The original documents are located in Box 35, folder "Trade Policy (1)" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

March 10, 1976

MEETING WITH CONGRESSIONAL DELEGATES ON SPECIALTY STEEL
March 11, 1976
9:30 a.m.
Cabinet Room

From: William F. Gorog wfg

I. PURPOSE

To allow concerned Members of Congress to present their views in support of the U.S. International Tariff Commission (ITC), recommendation that five year quotas be placed on foreign specialty steel imports.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: Labor, management, and many Members of Congress are strongly united in support of maximum possible import relief and favor the ITC decision. A summary of the economic situation and your options are attached at Tab A.

The specialty steel industry has urged the U.S. Government for many years to grant protection against import competition. Such pressure in 1971 led to negotiation of stainless steel subceilings under the steel voluntary restraint agreements (VRAs) with Japan and the European Community. Experience under those restraints indicates that Japan did not fill the levels allocated--probably due to high demand in other world markets--and that the EC probably exceeded the levels provided for under the VRA.

The domestic industry feels that it has followed the processes required by the Trade Act of 1974 and that foreign interests have had an opportunity to make their case and have lost. The industry feels, therefore, that it is entitled to relief. The principal objective of the industry appears to be a permanent international arrangement safeguarding against disruptive imports. Given the depressed level of activity and high levels of unemployment in the industry, it is expected that a decision to

grant no relief would be likely to be overridden by Congress thus implementing the ITC's proposed quantitive restrictions. Those restrictions are deficient in several respects and would have adverse effects on prices to consumers and on international relations (with Japan particularly).

The import problem of the U.S. specialty steel industry is to some extent a result of foreign government and business practices quite different from those followed in the United States, which involve ownership, subsidies, and financing assistance. These practices reflect a philosophy of maintaining employment levels (and thus production levels) during a recession so that excess supplies flow into world markets at very competitive prices. In the United States, producers cut back production and employment levels during a recession and laid-off workers receive unemployment benefits.

The variety of methods of support provided and the indirect and frequently temporary nature of such support, makes it extremely difficult for the domestic industry to pursue remedies under other provisions of the Trade Act (such as the countervailing duty law). The time required for investigations under such provisions (e.g., normally one-year in countervail cases) also appears to be unreasonable in light of ITC's findings that the industry already has suffered injury due to increased imports.

B. Participants: Attached at Tab B.

C. Press Plan: White House Photo Opportunity.

III. DISCUSSION POINTS

A. Economic Outlook

I am very pleased that all of you were able to come today and share your view on the specialty steel case with me.

I am interested in your assessment of the outlook for specialty steel and other industry in your districts and states as the economy recovers.

Is economic recovery likely to remove some of the problems which were at their height when ITC had the the case before it last year?

B. Foreign Subsidies and Preference

What are the factors that make specialty steel so much more vulnerable to imports than some other products? What are the longer range implications for world trade and U.S. industry in terms of possible retaliations if we consistently seek import relief from products enjoying foreign government support?

C. Impact on Trade Negotiations

I am also interested in your view on how import relief may affect our overall trade relations and pending trade negotiations. Specifically, how will we handle any retaliatory action from Japan and European producers if we grant the type of relief recommended by the ITC? Do you see any prospect of negotiating an acceptable orderly marketing agreement in lieu of quotas or tariffs?

THE WHITE HOUSE

WASHINGTON

March 10, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM F. GOROG

SUBJECT: Summary of Specialty Steel Imports Case

Economic Background

Specialty steel imports total nearly $200 million, doubling in value since 1970. They represent 5 percent of U.S. steel imports by value and 1 percent in tonnage. The U.S. specialty steel industry comprises 1.5 percent of domestic steel production. After doubling production and shipments since 1970, it experienced a 45 percent decline in 1975, in part caused by the recession. Foreign imports rose slightly in 1975 over 1974. In 1975, about 8,500 persons, or about 25 percent of the domestic work force, were laid off. Nineteen companies, with 40 plants (one-half in Pennsylvania) are affected.

Action by the International Trade Commission (ITC)

The ITC, in its first affirmative injury finding under the Trade Act of 1974, found serious injury and recommended imposition of 5-year quotas at about 1974 levels. You must announce your intention by March 16. If you choose any form of quotas, tariffs, or a combination, they must be put into effect by March 31. If you seek negotiation of orderly marketing agreements, or an alternative form of relief, they must be in effect by June 14. Within 90 working days after the effective date of relief, both Houses, by simple majority, may override your action, in which case the ITC decision stands. There is no middle ground.

Presidential Options and Recommendations of the Trade Policy Committee

The Trade Policy Committee considered three options:

(1) Deny relief on grounds of national economic interest and seek unilateral, voluntary restraint by foreign suppliers.

(2) Impose import quotas for 1 or 2 years comparable to 1975 levels.

(3) Announce, March 16:

-- Intention to impose 3-year quotas.

-- Initiative to seek orderly marketing agreements as a substitute for quotas.

-- Intention to terminate import relief by quotas or orderly marketing agreement if there are improvements in the industry's economic position based on advice from Secretaries of Labor and Commerce.

The Trade Policy Committee recommends Option 3. The State Department suggests a fourth option involving Option 3 but without announcement of final decision on the form of import relief action until June 14.

Considerations

Congressional interest and pressure is strongly in favor of the relief proposed by ITC and views this as a test of Executive conformance to the spirit of the Trade Act of 1974. STR and the Trade Policy Committee believe that Congressional override is likely if your decision varies significantly from the ITC's.

A major consideration, however, is the nature and extent of possible foreign retaliation or U.S. payment of compensation resulting from action granting import relief. This can be avoided by attempts to negotiate orderly marketing agreements.

Timing is important. The object of a Presidential announcement on March 16 should be to avoid sharp criticism of alleged Administration foot dragging which might lead to politically motivated rejection of your final decision. Also, a decision in advance of March 16 would permit consultations with affected foreign governments such as Japan and the European Community.

Tab B

MEETING WITH CONGRESSIONAL DELEGATES ON SPECIALITY STEEL

March 11, 1976

House Members

John Ashbrook
John Dent
Hamilton Fish
Joseph Gaydos
Benjamin Gilman
William Harsha
Wayne Hays
Frank Horton
Norman Lent
Robert McEwen
Clarence Miller
Donald Mitchell
Gary Myers
Peter Peyser
Ralph Regula, Ohio
Samuel Stratton
William Walsh
John Wydler
Thomas Morgan

Senate Members

James Buckley
Robert Griffin
Jennings Randolph
Richard Schweiker
Hugh Scott

Staff

James M. Cannon
Richard B. Cheney
Max L. Friedersdorf
William F. Gorog
William T. Kendall
Vernon C. Loen
David MacDonald (representing Secretary Simon)
John O. Marsh
Ronald H. Nessen
William Usery
Frederick Dent

THE WHITE HOUSE

WASHINGTON

April 5, 1976

MEMORANDUM FOR ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE

The attached paper prepared by OMB on "Extending the Jones Act to the Virgin Islands for Oil Products (S. 2422) will be discussed at the Wednesday, EPB/ERC Executive Committee meeting.

Attachment

THE WHITE HOUSE

WASHINGTON

April 5, 1976

MEMORANDUM FOR ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE

The attached paper prepared by OMB on "Extending the Jones Act to the Virgin Islands for Oil Products (S. 2422) will be discussed at the Wednesday, EPB/ERC Executive Committee meeting.

Attachment

Trade

THE WHITE HOUSE

WASHINGTON

April 7, 1976

MEMORANDUM FOR: JIM CANNON

FROM: PAUL LEACH Paul

SUBJECT: Legislation Extending the Jones Act to the Virgin Islands for Oil Products

The attached memorandum discussed at EPB this morning describes a current legislative attempt to require the use of U.S. tankers to carry oil from the Virgin Islands to the U.S. East Coast. For the reasons described in the memorandum at page 7 (DOT, Treasury, Justice and CEA position) and at page 7-8 (OMB position), I would argue that this bill should be opposed by the Administration.

A revised memorandum for the President is to be prepared. This will give more information on the legislative situation and will also pose the option of doing nothing for the time being (since the legislation may not come out of Committee and on to the Senate floor).

I will keep an eye on this one. I would like the revised memorandum to indicate that the Domestic Council favors opposition to this legislation on substantive grounds. We will have to assess the situation to see what tactics the political and legislative considerations dictate.

cc: Art Quern

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 3, 1976

MEMORANDUM FOR: ROGER PORTER

FROM: DANIEL P. KEARNEY

SUBJECT: Extending the Jones Act to the Virgin Islands for Oil Products (S. 2422)

Confirming my telephone conversation of today, attached please find 25 copies of our memorandum concerning the above subject. It is my understanding that this subject will be discussed as item 3 on the agenda for a joint EPB/ERC Executive Committee meeting on Wednesday, April 7, 1976.

Attachment

cc: Director Lynn
Deputy Director O'Neill

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MEMORANDUM FOR: THE ECONOMIC POLICY BOARD

FROM: JAMES L. LYNN

SUBJECT: Extending the Jones Act to the Virgin Islands for Oil Products

THE ISSUE

What position should the Administration take on S. 2422, a bill to require that oil shipments between the U. S. Virgin Islands and the U. S. mainland be carried in U. S. flag ships?

BACKGROUND

U. S. cabotage laws (the Jones Act) require all U. S. domestic ocean shipping to be reserved for vessels built and registered in the U. S. and owned, operated and manned by U. S. citizens. Traditionally, U. S.-flag ship operators have been high cost carriers. The exclusion of lower cost foreign-flag ship operators from the domestic ocean trades has been estimated to increase U. S. shipping costs by about $150-200 million annually.

The cabotage laws do not currently encompass the U. S. Virgin Islands. S. 2422 would extend the cabotage laws to the Islands for the transportation of oil products only. This has importance because an Amerada Hess oil refinery, the world's largest, is located in the Virgin Islands. This refinery produces residual fuel oil (used for industrial power and generation of commercial electric power) which represents a high proportion of consumption in the U. S. East Coast.

As a domestic refiner, Amerada Hess has benefited from the oil "entitlements" program. Although it purchased its crude oil from abroad, Amerada Hess received entitlements to oil at "old" domestic prices, which it then sold to other domestic refiners. As a consequence, Amerada Hess' crude oil purchase

costs have been significantly below those of foreign refiners who are not eligible for entitlements. Amerada Hess primarily competes with foreign refiners located in the Caribbean area for the East Coast residual fuel oil market. Most domestic refiners do not produce this kind of fuel. The market situation has posed immediate problems for these Caribbean refiners, as well as for independent U.S. oil marketers reliant on supplies from these refiners.

FEA believes that it is necessary to keep these Caribbean refineries operating because, at least for the next 3-4 years, there will not be sufficient domestic refining capacity to replace the capacity in the Caribbean. Recognizing the market distortions, FEA announced the implementation of two correcting mechanisms in a March 29, 1976, rulemaking--one to reduce Amerada Hess' entitlements allotment, and the other to grant entitlements to importers of residual fuel oil refined abroad.

Additionally, domestic U.S. refiners in the Gulf area who are developing residual fuel oil refining capacity may be disadvantaged relative to Amerada Hess. While these refiners must use U.S. tankers, Amerada Hess is able to use the lower-priced foreign tankers.

The situation, therefore, has generated support for S. 2422 among two groups:

-- Amerada Hess' oil industry competitors. Because the bill would increase Amerada Hess' shipping costs from the Virgin Islands to the U.S. mainland, these competitors have been supporting efforts to reduce Hess' cost advantage and benefit themselves.

-- U.S. maritime interests. Because U.S.-flag tankers would be required to serve the Virgin Islands trades, additional U.S. tankers and seamen would be employed.

Those who might be hurt by the legislation include:

-- U.S. consumers, who would end up paying the costs of higher-priced U.S.-flag transportation of Virgin Islands' refined oil to the U.S. mainland.

-- The Virgin Islands, which would have a more difficult time attracting the oil industry to locate in the Islands and might suffer from a reduction in Amerada Hess' operations, thereby reducing employment in the Islands.

-- Amerada Hess, who would have to pay higher transportation costs to the U.S. mainland.

The Merchant Marine Subcommittee of the Senate Commerce Committee held hearings on S. 2422 on February 18 and March 30. On February 18, the Governor and the congressional delegate from the Virgin Islands opposed the bill. On March 30, the maritime and oil industries supported it. Also, the Departments of Commerce and Interior were requested to testify on March 30. Commerce, in its maritime promotional role, favored the bill, while Interior, in its Virgin Islands stewardship role, opposed it.

Only two Senators, both from Louisiana, attended the March 30 hearing--Senator Long, the Subcommittee Chairman, and Senator Johnston, who introduced S. 2422 but who is not a member of the Committee. Both Senators indicated strong support for the bill. Reportedly, the active interest of the two Senators is prompted by the support of the bill by the Energy Corporation of Louisiana which is building a large refinery operation in the Gulf area that is intended to compete with Amerada Hess.

Senate Subcommittee staff indicate that Committee mark-up is anticipated in May. No House action has yet been scheduled. It is important that the Administration take a position on the bill prior to Senate Committee mark-up and in preparation for subsequent House hearings.

OPTIONS

#1. Oppose extension of the cabotage laws to the Virgin Islands for transportation of oil products.

#2. Support extension of the cabotage laws to the Virgin Islands for transportation of oil products.

#3. Oppose extension of the cabotage laws at this time, but retain the option of supporting such legislation at a later date if circumstances change.

DISCUSSION

The bill is discussed below in reference to: (a) the U.S. maritime industry; (b) oil industry competitors of Amerada Hess; (c) the Virgin Islands economy; and (d) the U.S. consumer.

The U.S. Maritime Industry. The Commerce Department indicates that to transport Virgin Islands refined oil in U.S.-flag tankers would require 750,000 total deadweight tons of tanker capacity. Currently there are about 17 U.S. tankers in lay-up equaling 740,000 deadweight tons capacity. The number of tankers in lay-up, however, fluctuates widely from week to week. The figure will probably increase in the next year or two unless Soviet grain purchases are sustained at the current high levels. The situation is much improved compared with six months ago when there were 33 tankers in lay-up, accounting for 1,500,000 deadweight tons.

If S. 2422 were enacted, essentially all unemployed U.S. tankers (many of which are antiquated and are approaching scrap condition) would be required for service. In fact, with no margin of tankers available for alternative service, orders would probably be placed for new U.S.-built tankers. This would be done despite the fact that: (a) there is currently a worldwide oversupply of tankers, and (b) U.S. shipyards build tankers (with Federal subsidies) at twice the cost of Japanese shipyards.

Employment of the 17 currently laid-up tankers would create about 1,400 seafaring jobs.

Oil Industry Competitors of Amerada Hess. FEA indicates that the intent of its March 29 rulemaking was to reduce Amerada Hess' competitive cost advantage over foreign refineries from roughly $3 per barrel to about $.60 per barrel. Accordingly, Hess would continue to enjoy a competitive advantage over foreign refineries in the Caribbean, although of greatly reduced proportions.

The cost advantage of using foreign-flag tankers instead of U.S.-flag tankers is approximately $.50 per barrel for refined oil at current "spot charter" rates. Proponents of S. 2422 point out that the application of the cabotage laws to the Virgin Islands for oil transport would thereby further reduce Amerada Hess' cost advantage over foreign refiners from $.60 to $.10 per barrel. However, FEA indicates that it would

like to retain a $.60 cost advantage for Amerada Hess, and that it would attempt to readjust entitlements accordingly to achieve that goal. In short, FEA would attempt to "fine tune" entitlements to reach the desired end result. Consequently, Amerada Hess' foreign oil industry competitors would not benefit from the legislation as they currently envisage.

The bill would, however, assist domestic refiners who are engaged in residual fuel oil production and who would like to expand sales to the East Coast market. Enactment of S. 2422 would put them on a cost par with Amerada Hess in terms of the necessity for all U.S.-based refineries to use U.S. tankers. For example, rates between the Gulf and New England would closely approximate rates between the Virgin Islands and New England.

Virgin Islands Economy. According to Virgin Islands' officials, S. 2422 could potentially seriously affect the overall economic health of the Virgin Islands. Currently the Islands are suffering from a 10% official unemployment rate. Specific problems foreseen by Islands' officials include the following:

-- Other refiners are considering locating in the Virgin Islands. One, the Virgin Islands Refinery Corporation, has already invested in real estate in preparation for construction. Enactment of S. 2422, with its attendant higher shipping costs, would discourage this.

-- This bill, in conjunction with other pending legislation, could undermine the area's trade and development. For example, there is currently underway an effort (H.R. 8124) to limit Virgin Islands' wool exports to the U.S. mainland. Also, there is a fear that the cabotage laws would be extended to other products.

-- If Amerada Hess' transportation cost advantage relative to other U.S. refiners is eliminated, the refinery might have to cut back operations, requiring employment reductions. Currently, the refinery employs approximately 6% of the Virgin Islands entire labor force.

U.S. Consumers. With FEA seeking to maintain a $.60 per barrel cost advantage over foreign refiners for Amerada Hess, enactment of S. 2422 would have the impact of shifting the increased shipping costs to U.S. consumers. The annual cost is estimated to be about $75 million (150 million barrels of oil shipped by Amerada Hess times $.50 per barrel increased costs for using U.S. tankers). The direct beneficiaries of the $75 million would be the maritime industry. With about 1,400 seafaring jobs created, this equates to a public cost of about $50,000 annually for each maritime job. The additional cost would be felt nationwide through marginally increased oil prices. However, depending on court action on oil import license fees, part of the cost burden might be shifted to the Government in terms of reduced license fee revenues.

Additionally, because of the increased demand placed on available U.S. tankers, there would be a tendency for domestic tanker carriage rates to rise, increasing costs to U.S. consumers.

AGENCY VIEWS

Federal agencies have expressed the following views relative to S. 2422.

For the Bill

-- Commerce and the Council on International Economic Policy recommend support of S. 2422. Their recommendations are based on the following arguments: (a) enactment of the bill would constitute a logical extension of U.S. cabotage laws; (b) it would eliminate the tanker lay-up problem, reduce the possibility of default on Government-guaranteed loans on these vessels, increase jobs for U.S. seamen, and improve the U.S. balance of payments; (c) because it would eliminate tanker lay-ups, it would help the Administration oppose a subsequent congressional effort to enact oil cargo preference legislation (oil cargo preference is not expected to be acted upon this year); (d) it would provide a convenient mechanism for helping place the Amerada Hess refinery on a closer par with its competitors; and (e) there would be "minimum" costs associated with the bill.

Against the Bill

-- Transportation, Treasury, Justice and Council of Economic Advisers oppose the bill. Principal arguments are that: (a) the economic impact would be to insulate maritime transportation from world-wide competitive factors which can only result in premium freight rates; (b) it would lead to the employment of outmoded, high cost U.S. tankers in a period in which modern foreign "super tankers" are being laid up for lack of business; (c) it would raise oil costs to consumers because of the higher rates of U.S. tankers; (d) there is no national defense rationale for the employment of additional U.S. tankers; and (e) the Administration has taken a consistent position against actions which restrain trade.

-- Interior, in its stewardship role for the Virgin Islands, believes that the bill would be detrimental to the economic health of the Islands for reasons previously cited. It therefore strongly opposes the bill.

-- Federal Energy Administration reports that it opposes the interjection of the S. 2422 issue while it is handling questions and criticisms regarding its March 29 rulemaking on Amerada Hess' entitlements and prior to congressional action on a residual fuel oil decontrol plan which FEA also proposed on March 29. FEA believes that enactment of S. 2422 would only serve to confuse these more important, very sensitive issues. FEA requested the Commerce Committee to delay hearings until May to avoid this problem, but the Committee rejected FEA's request. On the merits and demerits of S. 2422, FEA defers to other agencies.

Neutral Positions

-- State and Labor report "no objection" to the bill--State because it has no foreign policy impact, and Labor because it sees a balance between benefits (more jobs for U.S. seamen) and costs (increased oil prices).

OMB Position

Option #3. OMB believes the Administration should oppose the bill now because:

-- It is costly to the U.S. consumer;

-- It would interfere with separate FEA regulatory actions;

-- It may be detrimental to the Virgin Islands' economy;

-- It would further insulate the U.S. tanker industry from competitive forces and may stimulate new tanker construction in U.S. yards at a time when excess world tanker capacity exists;

-- There is not now a serious U.S. tanker lay-up problem; and

-- Because the House is not expected to pursue general oil cargo preference legislation this session, there is no immediate need to support this bill in an attempt to forestall enactment of a broad cargo preference bill.

OMB believes, however, that the Administration should retain the option of supporting such legislation later if circumstances should change, such as:

-- If Congress begins to pursue general oil cargo preference legislation, support for S. 2422 may be desirable as an alternative which is less costly and which avoids the major foreign policy problems; or

-- If the number of tankers in lay-up expands substantially.

DECISION

#1. _____ Oppose S. 2422.

#2. _____ Support S. 2422.

#3. _____ Oppose S. 2422 now, but retain option of supporting such legislation later.

April 7, 1976

Mr. E. L. Caldwell
President
TALON
Meadville, Pennsylvania 16335

Dear E. L.:

Thank you for your recent letter. I am happy to have this information and will see to it that it is given to the President, as you requested. I assume you have sent the same information to both our Senators.

Very truly yours,

Raymond P. Shafer
Counsellor to
The Vice President

Talon

DIVISION OF TEXTRON

E. L. CALDWELL
PRESIDENT

March 30, 1976

Raymond P. Shafer, Esquire
Counsel to the Vice President
c/o White House
Washington, D.C. 20500

Dear Ray:

As a native of Meadville, and former Governor of Pennsylvania, you no doubt understand and appreciate much more than others, the value of the zipper industry to the Commonwealth of Pennsylvania and the American economy. And you are also probably aware, to some extent at least, of the increasing adverse effect imports of zippers and component parts of zippers from Japan are having upon our industry.

The unfair competitive situation in which the domestic industry has been placed, as a result of massive imports from Japan is graphically illustrated by the following figures showing the sharp decline in industry net profit before taxes (1000's of dollars) in recent years. Your attention is directed to the negative profit position since 1973 due primarily to the impact of low priced imported Japanese zippers:

1970	11,169
1971	14,664
1972	9,238
1973	(1,009)
1974	(10,128)
1975 (Jan.-June)	(7,230)

Obviously, no industry can continue to suffer losses to this extent. If the domestic zipper industry is not provided equal opportunity, many thousands of jobs throughout the country will be lost. At the end of 1975, Talon, the world's original zipper manufacturer, employed 3,084 people in the following locations:

Woodland, North Carolina
Morton, Mississippi
Meadville, Pennsylvania (2 plants)
Cleveland, Georgia
York, South Carolina
Stanley, North Carolina
Lake City, South Carolina
Loris, South Carolina
Seymour, Indiana
Bennettsville, South Carolina

In addition, we had 300 employees in customer service units (zipper assembly locations) in Miami, Florida; Los Angeles, California; Atlanta, Georgia; Dallas, Texas; Boston, Massachusetts; Philadelphia, Pennsylvania; Chicago, Illinois; and St. Louis, Missouri. Also, our sales offices and warehouses throughout the United States provide employment in related activities for many employees.

In the early part of April, 1976, President Ford will decide whether or not to increase the present rates of duty on imported zippers and component parts thereof, as required by the Trade Act of 1974, following the report he received from the International Trade Commission. We are of the firm opinion that an increase of the present rates of duty on imported zippers and component parts thereof by the maximum permissible amounts is necessary to save our industry.

Although our industry is not a giant, when compared with other American enterprises, we trust that our dilemma will be given proper consideration.

Since you have a personal, first-hand knowledge of facts concerning the zipper industry, it will be appreciated if you will please urge the President to take appropriate action to provide a fair competitive environment for the domestic zipper industry.

Very truly yours,

FOR IMMEDIATE RELEASE

April 19, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

As required by Section 203(b)(2) of the Trade Act of 1974, I am transmitting this report to the Congress setting forth my determination to provide adjustment assistance to the U.S. footwear industry producing footwear covered by the affirmative finding of February 20, 1976 of the United States International Trade Commission (USITC) under section 201(d)(1) of the Trade Act. As my decision does not provide import relief to that industry, I am setting forth both the reasons why I have determined that import relief is not in the national economic interest and other actions I am taking to help the footwear industry and workers.

I have decided, considering the interests of both the American consumers and producers, that expedited adjustment assistance is the most effective remedy for the injury to the U.S. footwear industry and its employees as a result of imports.

My decision was based upon my evaluation of the national economic interest. A remedy involving import restraints would have lessened competition in the shoe industry and resulted in higher shoe prices for American consumers at a time when lowering the rate of inflation is essential. Footwear makes up 1-1/2 percent of the Consumer Price Index.

Import restraints would also have exposed industrial and agricultural trade to compensatory import concessions or retaliation against U.S. exports. This would have been detrimental to American jobs and damaged U.S. exports.

Adjustment assistance will benefit the many smaller enterprises which have been seriously injured, whereas the USITC report casts grave doubt on import relief as an effective remedy for these firms; import relief would disproportionately benefit the 21 larger firms which produce 50% of domestic output, but which have been found to be competitive with imports.

Adjustment assistance is consistent with the President's efforts to control inflation, including costs to all consumers, which import restrictions would raise.

The U.S. footwear industry is benefitting from a substantial increase in production, shipments, and employment as a result of the economic recovery. Additionally, a number of plants have reopened, order backlogs of domestic manufacturers have increased, and profitability has improved.

more

As the U.S. economy recovers from the recession, domestic production of nonrubber footwear is rising significantly. In February, 1976 (the latest month for which data are available) the output was 41,137,000 pairs. This is up from 40,985,000 in January, and is the highest monthly production figure since May, 1974. The monthly average for 1976 to date is 41,106,100; for the year 1974, 37,750,000; for 1975, 36,143,000.

U.S. employment in the industry, which has also been steadily declining over recent years, also shows signs of picking up. The total average monthly employment for the industry in 1975 was 163,000 workers, compared to 178,000 for the year 1974. For the first two months of 1976 the monthly average is 172,000 the highest since July, 1974.

Meanwhile, imports of the nonrubber footwear covered by the USITC recommendation (all except zoris and paper slippers) have been leveling off. In February, 1976, there were 29,238,000 pairs, down from 32,200,000 in January.

In considering the effect of import restraints on the International economic interests of the United States, as required by the Trade Act of 1974, I have concluded that such restraints would be contrary to the U.S. policy of promoting the development of an open, nondiscriminatory and fair world economic system. The goal of this policy is to expand domestic employment and living standards through increased economic efficiency.

I have directed the Secretaries of Commerce and Labor to give expeditious consideration to any petitions for adjustment assistance filed by footwear firms producing articles covered by the USITC report, and their workers. I have also instructed the Secretaries to file supplementary budget requests for adjustment assistance funds, if necessary, to carry out my program.

I have also directed the Special Representative for Trade Negotiations to monitor U.S. footwear trade, watching both the levels and quantities of imports as well as of domestic production and employment. If significant changes occur, they will be reported to me with appropriate recommendations.

GERALD R. FORD

THE WHITE HOUSE,
April 16, 1976

# # # # #

FOR IMMEDIATE RELEASE April 19, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

April 16, 1976

MEMORANDUM FOR

THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

Pursuant to Section 202(b)(1) of the Trade Act of 1974 (P.L. 93-618, 88 Stat. 1978), I have determined the actions I will take with respect to the report of the United States International Trade Commission (USITC) dated February 20, 1976, concerning the results of its investigation of a petition for import relief filed by the American Footwear Industries Association, the Boot and Shoe Workers Union and the United Shoe Workers of America.

I have determined that expedited adjustment assistance is the most effective remedy for the injury suffered by the U.S. footwear industry and its employees. I have determined that provision of import relief is not in the national economic interest of the United States.

A remedy involving import restraints would have lessened competition in the shoe industry and resulted in higher shoe prices for American consumers at a time when lowering the rate of inflation is essential. Footwear makes up 1-1/2 percent of the Consumer Price Index.

Import restraints would also have exposed U.S. industrial and agricultural trade to compensatory import concessions or retaliation against U.S. exports. This would have been detrimental to American jobs and damaged U.S. exports.

The U.S. footwear industry is benefitting from a substantial increase in production, shipments, and employment as a result of the economic recovery. Additionally, a number of plants have reopened, order backlogs of domestic manufacturers have increased, and profitability has improved.

In considering the effect of import restraints on the international economic interests of the United States, as required by the Trade Act of 1974, I have concluded that such restraints would be contrary to the U.S. policy of promoting the development of an open, nondiscriminatory and fair world economic system. The goal of this policy is to expand domestic employment and living standards through increased economic efficiency.

I have directed the Secretaries of Commerce and Labor to give expeditious consideration to any petitions for adjustment assistance filed by footwear firms producing articles covered by the USITC report, and their workers. I have also instructed the Secretaries to file supplementary budget requests for adjustment assistance funds, if necessary, to carry out my program.

I also direct you, as the Special Representative for Trade Negotiations, to monitor U.S. footwear trade, watching both the levels and quantities of imports as well as of domestic production and employment. If significant changes occur, they should be reported to me with appropriate recommendations.

This determination is to be published in the Federal Register.

# # # #

cc: Leach file

JOE D. WAGGONNER, JR.
4TH DISTRICT, LOUISIANA

PARISHES:
BOSSIER
CADDO
CLAIBORNE
DE SOTO
RED RIVER
SABINE
VERNON
WEBSTER

COMMITTEE ON
WAYS AND MEANS

Congress of the United States
House of Representatives
Washington, D.C. 20515

May 5, 1976

Honorable William E. Simon
Secretary
Department of the Treasury
Washington, D. C.

Dear Mr. Secretary:

In December, 1973, the U. S. Treasury Department entered a dumping finding against elemental sulphur from Canada, after a detailed investigation that determined that Canadian sulphur was being sold at less than fair value in the U. S. and a determination by the Tariff Commission that the domestic sulphur industry was being or was likely to be injured by reason of these Canadian sales. As a result of this dumping finding, special dumping duties must be assessed on less than fair value imports of sulphur from Canada. (U. S. Treasury Department Antidumping Finding, December 12, 1973, Fed. Reg. 34655)

Under the Antidumping Act the U. S. Customs Service is required to obtain information and to assess whatever dumping duties are required to implement the 1973 dumping determination. In addition, the Secretary has a new obligation under the 1974 Trade Act to conduct an investigation when there is evidence of below cost selling by those subject to an outstanding dumping finding.

It is my understanding that currently a sharp and injurious decline in elemental sulphur prices is in progress in the Midwest area of the United States, which has resulted from the offering of Canadian sulphur. United States producers of sulphur are suffering from a loss of business in this area because of Canadian

sulphur exports and offers for sale, some of which are being made by a producer covered by the 1973 Antidumping finding. Freeport Minerals Company advises me that, during the past several months, it has lost business having a sales value of some $8,000,000 per year. Other customers of Freeport Minerals have advised Freeport that offers are being made for the sale of Canadian sulphur at as much as $16 per ton below the U. S. producer's price.

Freeport Minerals believes, with good reason, that the lower prices in all likelihood involve Canadian sales at less than fair value in the U. S., because such sulphur is being sold at less than domestic Canadian prices and perhaps even at less than the cost of its production.

There is another particularly anomalous aspect to these low and perhaps below cost sales of sulphur into the United States market from Canada. This Canadian sulphur is a co-product of natural gas and oil since it is produced along with these products. But the Canadian government has recently decided as the cornerstone of its energy policy to restrict or eliminate Canadian exports of oil and gas to the United States, looking toward eliminating all U. S. imports of oil from Canada by the end of the decade and taking other steps to eliminate or curtail U. S. gas exports also.

What we have then is a situation where the Canadians restrict imports into the United States of these valuable energy resources at any price, and yet sell the sulphur produced right along with these products at ruinously low prices which could result in the destruction of the domestic frasch sulphur industry.

In view of the above, I would appreciate your investigating whether or not the Customs Service is, in fact, complying with the requirements of the 1973 Antidumping finding and whether your Department is fulfilling its obligation under the 1974 Trade Act.

Because of the clear urgency of the matter, please determine at your earliest possible convenience the status of the investigation. Please advise me of the earliest time at which we could meet to discuss this most important matter.

Sincerely yours,

Joe D. Waggonner, Jr.
JDW:pdg

cc: Mr. James M. Cannon

THE WHITE HOUSE

WASHINGTON

May 10, 1976

MEMORANDUM FOR: DAVID McDONALD

FROM: JAMES CANNON

Attached is a memorandum which Governor James Rhodes of Ohio sent to me for information.

Attachment

VERNOR JAMES A. RHODES
office of
MISS EMMA SCHOLZ, Adm. Ass't.

DATE 4/20/76

Dear Jim:

The Governor wanted me to send this.....for your information.

Regards,

Em

Emma

Recd with cover note to Wm Horowitz - Asst Sec. Treasury David McDon

Stabilized is a recommendation which Governor Rhodes sent for information

cc: Leach
McConahey

MEMORANDUM

ATTACHED IS A DETAILED MEMORANDUM WITH RESPECT TO THE ANTI-DUMPING MARGINS AND THE PROBLEM OF VOLKSWAGON WITH THE UNITED STATES DEPARTMENT OF THE TREASURY. THE PROBLEM BEFORE THE DEPARTMENT IS SUCH THAT BOTH A LEGAL AND AN ECONOMIC DECISION MUST BE MADE, AND THE DECISION, WHICH HAS A DEADLINE OF MAY 11, 1976, IS VITAL TO THE QUESTION OF WHETHER VOLKSWAGON WILL LOCATE A PLANT AND ENGAGE IN MANUFACTURING IN THE UNITED STATES. IF THE DECISION IS ADVERSE, IT IS ESTIMATED THAT THE COST TO VOLKSWAGON MIGHT BE AS MUCH AS $150,000,000 to $200,000,000 OVER A PERIOD IN THE FUTURE, WHICH WOULD MAKE IT UNECONOMICAL AND VIRTUALLY IMPOSSIBLE FOR VOLKSWAGON TO ENGAGE IN MANUFACTURE IN THE UNITED STATES.

IF VOLKSWAGON SHOULD BE ABLE TO LOCATE IN THE UNITED STATES IT IS VERY POSSIBLE THAT THE LOCATION WOULD BE IN OHIO, AND THAT VOLKSWAGON WOULD BE A MAJOR EMPLOYER IN OHIO INDUSTRY AND A MAJOR FACTOR IN OHIO'S ECONOMIC DEVELOPMENT.

April 20, 1976

MEMORANDUM RE ANTI-DUMPING MARGINS

On July 11, 1975, the Secretary of the Treasury initiated an investigation with respect to the importation of cars from Canada, Japan, Italy, Great Britain, Sweden, and Germany to determine if their sales violated the "anti-dumping" statutes. The complaint which initiated this investigation was filed by the United Auto Workers and Congressman Frederick Dent of Pennsylvania, whose district includes the city of New Stanton, Pennsylvania. Congressman Dent, incidentally, is a former President of the United Auto Workers.

The investigative procedure commences with questionnaires being sent to the auto manufacturers to obtain information regarding the primary issue of whether the automobiles are being sold in this country at LTFV ("less than fair value"). The determination of LTFV is based upon the "market value" of the product that prevails in the mother country or country of origin, as compared to the sales price in the United States. If the Secretary determines that the goods are being sold at LTFV in the United States, he is then required by statute to determine the existence of dumping margins. The Secretary's investigation must be completed within a statutory period of six months, but an extension of three months is permitted if needed. The Secretary has taken the statutory extension so that his preliminary determination as to the existence of "dumping margins" must be made on May 11, 1976.

If the Secretary determines that the foreign automobiles are being sold at LTFV and assesses "dumping margins", a three-month objection period then commences to run. At the end of the three-month objection period, the Secretary transfers the investigation to the International Trade Commission (ITC). It is believed probable that the Secretary must make a final determination at the end of the three-month determination period. The ITC is then required to determine within three months whether an "injury" has resulted to the domestic industries due to the "dumping margins". If the ITC concludes that there has been "injury" to the domestic manufacturer, it is then charged with the responsibility of determining the existence and amount of "dumping margins". It will apparently base its decision on the figures for the period of January 1975 through August 1975.

Volkswagen is concerned because the "dumping margins" apply retroactively to May 11, 1976, (the date the Secretary's preliminary determination) if the ITC determines that "injury" has occurred and determines that "dumping margins" exists. Thus the ITC's November 11, 1976 decision, if adverse to Volkswagen, would result in dumping margins of several hundred dollars per automobile (estimated at $150 to $200 per automobile) being applied to all automobiles brought into the United States during the period from May 11, 1976, through the decision date as well as applying to all future imports. It should also be noted, in particular, and this is very important, that dumping margins would be applied to parts shipped into the United States during the period and to future imports. Thus, unless all components of automobiles manufactured in this country or likewise manufactured in this country, the dumping margins would not be avoided.

Based upon rumors circulating regarding the Secretary's intention, it is feared that Undersecretary David McDonald will recommend a finding of sales at LTFV (and thus dumping margins) based upon an improper reading of the text of the statutes and regulations. Volkswagen has two objections to the manner in which the Undersecretary reads the statutes and regulations:

1. The first relates to the conversion of currencies of Germany and the United States which is necessary to equate the German market price with the American market price. During the base period of January through August 1975, the exchange rate between the D-Mark and the dollar experienced violent convulsions. Volkswagen believes that the manner in which the Undersecretary is computing the conversion values of the currency will result in a differential of approximately ten per cent due to the currency fluctuations.

2. Even a more important issue, however, is Volkswagen's objection to the Undersecretary's proposed application of the statute and regulations dealing with the manner in which the market value of the "similar" product in Germany is being calculated. The regulations require the Secretary to look primarily to "market value" in the manufacturing country as the basis of comparison for the items sold in this country to determine whether the automobiles are being sold at LTFV. The problem arises, however because Germany does not require either pollution control or safety equipment that must be incorporated into the automobiles brought to the United States. While the Undersecretary has conceded that a "similar" automobile would sell at a lower market price in Germany because of the increased operating costs and maintenance costs resulting from the pollution control and safety equipment, he refuses to recognize the lower market value as the basis for comparison. Rather, the Undersecretary adjusts the cost of the Volkswagen sold in Germany by adding the cost of the pollution control and safety equipment thus substantially increasing the foreign base price used in calculating the existence of the "dumping margins". Volkswagen believes that is in direct violation of the statutes which require that the foreign base price be based on "market value". The creation of the "synthetic market price" for the automobile in Germany is unprecedented in previous proceedings and the Secretary clearly has discretion to reject the creation of such a "synthetic" price.

Assistant Secretary of Treasury David McDonald (foreign economic relations) and his Deputy Assistant Secretary, Mr. Suchman, will make the recommendation to Secretary Simon as to whether the foreign automobiles are being sold at LTFV. Both are apparently committed to finding the existence of "dumping margins" so that any contact regarding this matter must be made at a level higher than that of Undersecretary of the Treasury.

The International Trade Commission, which is composed of six appointees of the President, can refuse to impose dumping margins even if the Secretary finds they exist by ruling that the dumping margins have not caused "injury" to domestic manufacturers. The Chairman of the ITC is Will Leonard, a former administrative assistant to Senator Russell Long, who is the person most influential in tariff law areas.

While Undersecretary McDonald has been guided by the interest of the

United Auto Workers, the UAW has lately been somewhat embarrassed by the investigation as it relates to its Canadian members (approximately 20,000). There is no satisfactory appellate procedure which can be implied if the administrative determination goes against Volkswagen, since jurisdiction of the Customs Court could be invoked only if Volkswagen paid the tax due and then appealed. There would be no possibility of a stay order during the period of litigation.

Even if Volkswagen were to determine that it was otherwise desirable to locate a plant in the United States, and in Ohio, the possibility of doing so would probably be eliminated if the May 11 determination were to go substantially against the company. If substantial "dumping margine" were found appropriate, the company would be at such a competitive disadvantage that any manufacturing operation in the United States would probably be unprofitable. Since Volkswagen is most anxious to complete its arrangements and go into the business of manufacturing in Ohio, it is essential to this project that the "dumping" investigation be resolved before the May 11 deadline. Otherwise, the opportunity to locate in Brook Park will probably be lost.

The summarize, while the proceeding now pending before the Secretary of the Treasury and his department is a legal proceeding, in the sense that it is statutory (see statutes attached), nevertheless, the determination by the Secretary is largely discretionary with him, and it is, to a major extent, economic. His decision is not subject to any practical review, and to all intents and purposes, therefore, final. While we have only a brief history of the matter, as related by Volkswagen representatives, we have no reason to believe that there was any deliberate attempt to evade the law, or to violate any statute, if, indeed, there was any statute or policy actually violated. It is, therefore, a matter of the best economic interests of the people of Ohio people of the United States to resolve this matter so that Volkswagen can locate in Ohio and begin the production of automobiles and the employment of people in the Cuyahoga County area.

- E N D -

DUMPING INVESTIGATION

§ 160. Initiation of investigation; injury determination; findings; withholding appraisement; publication in Federal Register

(a) Whenever the Secretary of the Treasury (hereinafter called the "Secretary") determines that a class or kind of foreign merchandise is being, or is likely to be, sold in the United States or elsewhere at less than its fair value, he shall so advise the United States Tariff Commission, and the said Commission shall determine within three months thereafter whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. The said Commission, after such investigation as it deems necessary, shall notify the Secretary of its determination, and, if that determination is in the affirmative, the Secretary shall make public a notice (hereinafter in sections 160–173 of this title called a "finding") of his determination and the determination of the said Commission. For the purposes of this subsection, the said Commission shall be deemed to have made an affirmative determination if the Commissioners of the said Commission voting are evenly divided as to whether its determination should be in the affirmative or in the negative. The Secretary's finding shall include a description of the class or kind of merchandise to which it applies in such detail as he shall deem necessary for the guidance of customs officers.

(b) Whenever, in the case of any imported merchandise of a class or kind as to which the Secretary has not so made public a finding, the Secretary has reason to believe or suspect, from the invoice or other papers or from information presented to him or to any person to whom authority under this section has been delegated, that the purchase price is less, or that the exporter's sales price is less or likely to be less, than the foreign market value (or, in the absence of such value, than the constructed value), he shall forthwith publish notice of that fact in the Federal Register and shall authorize, under such regulations as he may prescribe, the withholding of appraisement reports as to such merchandise entered, or withdrawn from warehouse, for consumption, not more than one hundred and twenty days before the question of dumping has been raised by or presented to him or any person to whom authority under this section has been delegated, until the further order of the Secretary, or until the Secretary has made public a finding as provided for in subdivision (a) in regard to such merchandise.

(c) The Secretary, upon determining whether foreign merchandise is being, or is likely to be, sold in the United States at less than its fair value, and the United States Tariff Commission, upon making its determination under subsection (a) of this section, shall each pub-

lish such determina
the reasons therefo
tive or in the negat
1, 1954, c. 1213, Tit
85–630, §§ 1, 4(b), 7

1958 Amendment. Su
85–630, § 1(1), provided
Commissioners are even
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affirmative determinatio

Subsec. (b). Pub.L. 85
substituted "constructed
of production", and in
requiring publication
Federal Register.

Subsec. (c). Pub.L. 85
subsec. (c).

1954 Amendment. A
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house, for consumption
120 days before the qu
was first raised.

Effective Date of
Section 6 of Pub.L. 85-6
"The amendments m
[adding section 170a
amending this section
164, 165, 168, 169 and
shall apply with respec
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has been made on or b
the enactment of this
1958]; except that such
not apply with respect t
which—
"(1) was exported
of exportation befor
enactment of this Act
and
"(2) is subject to
the Antidumping A
160–171 of this title],
standing on the date
this Act [August 14,
revoked on or befor
enactment of this Act
but is still applicable
dise."

Effective Date of
Section 601 of Act Sept
that: "Titles II, III,

Commerce-Trade Policy

THE WHITE HOUSE

WASHINGTON

May 20, 1976

MEMORANDUM FOR THE HONORABLE DAVID McDONALD

FROM: JIM CANNON

SUBJECT: Governor Rhodes' Memorandum on the Automobile Antidumping Investigation

Thank you for your memo of May 18 commenting on the Rhodes' memorandum.

I suggest we let the matter stand where it is.

cc: McConahey

THE DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

MAY 18 1976

MEMORANDUM FOR THE HONORABLE JAMES CANNON
ASSISTANT TO THE PRESIDENT FOR
DOMESTIC AFFAIRS

FROM: David R. Macdonald
Assistant Secretary (Enforcement,
Operations and Tariff Affairs)

SUBJECT: Governor Rhodes Memorandum on the
Automobile Antidumping Investigation

The memorandum forwarded to you by Governor Rhodes of Ohio which purports to explain Treasury antidumping procedures, especially as they relate to Volkswagen and the automobile dumping investigation is extremely inaccurate. It is wrong with respect to fact, and presents the opinions of the unknown drafter as indisputable. Let me cite one of the more extreme examples:

Contrary to the statement on the bottom of page 1, this investigation does not include auto parts. An eventual dumping finding therefore would not subject imported parts to additional duties. I might add that obviously I reject categorically the assertion on page 2 that I or any of my staff are or were "...committed to finding the existence of 'dumping margins'..."

Given Secretary Simon's recently announced decision to tentatively discontinue these investigations, I don't think a detailed response is worth the effort. Should you wish to discuss the case further, please let me know.

lish such determination in the Federal Register, with a statement of the reasons therefor, whether such determination is in the affirmative or in the negative. May 27, 1921, c. 14, § 201, 42 Stat. 11; Sept. 1, 1954, c. 1213, Title III, § 301, 68 Stat. 1138; Aug. 14, 1958, Pub.L. 85-630, §§ 1, 4(b), 72 Stat. 583, 585.

Historical Note

1958 Amendment. Subsec. (a) Pub.L. 85-630, § 1(1), provided that where the Commissioners are evenly divided it shall be deemed that the Commission made an affirmative determination.

Subsec. (b). Pub.L. 85-630, §§ 1(2), 4(b), substituted "constructed value" for "cost of production", and inserted provisions requiring publication of notice in the Federal Register.

Subsec. (c). Pub.L. 85-630, § 1(3), added subsec. (c).

1954 Amendment. Act Sept. 1, 1954 amended section transferred the injury determination authority from the Secretary of the Treasury to the Tariff Commission, provided that such determination be made within 3 months from the determination of the question of a dumping price by the Secretary, and provided that the Secretary's authority to withhold appraisement reports be limited to merchandise entered, or withdrawn from warehouse, for consumption, not more than 120 days before the question of dumping was first raised.

Effective Date of 1958 Amendment. Section 6 of Pub.L. 85-630, provided that:

"The amendments made by this Act [adding section 170a of this title and amending this section and sections 161, 164, 165, 168, 169 and 171 of this title] shall apply with respect to all merchandise as to which no appraisement report has been made on or before the date of the enactment of this Act [August 14, 1958]; except that such amendments shall not apply with respect to any merchandise which—

"(1) was exported from the country of exportation before the date of the enactment of this Act [August 14, 1958], and

"(2) is subject to a finding under the Antidumping Act, 1921, [sections 160-171 of this title], which (A) is outstanding on the date of enactment of this Act [August 14, 1958], or (B) was revoked on or before the date of the enactment of this Act [August 14, 1958], but is still applicable to such merchandise."

Effective Date of 1954 Amendment. Section 601 of Act Sept. 1, 1954 provided that: "Titles II, III, IV, and VI of this Act [which amended this section, sections 161(a), 1001 (par. 1559) [repealed], 1201 (par. 1615g) [repealed], 1441(3), 1451, 1581 (d), 1605, 1607, 1610, 1612 of this title, section 545 of Title 18, section 91 of Title 46, sections 1421e and 1644 of Title 48, added sections 1301a and 1595a of this title, and repealed section 483 of this title and section 106 of Title 46] shall be effective on and after the thirtieth day following the date of the enactment of this Act [Sept. 1, 1954]".

Short Title. Section 1 of Act Sept. 1, 1954 provided that Act Sept. 1, 1954, which added sections 1301a, 1595a of this title, amended this section and sections 161, 1001 par. 1559 [repealed], 1201 par. 1615 [repealed], 1441, 1451, 1581, 1605, 1607, 1610, 1612 of this title, sections 545 of Title 18, Crimes and Criminal Procedure, 91 of Title 46, Shipping, 1421e, 1644 of Title 48, Territories and Insular Possessions, and enacted provisions set out as notes under this section and section 1332 of this title, may be cited as the "Customs Simplification Act of 1954."

Antidumping Act Unaffected by Act August 2, 1956; Review of Operation of Act and Report to Congress. Section 5 of Act Aug. 2, 1956, c. 887, 70 Stat. 948, provided that: "Nothing in this Act [enacting provisions set out as notes under this section and sections 2, 1351, 1401a, and 1402 of this title, and enacting section 1401a of this title, amending pars. 27(c) and 28(c) of section 1001 of this title [repealed], sections 1402, 1500(f), and 1583 of this title, and section 372(c) of Title 31, Money and Finance, and repealing sections 12-18, 21-24, 26-28, 30, 40, 53-57, 59, 61, 62, 67, 376, 379, 390, 494, 526, 541, 542, 549, and 579 of this title, and section 711(7) of Title 31, Money and Finance] shall be considered to repeal, modify, or supersede, directly or indirectly, any provision of the Antidumping Act, 1921, as amended [sections 160-171 of this title]. The Secretary of the Treasury, after consulting with the United States Tariff Commission, shall review the operation and effectiveness of such Antidumping Act and report thereon to the Congress within six months after the date of enactment of this Act [Aug. 2, 1956]. In that report, the Secretary shall recommend to the Congress any amendment of such Antidumping Act which he considers desirable

tified order. Kleberg & Co., Inc. v. U. 1933, 71 F.2d 332, 21 Ct.Cust. & Pat.App.

etermination of Secretary of the asury and Tariff Commission under ions 160–171 of this title is not subject judicial review as to discretionary ngs, but is subject to review as to pliance with terms of authority delegated by Congress. Ellis K. Orlowitz Co. S., Cust.Ct.1961, 200 F.Supp. 302.

cord in action attacking antidumping did not support contention that tary of the Treasury's finding did ecite required determination of Tariff nission, but substituted Secretary's incorrect version. Id.

porter appeals from the judgment of ustoms Court, Third Division, upholding the determination by the Secretary of the Treasury, of the dumping of iron soil pipe, pursuant to this Importer claims that the determion of dumping was illegal, null and arguing that (1) the Commission's ination of injury or likelihood of to the producers of cast iron soil California was an insufficient basis ich to conclude that an industry in ited States is being, or is likely to ured, and (2) that the Secretary erred in not reporting verbatim etermination of the Commission. d. Ellis K. Orlowitz Co. v. U. S., CCPA 36.

isdiction

t to enjoin liquidation of entry of n phosphate under sections 160–171 itle on ground that appraisal was lly erroneous, and was reinstated smissal of appeal therefrom only of technical defects in procedural eral District Court had no jurisof the subject-matter, notwithalleged hardship resulting from uidation, in absence of showing retary of Treasury exceeded his authority in proclaiming that of phosphate was likely to occur. Co. v. Dailey, D.C.Md.1937, 20 F. 2.

stoms Court and Court of Customs peals have exclusive jurisdiction vith protests and appeals from n of entry of customs duties.

ctions

n cement manufacturers had emedy in Customs Court, when of Treasury found that cement vay was not being sold at less air value (and that imposition orter of a "special dumping duty" was thus not justified), and, therefore, action in District Court for declaratory and injunctive relief would not lie. North Am. Cement Corp. v. Anderson, 294 F.2d 591, 109 U.S.App.D.C. 162.

Neither the District Court nor Court of Appeals may in effect, by enjoining the Collector of Customs from assessing a special dumping duty, reverse a decision of the Court of Customs and Patent Appeals affirming the decision of the Customs Court, which, on appeal to reappraisement held that the appeal was subject to dismissal because of lack of evidence of the statutory cost of production or foreign market value. Cottman Co. v. Bailey, C.C.A.Md.1938, 94 F.2d 85.

That this section is allegedly unconstitutional or the imposition of a special dumping duty beyond the statutory power of the Secretary of the Treasury or his assistants does not warrant the District Court in enjoining the Collector of Customs from assessing the duty; Congress having given an adequate remedy at law. Id.

If Secretary of Treasury or any of his assistants or subordinates undertakes to act to prejudice of citizens' constitutional rights, beyond powers granted by federal statutes, such action may be enjoined by federal District Court of appropriate venue jurisdiction. Id.

Importers were not entitled to restrain enforcement of findings made by Secretary of Treasury under sections 160–171 of this title on ground importers were not given hearing, since sections 160–171 of this title does not require such procedure. Kreutz v. Elting, D.C.N.Y.1933, 3 F.Supp. 364, affirmed 69 F.2d 802.

If customs officials had no legal authority to collect special dumping duties, importers have legal remedy in Customs Court and other courts, and suit for injunction could not be maintained. Id.

In suit to restrain enforcement of findings by Secretary of Treasury under sections 160–171 of this title, importers' allegations were tantamount to admission that Secretary made findings on proof that purchase price or exporter's sales price was less than foreign market value. Id.

Special Dumping Duty

§ 161. Amount of duty to be collected; determination of foreign market value of goods

(a) In the case of all imported merchandise, whether dutiable or free of duty, of a class or kind as to which the Secretary of the Treasury has made public a finding as provided for in section 160 of this title, entered, or withdrawn from warehouse, for consumption, not more than one hundred and twenty days before the question of dumping was raised by or presented to the Secretary or any person to whom authority under said section has been delegated, and as to which no appraisement report has been made before such finding has been so made public, if the purchase price or the exporter's sales price is less than the foreign market value (or, in the absence of such value, than the constructed value) there shall be levied, collected, and paid, in addition to any other duties imposed thereon by law, a special dumping duty in an amount equal to such difference.

(b) In determining the foreign market value for the purposes of subsection (a) of this section, if it is established to the satisfaction of the Secretary or his delegate that the amount of any difference between the purchase price and the foreign market value (or that the fact that the purchase price is the same as the foreign market value) is wholly or partly due to—

(1) the fact that the wholesale quantities, in which such or similar merchandise is sold or, in the absence of sales, offered

for sale for exportation to the United States in the ordinary course of trade, are less or are greater than the wholesale quantities in which such or similar merchandise is sold or, in the absence of sales, offered for sale in the principal markets of the country of exportation in the ordinary course of trade for home consumption (or, if not so sold or offered for sale for home consumption, then for exportation to countries other than the United States),

(2) other differences in circumstances of sale, or

(3) the fact that merchandise described in subdivision (C), (D), (E), or (F) of section 170a(3) of this title is used in determining foreign market value,

then due allowance shall be made therefor.

(c) In determining the foreign market value for the purposes of subsection (a) of this section, if it is established to the satisfaction of the Secretary or his delegate that the amount of any difference between the exporter's sales price and the foreign market value (or that the fact that the exporter's sales price is the same as the foreign market value) is wholly or partly due to—

(1) the fact that the wholesale quantities in which such or similar merchandise is sold or, in the absence of sales, offered for sale in the principal markets of the United States in the ordinary course of trade, are less or are greater than the wholesale quantities in which such or similar merchandise is sold or, in the absence of sales, offered for sale in the principal markets of the country of exportation in the ordinary course of trade for home consumption (or, if not so sold or offered for sale for home consumption, then for exportation to countries other than the United States),

(2) other differences in circumstances of sale, or

(3) the fact that merchandise described in subdivision (C), (D), (E), or (F) of section 170a(3) of this title is used in determining foreign market value,

then due allowance shall be made therefor. May 27, 1921, c. 14, § 202, 42 Stat. 11; Sept. 1, 1954, c. 1213, Title III, § 302, 68 Stat. 1139; Aug. 14, 1958, Pub.L. 85–630, §§ 2, 4(b), 72 Stat. 583, 585.

Historical Note

1958 Amendment. Subsec. (a). Pub.L. 85–630, § 4(b), substituted "constructed value" for "cost of production".

Subsec. (b). Pub.L. 85–630, § 2, substituted "the Secretary or his delegate" for "appraising officers", "sold or, in the absence of sales, offered for sale" for "sold or freely offered for sale to all purchasers" in two instances, and "are less or are greater than the wholesale quantities" for "are greater than the wholesale quantities", inserted "(or that the fact that the purchase price is the same as the foreign market value)" preceding "is wholly or partly due", and authorized consideration of other differences in circumstances of sale, and the fact that merchandise described in section 170a(3) (C), (D), (E), or (F) of this title is used in determining foreign market value.

Subsec. (c). Pub.L. 85–630, § 2, substituted "the Secretary or his delegate" for "appraising officers", "sold or, in the absence of sales, offered for sale" for "sold

or freely offered for sale to all pur sers" in two instances, and "are l are greater than the wholesale quan for "are greater than the wholesale tities", inserted "(or that the fact the exporter's sales price is the sa the foreign market value)" pre "is wholly or partly due", and auth consideration of other differences i cumstances of sale, and the fact merchandise described in section 1 (C), (D), (E), or (F) of this title is in determining foreign market valu

1954 Amendment. Subsec. (a). Act 1, 1954 provided that duty be appl only to unappraised entries first en or withdrawn from warehouse, for

Cro

Office of appraiser abolished excep

Not

Authority to impose duty 1
Validity of assessment 2

Library references

Customs Duties ⟨⟩72, 75, 77.
C.J.S. Customs Duties §§ 109, 11 et seq., 140.

1. Authority to impose duty

Order issued by Treasury Depar under this section and signed by Ass Secretary was sufficient authority f imposition of dumping duty ass

Pu

§ 162. Purchase price

For the purposes of this s the purchase price of impo which such merchandise ha chased, prior to the time of for whose account the merc cluded in such price, the co all other costs, charges, and chandise in condition, pack States, less the amount, if a to any additional costs, cha import duties, incident to b of shipment in the country in the United States; and p price, of any export tax im

or freely offered for sale to all purchasers" in two instances, and "are less or are greater than the wholesale quantities" for "are greater than the wholesale quantities", inserted "(or that the fact that the exporter's sales price is the same as the foreign market value)" preceding "is wholly or partly due", and authorized consideration of other differences in circumstances of sale, and the fact that merchandise described in section 170a(3) (C), (D), (E), or (F) of this title is used in determining foreign market value.

1954 Amendment. Subsec. (a). Act Sept. 1, 1954 provided that duty be applicable only to unappraised entries first entered, or withdrawn from warehouse, for consumption within 120 days before the question of dumping was first raised by or presented to the Secretary of the Treasury.

Effective Date of 1958 Amendment. For provisions relating to effective date and applicability of the amendment to this section by Pub.L. 85–630, see section 6 of Pub.L. 85–630, set out as a note under section 160 of this title.

Effective Date of 1954 Amendment. Amendment of subsec. (a) by Act Sept. 1, 1954 effective on and after the thirtieth day following Sept. 1, 1954, see note set out under section 160 of this title.

Cross References

Office of appraiser abolished except at Port of New York, see section 5a of this title.

Notes of Decisions

Library references

Customs Duties ⇐72, 75, 77.
C.J.S. Customs Duties §§ 109, 110, 135 et seq., 140.

1. Authority to impose duty

Order issued by Treasury Department under this section and signed by Assistant Secretary was sufficient authority for the imposition of dumping duty assessed. U. S. v. Central Vermont Ry. Co., 1929, 17 Ct.Cust. & Pat.App. 166.

2. Validity of assessment

Under the facts, galvanized wire fish trap netting was properly assessed special dumping duties under this section in addition to the regular duties. U. S. v. European Trading Co., 1940, 27 C.C.P.A. 289.

Judgment sustaining appraisement under this section was reversed for want of statement of facts sustaining finding. U. S. v. Borgfeldt & Co., 1924, 12 Ct.Cust. & Pat.App. 324.

PURCHASE PRICE

§ 162. Purchase price

For the purposes of this section and sections 160–171 of this title, the purchase price of imported merchandise shall be the price at which such merchandise has been purchased or agreed to be purchased, prior to the time of exportation, by the person by whom or for whose account the merchandise is imported, plus, when not included in such price, the cost of all containers and coverings and all other costs, charges, and expenses incident to placing the merchandise in condition, packed ready for shipment to the United States, less the amount, if any, included in such price, attributable to any additional costs, charges, and expenses, and United States import duties, incident to bringing the merchandise from the place of shipment in the country of exportation to the place of delivery in the United States; and plus the amount, if not included in such price, of any export tax imposed by the country of exportation on

the exportation of the merchandise to the United States; and plus the amount of any import duties imposed by the country of exportation which have been rebated, or which have not been collected, by reason of the exportation of the merchandise to the United States; and plus the amount of any taxes imposed in the country of exportation upon the manufacturer, producer, or seller, in respect to the manufacture, production, or sale of the merchandise, which have been rebated, or which have not been collected, by reason of the exportation of the merchandise to the United States. May 27, 1921, c. 14, § 203, 42 Stat. 12.

Library references: Customs Duties ⇐72; C.J.S. Customs Duties §§ 109, 135.

EXPORTER'S SALES PRICE

§ 163. Determination of exporter's sales price

For the purpose of sections 160–171 of this title, the exporter's sales price of imported merchandise shall be the price at which such merchandise is sold or agreed to be sold in the United States, before or after the time of importation, by or for the account of the exporter, plus, when not included in such price, the cost of all containers and coverings and all other costs, charges, and expenses incident to placing the merchandise in condition, packed ready for shipment to the United States, less (1) the amount, if any, included in such price, attributable to any additional costs, charges, and expenses, and United States import duties, incident to bringing the merchandise from the place of shipment in the country of exportation to the place of delivery in the United States, (2) the amount of the commissions, if any, for selling in the United States the particular merchandise under consideration, (3) an amount equal to the expenses, if any, generally incurred by or for the account of the exporter in the United States in selling identical or substantially identical merchandise, and (4) the amount of any export tax imposed by the country of exportation on the exportation of the merchandise to the United States; and plus the amount of any import duties imposed by the country of exportation which have been rebated, or which have not been collected, by reason of the exportation of the merchandise to the United States; and plus the amount of any taxes imposed in the country of exportation upon the manufacturer, producer, or seller in respect to the manufacture, production, or sale of the merchandise, which have been rebated, or which have not been collected, by reason of the exportation of the merchandise to the United States. May 27, 1921, c. 14, § 204, 42 Stat. 13.

Library references: Customs Duties ⇐72; C.J.S. Customs Duties §§ 109, 135.

FOREIGN MARKET VALUE

64. Determination of foreign market value

the purposes of sections 160–171 of this title the foreign mar-alue of imported merchandise shall be the price, at the time of tation of such merchandise to the United States, at which such ilar merchandise is sold or, in the absence of sales, offered for the principal markets of the country from which exported, in al wholesale quantities and in the ordinary course of trade me consumption (or, if not so sold or offered for sale for home mption, or if the Secretary determines that the quantity sold ome consumption is so small in relation to the quantity sold portation to countries other than the United States as to form adequate basis for comparison, then the price at which so sold ered for sale for exportation to countries other than the United), plus, when not included in such price, the cost of all con-s and coverings and all other costs, charges, and expenses in-to placing the merchandise in condition packed ready for ent to the United States, except that in the case of merchan-urchased or agreed to be purchased by the person by whom or hose account the merchandise is imported, prior to the time of tation, the foreign market value shall be ascertained as of the f such purchase or agreement to purchase. In the ascertain-of foreign market value for the purposes of sections 160–171 of itle no pretended sale or offer for sale, and no sale or offer for ntended to establish a fictitious market, shall be taken into ac-. If such or similar merchandise is sold or, in the absence of offered for sale through a sales agency or other organization d to the seller in any of the respects described in section 166 s title, the prices at which such or similar merchandise is sold the absence of sales, offered for sale by such sales agency or organization may be used in determining the foreign market May 27, 1921, c. 14, § 205, 42 Stat. 13; Aug. 14, 1958, Pub.L.), § 3, 72 Stat. 584.

Historical Note

Amendment. Pub.L. 85-630 sub-"sold or, in the absence of sales, for sale" for "sold or freely offered to all purchasers", inserted pro-authorizing the Secretary to base market value on the price for tion to countries other than the States when he determines that the sold for home consumption is so to form an inadequate basis for son, and permitted, in cases where dise is sold or offered for sale a sales agency or other organiza-ted to the seller, consideration of the prices at which the merchandise is sold, or offered for sale, by the sales agency or other organization.

Effective Date of 1958 Amendment. For provisions relating to effective date and applicability of the amendment to this section by Pub.L. 85-630, see section 6 of Pub.L. 85-630, set out as a note under section 160 of this title.

Legislative History: For legislative history and purpose of Pub.L. 85-630, see 1958 U.S.Code Cong. and Adm.News, p. 3498.

Notes of Decisions

Library references

Customs Duties ⟸75.
C.J.S. Customs Duties §§ 110, 135, 140.

1. Home consumption

Home consumption, under this section, means the destruction of the article in the country of production, and may be by use or conversion into another manufactured product. J. H. Cottman & Co. v. U. S., 1932, 20 Ct.Cust. & Pat.App. 344.

2. Sold or freely offered for sale

The terms "sold or freely offered for sale" and "ordinary course of trade," are not satisfied by conditional and restricted sales, and such restrictions may be as to the number of purchasers or as to the use of the property sold. J. H. Cottman & Co. v. U. S., 1932, 20 Ct.Cust. & Pat.App. 344.

A sale by a governmental agency in Morocco to farmers in that country with restrictions upon the use to which the same may be put and like restricted sales to foreign countries are not such sales as establish foreign-market value under this section. Id.

3. Foreign market value

Foreign-market value as defined in this section is intended to refer to values existing in a free, open, unrestricted market, where people meet under normal competitive conditions to buy and sell their goods. J. H. Cottman & Co. v. U. S., 1932, 20 Ct.Cust. & Pat.App. 344.

Where only two classes of sales were made, one class to a manufacturer of phosphate rock and another class to individual farmers and farmer cooperative associations at a lower price, the latter class of sales did not constitute any substantial evidence of foreign market value. U. S. v. J. H. Cottman & Co., 1930, 18 Ct.Cust. & Pat.App. 132.

CONSTRUCTED VALUE

§ 165. Constructed value—Determination

(a) For the purposes of sections 160–171 of this title, the constructed value of imported merchandise shall be the sum of—

(1) the cost of materials (exclusive of any internal tax applicable in the country of exportation directly to such materials or their disposition, but remitted or refunded upon the exportation of the article in the production of which such materials are used) and of fabrication or other processing of any kind employed in producing such or similar merchandise, at a time preceding the date of exportation of the merchandise under consideration which would ordinarily permit the production of that particular merchandise in the ordinary course of business;

(2) an amount for general expenses and profit equal to that usually reflected in sales of merchandise of the same general class or kind as the merchandise under consideration which are made by producers in the country of exportation, in the usual wholesale quantities and in the ordinary course of trade, except that (A) the amount for general expenses shall not be less than 10 per centum of the cost as defined in paragraph (1), and (B) the amount for profit shall not be less than 8 per centum of the sum of such general expenses and cost; and

(3) the cost of all containers and coverings of whatever nature, and all other expenses incidental to placing the merchandise under consideration in condition, packed ready for shipment to the United States.

Transactions disregarded; best evidence

(b) For the purposes of this section, a transaction directly or indirectly between persons specified in any one of the paragraphs in subsection (c) of this section may be disregarded if, in the case of any element of value required to be considered, the amount representing that element does not fairly reflect the amount usually reflected in sales in the market under consideration of merchandise of the same general class or kind as the merchandise under consideration. If a transaction is disregarded under the preceding sentence and there are no other transactions available for consideration, then the determination of the amount required to be considered shall be based on the best evidence available as to what the amount would have been if the transaction had occurred between persons not specified in any one of the paragraphs in subsection (c) of this section.

Persons involved in disregarded transactions

(c) The persons referred to in subsection (b) of this section are:

(1) Members of a family, including brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants;

(2) Any officer or director of an organization and such organization;

(3) Partners;

(4) Employer and employee;

(5) Any person directly or indirectly owning, controlling, or holding with power to vote, 5 per centum or more of the outstanding voting stock or shares of any organization and such organization; and

(6) Two or more persons directly or indirectly controlling, controlled by, or under common control with, any person.

May 27, 1921, c. 14, § 206, 42 Stat. 213; Aug. 14, 1958, Pub.L. 85–630, § 4(a), 72 Stat. 584.

Historical Note

1958 Amendment. Subsec. (a), formerly entire section, so designated by Pub.L. 85–630, and amended by substituting "constructed value" for "cost of production", and inserting provisions excluding from consideration in determining cost of materials any internal tax applicable in the country of exportation directly to the materials or their disposition, but remitted or refunded upon the exportation of the article in the production of which the materials are used.

Subsecs. (b) and (c). Pub.L. 85 630 added subsecs. (b) and (c).

Effective Date of 1958 Amendment. For provisions relating to effective date and applicability of the amendment to this section by Pub.L. 85–630, see section 6 of Pub.L. 85–630, set out as a note under section 160 of this title.

PROPOSED PRESIDENTIAL SPEECH

FOR INTERNATIONAL TRADE WEEK

(MAY 17 - 21, 1976)

International Trade Week in the bicentennial year gives me the opportunity to review with you an important aspect of our national heritage and character. Americans have been known historically as the shrewd Yankee traders who were adept, innovative, and energetic and who were not afraid to test their competitive strength in the market place.

The people who founded this nation had to be daring in dealing with many different challenges. They soon established a tradition of great enterprise in overcoming hurdles that were in their way. The innovative industrialists and farmers who followed, built our economy into the strongest one in the world. They did it by adapting to new situations with pragmatism, and by being willing to compete on the basis of the price and quality of the goods and services they produced.

We have seen repeatedly that those countries which are willing to allow individuals to compete freely in the market place, have developed stronger economies than countries where individual enterprise is stifled by the government. The remarkable economic recoveries of Germany and Japan, whose economies were totally destroyed by the second World War, are clear evidence of this. Today these nations have two of the strongest economies in the world.

We have seen similar achievements among developing countries like Korea and Taiwan which have fostered individual enterprise by allowing competition in the market place to determine success. Market competition brings out the best skills, the most innovative ideas, the greatest productivity which a people can offer.

The countries whose economies have thrived the most have not only allowed economic competition at home but they have also fostered economic competition with the rest of the world. Germany, Japan, Korea and Taiwan are countries whose economic strength is based on trade. It is those who are willing to test their mettle with the best in the world who are most likely to succeed.

We became accustomed over the years to think of trade as a residual element of our economy. Increasingly, however, economic events are teaching us that we, too, are

not immune from the consequences of economic interdependence: I only need to mention the impact that higher import prices for oil have had on our cost of energy, and the impact which foreign crop failures have had on our own food prices.

Twenty-five years ago, we were exporting and importing only about six percent of the goods we produced and consumed. Now that figure is up to 15 percent. We now import 100 percent of our tin, chrome, and magnanese, 90 percent of our nickel and 55 percent of our titanium requirements. We now export 60 percent of our wheat, 50 percent of our soybeans, 48 percent of our construction equipment, 44 percent of our textile machinery, 33 percent of our cotton and tobacco, and 30 percent of our aircraft.

About half of the goods we import are industrial supplies and materials, which are used by our farms and factories in their production. Ten percent of our imports are made up of machinery and other capital goods, incorporating in many cases new foreign technology. Another ten percent of our imports are accounted for by food items, including such items as tea and coffee. Only a third of our imports are consumer goods such as cars, clothing and radios.

Most of the manufactured goods we import come from other developed countries which have economies that are very much like ours. The industrial supplies we import come from both developed and developing countries. Only a relatively small proportion of manufactured consumer goods are imported from developing countries with low wage rates.

This overall picture is one of considerable interdependence with the rest of the world where American jobs significantly depend on both our ability to export and our ability to import essential raw materials. The goods we export are produced by the most efficient and highly competitive U.S. firms and farms, thus providing increased opportunities for our most talented people. The goods we import to a large extent consist of raw material for our farms and factories which are essential for the jobs created in these areas.

Another beneficiary of vigorous international trade, of course, is the consumer. The consumer gains by being able to buy better and cheaper goods, and by having a broader range of choices available.

It is for all these reasons -- advantages of competition, economic necessity and consumer choice --

that the United States has supported international efforts to preserve and to expand opportunities for international trade.

One of the first major pieces of legislation I signed, as President, was the Trade Act of 1974 which provided for continued U.S. participation in a broad international effort to reduce barriers to trade. The fact that this Act was passed by overwhelming majorities in both houses of Congress should be strong proof that the United States remains firmly committed to the goal of a world economy where trade can flourish.

Our commitment to expanded trade, however, is based on the assumption that international competition is fairly conducted. We have domestic laws that establish standards for fair competition in the United States. We similarly insist upon accepted international rules that will assure fair competition in international trade.

Significant efforts in the past have led to the formulation of many rules in a document called the General Agreement on Tariffs and Trade. These rules are inadequate, however, and need to be expanded and strengthened. Recognizing this weakness in the current international trading system, Congress in the Trade Act of 1974 called not only for a mutual reduction of trade barriers, but also for major reforms of international trading rules.

Our efforts to achieve a further reduction of trade barriers and a reform of international trading rules is currently focused on the multilateral trade negotiations which are underway in Geneva, Switzerland. These negotiations represent a major effort to deal with the broad range of obstacles which limit opportunities to sell in foreign markets.

While the most visible of these obstacles are import duties, the more important barriers are the many different nontariff barriers to trade. Over the years, the level of tariffs has been scaled down considerably, while less was accomplished in removing nontariff barriers, such as quantitative restrictions and licensing requirements.

Our efforts are directed at all barriers, regardless whether they affect industrial or agricultural products. In this effort we need to give priority attention to those foreign barriers which limit our ability to export the goods we produce most efficiently, including both high technology industrial products and food products.

In these negotiations we are placing strong emphasis on barriers to trade in agricultural products. In past negotiations, liberalization of agricultural barriers has not received equal emphasis, and as a result, the liberalization of trade in agricultural products has kept pace with progress on industrial barriers. I will not consider this round of negotiations to be successful unless agricultural trade is dealt with in a meaningful way.

Another important objective is to achieve a major reform of the international trading rules. We want to establish an effective international discipline for subsidies that promote exports and for safeguard actions that limit imports. In addition, we expect to achieve significant reforms in working out agreements on such nontariff barriers as product standards and government procurement.

In preparation for these negotiations, my Administration has established private sector advisory groups that can work with the government in developing negotiating positions. We have established 45 individual advisory groups with about 860 members, representing every segment of our economy. Frequent meetings have been held by these groups with extensive opportunities for two-way dialogue.

Congress was wise in calling for more effective private sector input and I consider the establishment of these advisory groups as a major step forward. It will make the development and implementation of our international trade policy more responsive to the diversity of economic interests in our country.

The Trade Act also called for a close working relationship between U.S. trade negotiators and the Congress. We have developed this relationship in the spirit in which it was proposed -- as the basis for a partnership between the two branches of government which share responsibility for U.S. trade policy. Given this shared responsibility, the United States can effectively negotiate only if Congress and the Executive Branch work closely with each other.

The negotiations have been somewhat slow in getting off the ground. First we had to get U.S. trade legislation. Then the world recession and higher levels of unemployment have made it more difficult to focus on the elimination of trade barriers and the expansion of trade. Nevertheless, solid preliminary progress has been made, and I am confident that the negotiations are on the right course. We must continue on this course with renewed effort.

I have taken a leadership position in these negotiations and I will continue to do so. We have a special responsibility in the world and we will not shrink from it.

The United States has exercised leadership throughout the post war period in efforts to reduce trade barriers. We, as well as the rest of the world, have benefited from the resulting expansion of world trade in terms of increased economic growth, expansion of jobs, and higher consumer welfare. We can be proud of the results, both in terms of benefits to our own people and to every nation around the world.

At the same time, we will not equate leadership with unilateral consessions to other countries. A reduction in trade barriers is in the mutual interest of all countries, and the United States as much as every other country needs to be satisfied at the end of the negotiations that the package of agreements is balanced. The primary task of our negotiators is to advance the commercial interests of the United States.

While we are working to make progress toward our longer term goals, I have also been conscious of the need for sound management of current trade issues. In this connection, the Congress in the 1974 Trade Act called for more expeditious handling of petitions from firms and workers for remedial trade actions. I want to assure you that my Administration has made every effort to be fully responsive to this desire of the Congress.

American citizens have the right to petition for remedial trade measures by the government and to make their case publicly. I believe that these rights are an important guarantee against arbitrary actions by governments. There are those who have mistaken this approach for protectionism. I can assure them, however, that this suspicion is unfounded. Such an approach is fully consistent with firm support for an open trading system and in fact, is the best guarantee for broad public support for expanded trade.

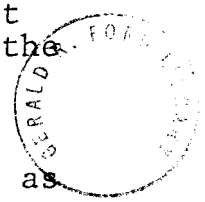
Where enterprises or workers have been injured by an excessive growth of imports, or where unfair competitive practices have been demonstrated, the government must take appropriate actions. If we were to do otherwise, we could not sustain the support of the American public for our traditional policy on trade.

In some cases, individual firms, farms, or workers which are being injured by imports, can be helped best by

providing temporary restraints on imports. In other cases, financial assistance for adjustment is the best solution in light of both the individual merits of the case and the overall national interest.

Adjustment assistance has many advantages but there also seems to be an impression that it has not been as effective as it could be. I believe that we have a responsibility to make this program work. To this end, I am directing the Secretaries of Commerce and Labor to constitute a high level task force to report back to me on how this program can be made more effective.

Sound management of trade policy issues requires not only good domestic management of trade issues, but also the maintenance of good relations with our trading partners.



The recent years have been particularly challenging in this regard. Major shocks to the world economy, such as the oil embargo, the subsequent massive increase in oil prices, crop failure in many parts of the world, and a major recession have disrupted traditional trade relationships. Fortunately, international cooperation proved strong enough, and the necessary adjustments in world trade were made without a serious increase in new trade barriers.

International cooperation was considerably strengthened at the Rambouillet conference last fall when I met with leaders of the other major industrial democracies to discuss economic problems. I intend to continue effective international economic cooperation. At a time such as this when the industrial democracies are emerging from a recession, it is more crucial than ever to preserve the economic bonds that support our common prosperity.

A key aspect of international cooperation has been a pledge by industrial countries to avoid restrictive trade measures for dealing with balance of payment problems, or for dealing with economic problems created by higher oil prices. This pledge does not rule out remedial trade actions for individual commodities, though it imposes a responsibility on governments to act with restraint.

This pledge has generally been referred to as the OECD Trade Pledge because it was negotiated under the Organization for Economic Cooperation and Development. It was first adopted for a period of one year approximately two years ago, and was renewed last year. I am directing the United States delegation to seek a renewal of this pledge at the OECD meeting next month.

Governments establish the rules and set the tone for international economic prosperity. However, the key to building this prosperity is the enterprising businesmen at home and abroad who do the importing and exporting.

In the United States, business has pushed forward our limits of technology, has created jobs and standards of living for consumers and workers alike, its export efforts provide the necessary foreign earnings to pay for our essential imports.

U.S. business men serving abroad are seeking to make these fruits of our economic system available to foreign consumers where desired.

To evidence my Administration's support for their international business activities and to gain improved understanding of their needs, I will ask Vice President Rockefeller to visit with the American Chambers of Commerce in Western Europe and Canada, and Secretary of Commerce Richardson in Japan. I will also ask these officials to take the message of our economic recovery and to discuss our international trade policy with the officials and business community of the countries that they visit.

I urge these officials to take representatives of American labor and management with them to broaden understanding of international business activities at home and to present a balanced American view of our economic system to these important trading partners.

I will also be looking forward to receiving their report to me on their findings and recommendations.

The maintenance of world peace is my key foreign policy objective. In the domestic area, control of inflation and expansion of jobs are my key goals. A sound international trade policy is important to all these efforts. I will continue to work closely with the Congress to see that America provides leadership abroad and equity at home.

Thank you.