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Address of Senator Strom Thurmond (D-SC) before U. S. Senate on petition of National Cotton Council to Secretary of Agriculture for relief against manufactured textiles under Section 22 of the Agricultural Adjustment Act, circa 1958

Strom Thurmond

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ADDRESS OF SEN. STROM THURMOND (D-SC) BEFORE U. S. SENATE ON PETITION OF NATIONAL COTTON COUNCIL TO SECRETARY OF AGRICULTURE FOR RELIEF AGAINST MANUFACTURED TEXTILES UNDER SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT.

Mr. President, the tragic results of our misguided foreign trade policies continue to come home to haunt us. More and more domestic industries are feeling the impact, and an ever increasing number of American jobs are disappearing. Undoubtedly, the worse is yet to come.

As with almost all national issues, the foreign trade issue appears to the great majority of people as either all black or all white. Any modification of the policy, or criticism of its operation, is considered by the so-called "free traders" as heresy born in the spirit of isolationism. This attitude has contributed markedly to an almost complete lack of objectivity, which may ultimately destroy our economic system.

A careful examination of the operation of our purportedly "reciprocal" trade program reveals an astounding lack of "reciprocity." This lack of reciprocity, coupled with such factors as our encouragement and subsidies to foreign industrialization, the wage differential existing between our country and foreign countries, and the tax advantages enjoyed by foreign competitors, is continually and increasingly eroding both the foreign and domestic markets of domestic producers.

The ideas that led to the conception of our foreign trade program were undoubtedly sound. Into the statutes that effectuated this program were written procedures for the safeguarding of the markets--particularly the domestic markets--of our domestic producers. The operation of the program, however, has, from the beginning, been
at wide variance with the theory underlying its conception. In practice, there has been scarcely any utilization of the procedures authorized for preservation of our domestic industry and employment. The pleas of those portions of our domestic economy which have borne the brunt of the first assault have been like a voice in the wilderness, unheard and unanswered.

For those who are truly interested in the advancement of foreign trade, this should be most alarming. With every plea from a segment of our domestic economy that goes ignored, more fuel is added to the fires of opposition to our trade program in its entirety. For those who lose their jobs or savings on the sacrificial altar of our untouchable trade policy, it is understandably difficult to be objective about the benefits derived from trade with the world community. It is much more characteristic for such a person to be violently and emotionally opposed to foreign trade--in other words, to see nothing but the black side.

Up to the present time only a minority of the American public has been directly affected to the extent that violent opposition to the trade program has been inspired. Only the blind, however, can fail to see that as greater inroads are made on domestic markets of basic industries such as steel, and other bellweather industries such as automobiles, such unalterable opposition will continue to multiply by leaps and bounds. Unless the safety-valve procedures provided in the law are utilized and invoked to perform their intended function, our foreign trade program is doomed to sudden and inglorious death at the hands of an aroused and angry public sentiment, occasioned by the blindness of the program's staunchest defenders.
Some of the safety-valves available to make the foreign trade program practically workable on a long term basis are written into the so-called "Reciprocal Trade Act" itself, such as the peril point and escape clause provisions. Other safety-valve features exist, such as that provided in Section 22 of the Agricultural Adjustment Act, and although they are not an integral part of the Trade Act, their provisions are incorporated into all trade agreements made by our Government with foreign countries. Thus we breach no agreement when we invoke the provisions of the safeguard procedures to insure the preservation of some part of our domestic economy.

Mr. President, I have mentioned some of the competitive disadvantages accruing to domestic producers generally when competing with foreign products, as for example, wage differentials, less realistic tax depreciation rates, and government subsidies to foreign competitors. These competitive disadvantages apply in varying degree to any field where domestic industry must compete with its foreign counter-part. Other competitive disadvantages apply to particular segments of our domestic economy to the exclusion of other segments.

The most staggering competitive disadvantage which applies to one particular segment of our domestic industry arises from our two-price system of cotton. On August 1 of this year, the price differential on raw cotton will increase to eight cents per pound. This means, Mr. President, that effective August 1, domestic manufacturers of cotton products will have to pay eight cents per pound more for their raw material than will their foreign competitors.
To appreciate the full impact of this price disparity in favor of foreign manufacturers, it is necessary to understand that the cost of raw cotton makes up well over half of the average selling price of a yard of gray cloth in the United States. In foreign countries, where the wage level is much less than in the United States, the ratio of cost of raw material to selling price of the manufactured item is presumably much higher.

In order to grasp the extent of the impact of this differential in cost of raw materials, it is essential that we take into account the wage differential to which it is cumulative. The average hourly earning of workers in the textile industry in the United States is $1.58. In Hong Kong, a major source of textile production, the standard textile wage is reliably reported to be 6.8 cents an hour. Even Japan, with its textile wage of approximately 10 cents an hour—and considered to be one of the real low wage countries—is reportedly finding itself unable to compete with the lower wages being paid in other Asian countries.

Is there any wonder that there is such a growing animosity toward our trade program? Our Government cannot continue to turn a deaf ear to the cries of anguish from domestic producers and workers. Now is the time for an act of good faith by the Government to restore at least some partial confidence of the American people in the trade program. The opportunity is at hand. A case has been made, and a more deserving case is hard to imagine.

On June 29, the National Cotton Council, representing cotton farmers, ginners, merchants, warehouseman, seed crushers and spinners, filed with the Secretary of Agriculture a petition for action on cotton textile imports under Section 22 of the Agricultural Adjustment Act. Section 22 contains provisions for relief against
imports if it is found that they "tend to render ineffective or materially interfere with" the agriculture program of the Government.

Under Section 22, import quotas have been imposed on upland cotton at a level of 30,000 bales under 1 1/8 length. The petition of the National Cotton Council is directed at the imports of textiles. I would like to briefly summarize the case made for relief.

The number of bales of cotton imported into the United States in textile form, including yarn, cloth and fabricated articles has increased from 37,510 in 1948 to 286,630 in 1958. Lest there be any supposition that the trend has reached a cutoff, consider that although textile imports from Hong Kong for any quarter through April of this year have never exceeded two million yards of cloth, unimpeachable reports indicate that orders have been placed for future delivery of more than 35 million yards of soft-filled sheetings alone from Hong Kong. It cannot be denied that textile imports, now at an all-time high, are increasing at a terrific rate.

Now let us turn to the forms of injury to the United States cotton program occasioned by these textile imports. These forms of injury may be classified in four categories: (1) the immediate effect on the market for U. S. cotton; (2) the effect upon the attitude of the domestic textile industry; (3) the effect upon the domestic market development; and (4) the build-up of future trouble through delay.

It is self evident that any substantial decrease in the market for domestic raw cotton materially interferes with our national cotton program. It behooves us, therefore, to examine the recent changes in the market for our domestic raw cotton, both foreign and domestic. It is true that our exports of textiles are larger than
our imports, and this is often used as an excuse for our Government's inaction. If, however, we examine the trends of imports and exports together, it is obvious that such an excuse is completely invalid. For example, in 1948, the imports of yarn, cloth and fabricated products were the equivalent of 38,000 bales, and the exports of cloth and yarn were the equivalent of 689,000 bales, the difference being 651,000 bales. In 1958, the picture had changed materially. Although exports of yarn and cloth in bale equivalent still exceeded imports of yarn, cloth and fabricated products, the differential had shrunk from the 651,000 bales-equivalent in 1948, to 76,000 bales--imports of yarn, cloth and fabricated products having increased from 38,000 to 287,000, and exports of yarn and cloth having decreased from 689,000 to 362,000.

The figures I have just stated are not an isolated example, but are consistent with the entire trend. Other figures illustrate the same trend. For instance, consider the dollar value of cotton goods exported and imported in the form of end products. In 1953, exports amounted to $62,962,000 and imports amounted to $48,228,000, leaving a differential of exports over imports of $14,734,000. In 1958, exports had decreased to $58,664,000, while imports had increased to $109,696,000. The $14,734,000 advantage of exports we enjoyed in 1953 has disappeared to be replaced by a deficit of more than $55,000,000.

A few decades ago, the sale and use of domestically grown raw cotton abroad would have offset the trend in manufactured products. It has not been too long since about one-half of all the cotton consumed abroad was imported from the United States. In the last five years the situation is radically different, for the United States has furnished not one-half the cotton for foreign
consumption, but only one-seventh. There can be no question, incidentally, that a great portion of the raw cotton market which we have lost has gone to Red China. The United States cotton producer is losing the market rapidly. Sales of raw cotton abroad have shrunk materially, as have exports of manufactured cotton products, while at the same time, textile imports have multiplied rapidly. The trend of a shrinking market for domestic cotton, at home and overseas, progresses at an ever faster rate.

The question of the market for domestic raw cotton can not be left with a consideration of only the immediate and direct effects of the competitive advantages of foreign competitors, however. There are other—if less direct, certainly just as substantial—effects of a cumulative nature. The attitude of the domestic textile industry is pertinent to this point.

The impact of incredible wage differentials, tax system disadvantages, inducements to overseas investments offered by the U. S. Government, and the disparity between the domestic and world prices of cotton have not been lost on the textile entrepreneur's thinking. As a matter of fact, the confidence of the textile manufacturer in cotton as a source of raw material supply is being undermined, insofar as domestic manufacture is concerned. His thinking is tilted—and logically so, we must admit—in the direction of synthetic fibers. A continuation of such thinking can only result in further losses of a cotton market.

We must also be conscious of the fact that all the pressures are aimed at directing the future capital investment in textiles to foreign lands, with the resultant loss of employment and ultimately a further loss in market for raw cotton.
Many have pointed to the field of market development, both domestic and foreign, as the most appropriate solution to the problem. I could not agree more thoroughly that an intensive program of market development by the textile and allied industries is essential to the survival of the cotton, and indeed, the entire textile industry. But we must face the practical facts of life. Market development involves major capital investments over a long period in such things as market research, scientific research, advertising and promotion, new plant and equipment, and personnel training. Any realist must acknowledge that confidence is a condition precedent to any such major investments. To date, investors have certainly been given little reason for confidence by the only source of relief—the United States Government.

The situation in which we find ourselves will brook no delay. The longer action for the correction of competitive disadvantages of domestic producers is postponed, the worse the situation becomes. Textile industries are springing up as the initial effort of undeveloped countries. Earlier comers to the field of textile manufacturers in such places as Japan, Hong Kong and India continue to strain for expansion of their textile capacity—ever looking toward capture of a larger part of the world, and particularly the American textile market. We are fast approaching a time when this particular facet of our trade program will be beyond salvation. The longer we wait, the more drastic will have to be the remedy, and therefore, the more difficult it will be to apply.

I submit that it is hard to conceive of a more substantial case for relief than that which exists for the cotton industry under Section 22. Even were this the only mishap of our foreign trade program, it would be incomprehensible if relief should be denied.
From an overall standpoint in the interest of the future foreign trade position of our country, however, there is an even more compelling reason why favorable action should be taken on the petition of the National Cotton Council. As I have mentioned earlier, an ever broader segment of the American public is adopting an attitude of adamant, uncompromising opposition to the trade policy of the United States. With each passing day, this segment increases in size. Admittedly, this portion of the American people may still be in the minority. Already, however, the same attitude is having an effect on the Congress. Only last year, substantial changes in the so-called Reciprocal Trade Act, although ultimately defeated, received a broad base of support in Congress, and actually were staved off only by the most vigorous opposition by both the Administration and the leadership of the Congress.

If the safety-valves provided to remedy the specific hardships that result from the general application of the policy remain tightly sealed, there is certain to be an ultimate explosion. The longer the explosion is delayed without some show of good faith by the government, the more extreme will be the change when it comes.

The Section 22 petition of the National Cotton Council not only makes an unassailable case for relief, but provides an unequalled opportunity for a demonstration that our trade program can be implemented in a practical manner without destroying domestic industry and employment. It is my sincere hope, in which I should be joined by every advocate of expanded world commerce, that the Secretary of Agriculture and the President will act immediately to grant relief to the cotton industry.

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