicant had been adversely affected by the lowering of trade barriers. If the Board decided that the applicant had been so injured, a number of kinds of assistance would be available.

First, information and advice. In the amendment, an obligation is placed upon the various agencies of the Government to supply to business enterprises technical information, market research, and other forms of information and advice which might be of assistance in development of new or more efficient lines of production. A community or an industrial development corporation similarly would be eligible for assistance in developing a more balanced and diversified economy.

I might say as an aside, that if the Area Redevelopment legislation we passed this session becomes law, an orderly and direct means of supplying such technical advice and information to seriously afflicted communities would be available. Area redevelopment legislation applies

similar solutions to any community that trade adjustment applies to those places handicapped by our national trade policy. Trade adjustment, however, applies as well to individual enterprises and workers.

A second kind of aid proposed in the Trade Adjustment amendment is loans. These would be granted through the regular procedures of the Small Business Administration to enterprises or communities to enable them to adjust to new economic conditions resulting from lowering trade barriers.

Third, firms and communities would be allowed accelerated amortization for developing new or different lines of production or more diversified economies when such change is made necessary by the national trade policy of the United States.

As for assistance to individual workers who lose their jobs because of our trade policy, I propose several kinds of assistance. First, additional unemployment compensation. My amendment would authorize



the supplementing of state benefits from federal funds. A worker could receive up to two-thirds of his weekly pay for 52 weeks. Unemployment compensation would be a stopgap measure until other employment was available.

If a worker is over 60 years of age when he loses his job through the operation of international trade, and if he cannot get another job because of his age, this amendment would allow him to retire under the Social Security Act.

Other workers, however, with many productive years ahead, would be provided the opportunity to receive retraining in skills that are in demand in the national economy. Or, if their present skill is still useful, but the only jobs available were in a distant area, the worker would be financially assisted to move himself and his family to the labor scarcity area.

Mr. President, I believe that such a measure as I have described in briefest detail here today would go far toward <sup>re</sup> solving the dilemma <sub>^</sub> that many of us face. The staunchest advocates of expanded trade

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opportunities do not want to allow the few to suffer because of the greater benefits that will flow to the many. We can avoid such hardship with an adjustment program.

Mr. President, Trade Adjustment is not merely an untried idea. It has actually been tried, and found workable. I refer to the experience of the European Coal and Steel Community, commonly called the Schuman Plan. It was recognized by the far-sighted men who set up this first major venture in international administration of economic resources that hardships would fall to certain areas because of shifts in production centers, greater productivity through technical development, and reduction of marginal enterprises.

So the concept of "Readaptation" was evolved and put into operation in 1952. "Readaptation" in the Coal and Steel Community offers similar aids to disadvantaged firms and workers as those proposed in my Trade Adjustment Amendment.

It offers a generous "waiting allowance"--actually unemployment compensation--retraining, relocation, and the encouragement of new

industry through direct investments or low-interest loans.

By and large, in five years experience, the program has met with success. As the end of the transitional period draws near, readaptation is undergoing revision to meet new conditions in Europe. The treaty establishing the European Economic Community (the general Common Market) continues the idea of adjustment assistance in areas affected by reduction of trade barriers.

Mr. President, I ask unanimous consent that there be printed in the Record at the close of my Remarks an article entitled, "Notes on the Readaptation Program" prepared by the Information Service of the European Community for Coal and Steel, and a covering letter from the Committee on Foreign Trade Education, Incorporated. These two documents explain in more detail the operation of the trade adjustment idea in Europe.

(Exhibit B)



Now, Mr. President, I am a practical man. In saying that, however, I still express my conviction that we should never relent in proposing and fighting for the programs we think are necessary. That is why I have proposed this amendment to establish a Trade Adjustments Board. I would be most pleased to see it adopted by the Committee and accepted by the Senate.

On the other hand, I recognize the difficulties in getting such a far reaching measure made a part of the Trade Agreements Extension Act this year. The amendment I have discussed is a complex measure, which touches at many points our established welfare programs. We would want to have the benefit of detailed study of such legislation by our Committee before we adopted it. I hope that such study will be made this year.

I trust that the Committee on Finance will give full consideration to my Trade Adjustment amendments to the <sup>TRADE AGREEMENTS</sup> ~~Reciprocal Trade Extension~~ Act.

If I may, I should like respectfully to remind the distinguished chairman of our Committee of a colloquy he and I engaged in about such legislation during the debate on the 1955 extension of the Reciprocal Trade Act. At



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