7. Trade and Aid: Reciprocal Trade
1957–1958

THE SECOND SESSION of the Eighty-fifth Congress promised to be even more difficult for the Eisenhower administration than the first had been. Relations between the White House and Congress remained tense. Privately, Eisenhower scarcely concealed his contempt for Congress, but it was an election year, and political analysts expected party politics to be prominent in the legislative process. Eisenhower again asked Congress for increased foreign-aid appropriations. His aid requests were more modest than those of 1957, but he sought additional funds for development assistance, including the full $625 million for the DLF authorized the previous year. He also requested that the fund be incorporated and empowered to act as a coordinating agency with other lending institutions.

Eisenhower’s major legislative priority in foreign economic policy, however, was a five-year extension of the Trade Agreements Act and additional presidential authority to reduce tariffs. The president also again tried to win congressional approval for American membership in the OTC. He believed that his trade proposals, like the mutual security program, were needed to protect and strengthen the non-Communist world against the Soviet economic challenge. No longer advocating expanded international commerce as an alternative to foreign economic aid, the White House regarded both trade and aid as essential to the economic vitality of the free world. Also, six European nations were in the process of forming a common market, and in order to bargain with this new economic community, the administration felt it had to win a long-term extension of the Trade Agreements Act and broadened presidential authority to make tariff cuts.

Congress responded to the president’s requests by giving him far less than he wanted but considerably more than many Washington observers had anticipated. On the negative side, Congress slashed Eisenhower’s mutual security recommendations by more than $640 million, including $250 million for the DLF. It also rejected an administration-sponsored amendment allowing aid to Soviet satellite nations, and despite Eisenhower’s plea that the Trade Agreements Act not be weakened through restrictive amendments, it attached to it a number of protectionist provisions. Finally, Congress refused even to
consider U.S. membership in the OTC. On the positive side, the cuts in foreign aid were considerably smaller than those of the previous year. Moreover, the House and Senate added $100 million to the DLF appropriation for 1958 and approved the administration's request that the fund be incorporated with a managing director and a board of directors. In addition, they adopted a resolution introduced by Mike Monroney of Oklahoma and endorsed by the Departments of State and Treasury to have the National Advisory Council look into the possibility of establishing an International Development Association (IDA) as an affiliate of the World Bank. As for the Trade Agreements Act, Congress gave the administration most of what it requested, including a four-year extension of the reciprocal trade program and authority to reduce tariffs over this period by an additional 20 percent.

Thus, the White House had reason to be satisfied with its legislative accomplishments for 1958. The president had avoided the foreign-aid disaster of the previous year, and the House and Senate had approved a long-term extension of the Trade Agreements Act despite protectionist sentiment, which was reported by Business Week "to be reaching the strength of the Smoot-Hawley days." In truth, the administration itself was responsible for many of its congressional achievements. It took advantage of the crisis atmosphere created by the successful Soviet launching of an earth satellite in October to emphasize the urgency of its trade-and-aid programs. In addition, Eisenhower cultivated the Democratic leadership in both the House and Senate and, following a tactic he had used before, launched a massive public relations campaign in behalf of his programs which won nationwide support from a coalition of politicians, former diplomats, business leaders, and even a few Hollywood celebrities.

Yet the administration failed more often than it succeeded with Congress, and the results it achieved actually gave proponents of liberalized trade and expanded aid very little cause for satisfaction. The House and Senate's less than total hostility to the White House's foreign economic program hardly comforted those who rightly feared that Congress would add new restrictions to the Trade Agreements Act or not ratify the OTC. Nor was much satisfaction derived from the foreign-aid cuts that Congress did make or from its unwillingness to add more than $100 million to the DLF appropriation. By continuing to follow a restrictive agricultural program, the White House also contradicted the principles of free trade. It persisted in limiting imports of farm products, subsidizing agricultural exports, and making the disposal of farm surpluses an essential part of its foreign-aid program. Finally, the administration remained opposed to the establishment of a Special United Nations Fund for Economic Development (SUNFED), despite the fact that the proposal was now supported by most of America's closest allies, and this raised doubts, even within the United States, about the White House's commitment to economic development in Third World countries.

What was remarkable about the dialogue over the nation's foreign
economic policy in 1958, however, was how barren and circumscribed it remained. Impassioned arguments about short- and long-term gains from economic growth abroad became Cold War shibboleths, and the entire discussion assumed a pedestrian quality. The assumptions behind the case for expanded trade and aid blurred the administration's view of the Third World. Such basic issues as the harsh circumstances of primary producing countries in declining commodity markets or the economic consequences of their social and political systems continued to go largely unnoticed or unheeded. In their haste to industrialize, even Third World leaders often ignored the fundamental problems of their agricultural and mineral-based economies and underestimated the difficulties that would result from economic growth. Thus, criticism of the administration's foreign economic program by proponents of trade and aid often amounted to asking for more of the same.

Renewal of Reciprocal Trade

That renewal of the Trade Agreements Act in 1958 would be strongly debated in Congress became clear as early as 1956, when the House Ways and Means Committee established a subcommittee to investigate the effects of the nation's tariff laws on foreign economic policy and the domestic economy. In a memorandum to the Joint Economic Committee of Congress, a copy of which he sent to Commerce Secretary Sinclair Weeks, Republican Senator Ralph Flanders of Vermont, a twenty-year veteran of the Senate and a member of the Finance Committee (which considered tariff legislation), made clear his intention to work against further extension of the reciprocal trade program. One of the first Republican leaders to back Eisenhower's candidacy for the presidency in 1952 and one of the administration's strongest supporters in Congress, Flanders was nevertheless only a moderate internationalist on most foreign-policy issues. Challenging the administration's assumption that trade by itself contributed to peace, he questioned whether the United States could "afford to let pass into foreign hands" any industry important to the American consumer or essential to the national defense.

The administration did not begin to give serious consideration to renewal of the Trade Agreements Act, however, until June 1957, when the State Department called a conference to discuss the congressional status of the proposed OTC. Despite Congress's refusal even to consider American participation in the OTC, the White House remained convinced of the need for U.S. membership. Diplomats in Europe, where final talks on the formation of the Common Market were taking place, stressed the importance of the OTC in bringing about Western economic cohesion. A resolution introduced at the closing session of GATT in November urged quick ratification by all countries.

To gain congressional approval for American participation, Eisenhower turned to the Department of Commerce rather than the State Department. He hoped to gain more support for the OTC by emphasizing its advantages,
along with those of GATT, in reducing trade barriers and other restrictions against U.S. exports. Furthermore, he recognized the strength of the previous year's argument in Congress that GATT was primarily an instrument of foreign policy rather than an effective body for increasing American (and world) trade. Despite this change in tactics, the House and Senate again refused to act on the OTC legislation. The chairman of the House Ways and Means Committee, Jere Cooper of Tennessee, told Commerce Secretary Sinclair Weeks that he would not send a ratification bill to the House without the approval of the majority of the Republican members of the committee, which according to Weeks did not exist.

As the commerce secretary indicated at a meeting called by the State Department, however, Congress's refusal to act on American membership involved more than antagonism toward the OTC. Of much greater concern to the House and Senate was renewal of the Trade Agreements Extension Act, which was due to expire the next year. Richard Simpson of Pennsylvania, a ranking Republican member of the Ways and Means Committee, told Weeks that the entire reciprocal trade program was extremely unpopular in Congress for at least two reasons. First, Congress felt that the State Department had too much influence in administering the program, and that thus the plight of some industries in the United States, when measured against international considerations, did not receive sufficient attention. Second, many congressmen objected to the fact that while the Tariff Commission had recommended protective actions for American industry on fifteen occasions, the president had approved such measures in only four instances.

From his conversation with Simpson the commerce secretary concluded that only a number of concessions, made in advance to the Ways and Means Committee, could save the OTC legislation that year and the Trade Agreements Act the next year. According to Weeks, these concessions included changes that would give the Department of Commerce a larger role in the administration of the Trade Agreements Act, a promise from the president that he would strictly adhere to the Tariff Commission's recommendations, and a more precise definition of what constituted injury to American business. A former finance chairman of the Republican National Committee, and a man whose economic views one historian has described as "even more conservative" than those of Treasury Secretary Humphrey, Weeks had many times expressed concern about the adverse effects of foreign competition on the American economy. He had even objected to the Eximbank's financing of aircraft that foreign firms might use to compete with American airlines. He was also anxious to increase the role of the Commerce Department in formulating trade policy. That goal was accomplished when the White House accepted a proposal by Clarence Randall, who had replaced Joseph Dodge as chairman of the CFEP following Dodge's return to private life in 1956, that a Trade Policy Committee be established under the direction of the Commerce Department. The committee would make general policy recommendations
concerning the Trade Agreements Act and advise the president on agreements with other countries negotiated by the State Department.\textsuperscript{10}

The commerce secretary's recommendations on tariff legislation thus aimed self-servingly at increasing the Commerce Department's authority over trade matters at the expense of the State Department. Dulles and Christian Herter, who were at the State Department meeting with Weeks, asked the commerce secretary to put his recommendations in writing for their further consideration. Later, Clarence Randall made a similar request of Weeks and confirmed to Herter that some deal with Congressman Simpson and his colleagues might be necessary to save the OTC and Trade Agreements Extension legislation from defeat.\textsuperscript{11} A month later Weeks sent Randall a Commerce Department proposal to increase tariff rates in escape clause cases covered by the Trade Agreements Act. Existing legislation authorized the president to increase tariff rates 50 percent above 1945 levels in cases where the Tariff Commission determined that foreign imports covered by the act caused, or threatened to cause, serious injury to American industry. The Commerce Department proposed authorizing the president to raise duties by an indeterminate amount above the much higher 1934 levels (1934, of course, being the year when the Trade Agreements program began).\textsuperscript{12}

Both President Eisenhower and Secretary of State Dulles opposed Weeks's call for unlimited presidential power over tariff rates in escape clause cases. They realized that such authority would lead to unacceptable pressure on the White House from protectionist forces. Yet the president also concluded that some concessions like those proposed by the commerce secretary were needed to save his trade program in Congress. Thus, while the White House rejected Weeks's recommendation for unrestricted presidential power in escape clause cases, over the next six months it agreed to two other changes in the reciprocal trade legislation. The first, a modification of Weeks's original proposal, gave the president authority in escape clause actions to raise tariffs by 50 percent over the 1934 rates rather than the lower 1945 levels. The second provided for an automatic escape clause proceeding in cases where the Tariff Commission, in its "peril point" investigations, found that existing tariff rates were not high enough to prevent the threat of injury to domestic producers. Under existing law there was no provision for such automatic action. By making these concessions, which were intended to speed the availability of relief and strengthen the safeguards for American industry against foreign competition, President Eisenhower and Secretary Dulles hoped to appease protectionist forces and gain congressional approval for the rest of the administration's trade program, which was then being drafted.\textsuperscript{13}

In fact, the White House exerted considerable effort in preparing its trade recommendations for the next session of Congress even as it watched the mutilation of its foreign-aid program in the current session. Beginning in July 1957 the CFEP met regularly to formulate its proposals and to plan strategy for the session that would begin in January. At the same time, White House officials
worked closely with a number of private groups, including the U.S. Council of the International Chambers of Commerce, the Committee for a National Trade Policy, and the newly formed Americans for OTC, to press for American membership in the OTC. The administration’s plan was to move its bill through the House that summer and fall so that it would reach the Senate early in the next session. Thus it hoped to avoid entangling the OTC measure in the debate over extension of the Trade Agreements Act.14

The Renewed Controversy over Lead and Zinc Imports

The White House’s well-laid plans were sidetracked, however, when Congress adjourned without taking action on the OTC legislation. More important, during the summer 1957 the administration took a position in the renewed controversy over lead and zinc imports that proved extremely embarrassing and placed the White House in the position of appearing to ignore the very legislation it wanted to extend. In 1954, following an escape clause investigation, the Tariff Commission had recommended that tariffs on lead and zinc be raised to protect the domestic mining industry. Fearing the unfavorable reaction this would cause among the nation’s allies and not wishing to contravene his own liberal trade policy, the president had tried to finesse this politically sensitive issue by increasing stockpile purchases of lead and zinc and asking for voluntary restraints on their import. But he had warned that he would take “even more far-reaching measures” if the prices for the two metals did not stabilize.15 Over the next three years the government made large purchases of domestically produced lead and zinc and bartered agricultural surpluses for foreign supplies. Although this caused substantial price increases, it also led to renewed imports. With the stockpile already too large, prices beginning to drop, and the domestic industry again threatened by foreign competition, the administration decided in June 1957 to take the additional steps Eisenhower had outlined in 1954. Thus, with the president’s approval, the Department of Interior sent to Congress a proposal for a long-term program for minerals that included a recommendation for a sliding scale of excise taxes on lead and zinc imports.16

Although Congress might normally have backed the administration’s recommendation since it protected an essential domestic industry, the proposal appeared to violate section 7 of the Trade Agreements Act, which provided that the Tariff Commission conduct an investigation in escape clause cases. On August 16 Chairman Cooper of the House Ways and Means Committee made public a letter he had sent to the president to this effect, a letter in which he also claimed to have the support of the fourteen other Democratic members of the Ways and Means Committee. In the Senate, Albert Gore of Tennessee and Paul Douglas of Illinois issued a report opposing any tariff increase as “a serious blow to our economy and an attempt to undermine our reciprocal trade program.”17 The president had told legislative leaders that
he intended to stand by his tax proposal on lead and zinc, but he bowed to this congressional pressure. At a legislative leadership meeting and at a press conference the next day, he conceded that a Tariff Commission investigation was a better way of handling the matter. In a letter to Cooper he warned that if Congress failed to act on his tax proposal, he would ask the Tariff Commission to investigate the lead and zinc industries under the escape clause provision of the tariff laws. As the president anticipated, the Ways and Means Committee failed to report out the tax proposal, and he ordered the Tariff Commission to begin its investigation.

**The Administration's Trade Program**

The controversy over lead and zinc imports was politically awkward for the administration, and it alienated many Democratic advocates of liberalized trade. Nevertheless, the White House continued throughout the summer of 1957 to prepare for what *Business Week* predicted would be “the roughest political fight over foreign trade in a quarter of a century.” The president had decided to ask Congress for a five-year extension of the Trade Agreements Act and authority to cut rates by 25 percent over five years. According to White House strategy, Commerce Secretary Weeks, who again was assigned the major responsibility for presenting the administration’s trade and tariff proposals to the House and Senate, would justify the program in terms of its benefits to the American economy. Secretary Dulles would emphasize the relationship between trade and foreign policy, and Deputy Undersecretary Dillon would analyze the possible effects of the European Common Market on the United States.

Eisenhower waited until a December meeting of congressional leaders at the White House to present his trade program as part of his overall foreign-policy proposals for 1958. Dulles began the discussion on foreign trade with a few remarks on the international importance of world trade, the danger of the Soviet economic offensive abroad, and the need expressed by other countries for dependable access to U.S. markets, but the major spokesman for the administration was Commerce Secretary Weeks, who elaborated on the importance of foreign commerce to the domestic economy. Citing Nikita Khrushchev’s boast of the previous fall that the Soviet Union was engaged in a trade war against the United States, Weeks noted that U.S. exports to countries with whom it had trade agreements had increased by the largest amounts. He then outlined the administration’s proposal for a five-year extension of the Trade Agreements Act and additional presidential authority to cut tariff rates. He also mentioned other legislative items, including the need to approve American membership in the OTC and the creation of a new Trade Policy Committee. Deputy Undersecretary Dillon concluded the administration’s lengthy presentation with remarks on the new, single tariff of the European Common Market. He warned that it would hurt American exports because
of internal reductions within the Market unless the United States was successful in bargaining for compensatory cuts as required under GATT rules.

Congressional leaders reacted to the White House presentation with caution. Citing his own devotion to the reciprocal trade program, Speaker Rayburn promised to support the administration’s proposals, but he warned that this would be the toughest of any legislative session. (After the White House briefing, Rayburn said it would take “blood, sweat and tears” to get the program through Congress.) Similarly, Senate Minority Leader Everett Dirksen spoke of the difficulty of obtaining tariff relief expeditiously when needed and suggested that prompter action by the administration on relief cases would facilitate passage of the legislation.²⁵

The Investigation of Foreign-Trade Policy

On December 2, the day before these congressional leaders met with the president, the Subcommittee on Foreign Trade Policy, which the House Ways and Means Committee had established in 1956, began a series of hearings that lasted through the middle of December. These hearings foreshadowed much of the debate that would begin in Congress the following February. Organized at the end of the Eighty-fourth Congress to investigate the nation’s tariff laws, the subcommittee had been reestablished at the beginning of the Eighty-fifth Congress. Headed by Hale Boggs of Louisiana (and usually referred to as the Boggs Committee), it had commissioned a series of studies on foreign trade by many of the nation’s leading experts. These studies were similar to those done on the mutual security program a year earlier for the special Senate committee investigating foreign aid. Unlike this other committee, however, the Boggs Committee asked the White House to participate in its investigation by preparing an analysis of the Trade Agreements Act and its relationship to overall foreign economic policy.²⁶

The compendium of papers prepared for the Boggs Committee and issued in October 1957 covered most aspects of foreign trade: duty rates, the American balance of payments and its relationship to foreign trade policy, recent developments in the foreign trade policies of other countries, trade agreements legislation and administration, foreign trade policy and national security, and foreign trade policy in relation to American agriculture.²⁷ Perhaps the most forceful argument in behalf of liberalized trade was that presented by Professor Lincoln Gordon of Harvard University, who had served as minister to England at the beginning of the Eisenhower administration and who would become ambassador to Brazil during the Kennedy administration. Gordon remarked that since 1945 America had made considerable progress in achieving its objective of an orderly framework for private trade and investment based on international cooperation. He noted, however, that recent developments raised the possibility that some countries might again resort to a form of
autarchy and organize the soft-currency countries against the dollar world. These developments included not only the protectionist tendency in the United States, as manifested by restrictive amendments to the Trade Agreements Act and failure to ratify the OTC agreement, but also a renewed world dollar shortage.  

Although Gordon made a strong case for a liberal trade policy, he did not elaborate on the specifics of such a program. In separate papers, however, Miriam Camps, a former chief economic officer for the Department of State, and Richard Gardner, a recognized expert on foreign trade matters, argued that the president should have new bargaining power, including the authority to reduce tariffs on an across-the-board basis. In Camps's opinion, expanded presidential authority, such as the right to restrict use of the escape clause, would reduce the uncertainty about U.S. trade policy, which was the primary concern of America's trading partners. Under such expanded authority, reciprocity would come to mean more than simply reducing tariffs. According to Gardner, there was no reason why the president should be kept from reducing tariffs until he had obtained concessions from other countries, as the law then required, or from making other tariff and trade changes. At the very least, the president should have the freedom to bargain trade concessions in return for economic and political commitments quite apart from tariff and trade concerns.  

Just as most of the reports commissioned by the Senate special committee on foreign aid argued for expanded economic assistance to Third World nations, so most of the other studies for the Boggs Committee called for a liberalized trade policy similar to that recommended by Camps and Gardner. In fact, many of the reports were more liberal than the administration's trade program, particularly with respect to restrictive trade amendments and presidential bargaining authority. But unlike the Senate study on foreign aid, the Boggs compendium contained a number of dissenting views. Opponents of liberalized trade took sharp issue with advocates on almost every point. They disputed especially the degree to which the United States was allegedly following a restrictionist trade policy, the effect of tariffs on the domestic economy, and the question of where control of tariffs should be placed. For the most part, opponents of freer trade maintained that tariffs had already been cut too much and that the tendency toward restrictionism was greater in other countries than in the United States. They also argued that irreparable harm was being done to such vital American industries as cotton manufacturing and that administration of the tariff should be made a joint responsibility of Congress and the Tariff Commission.  

Proponents and opponents of liberalized trade repeated most of these arguments before the Boggs Committee during its hearings in December. Most of the recommendations, which ranged from a ten-year extension of the Trade Agreements Act to none at all, also had been made earlier. Nevertheless, the hearings—and, even more important, the studies made in preparation for the
hearings—defined the issues and arguments Congress would consider when it took up the administration's trade program early the next year.33

**Foreign Trade and the Soviet Economic Offensive**

At a NATO summit meeting in Paris just before Christmas, President Eisenhower promised to use the full powers of his office to gain approval of his tariff recommendations. The White House also gave preliminary approval to a series of proposals by the Department of Commerce for a nationwide campaign on behalf of its trade recommendations, including the convening of a President's Conference on World Trade and the establishment of an economic research program within the executive branch to answer congressional and public inquiries on the regional impact of foreign commerce. The president also decided to separate the trade campaign from the one in support of his mutual security program, and he named Paul Hoffman to run the campaign.34

Neither the president's January message to Congress on trade nor the hearings that followed the next month brought many surprises, but in an apparent last-minute change of strategy, the administration decided to emphasize the Soviet economic offensive more than it had originally planned. White House officials had watched Soviet economic activity with growing concern throughout 1957, but they became even more alarmed at the beginning of 1958 when the State Department issued a report on Soviet bloc activities in Third World regions. The report described the loans and trade agreements the Communist bloc nations had concluded with such countries as Syria, Egypt, and Afghanistan and suggested that the Soviets were making Syria and Egypt their bases for extending Communist control into the Middle East and Africa.35 Obviously disturbed by these findings, Secretary of State Dulles asked the president to make the Soviet economic offensive the first item of business at the next cabinet meeting. At that meeting, on January 10, Dulles described at length the possibility and dangers of economic warfare with the Soviets, citing in particular Khrushchev's declaration of economic war on the West the previous fall. Dulles suggested that the administration immediately make another study of Moscow's potential for economic competition against the West and of measures to counteract the Soviet threat. The cabinet agreed and instructed Vice-President Nixon to prepare a charter for establishing a new study committee.36 Yet at the cabinet meeting the following week, Dulles again expressed concern about the Soviet offensive and warned of the advantages Moscow would have over the United States abroad if the administration's trade program were seriously weakened by Congress.37

President Eisenhower therefore decided to focus on the Soviet economic offensive in his special message to Congress on trade legislation. Asking for a five-year extension of the Trade Agreements Act and for authority to cut tariffs by 25 percent over the next five years, as well as for modifications in
the legislation's escape clause and peril point provisions, the president underscored the dangers the Soviet economic challenge posed to the United States. "The Soviet capacity to export is matched by its capacity and willingness to import" he warned. "This challenge in the economic field cannot be ignored without the gravest risk to our way of life." Eisenhower subordinated other issues, such as the importance of having adequate tariff authority to negotiate trade restrictions with the Common Market, to this overarching theme of the economic threat to the United States that Moscow posed in Third World countries.38

In lengthy hearings before the House Ways and Means Committee, administration witnesses also referred repeatedly to the Soviet challenge. The hearings, which began in February, lasted through the end of March. Commerce Secretary Weeks, Secretary of State Dulles, and Deputy Undersecretary of State Dillon all stressed the Soviet economic challenge in arguing for extension of the Trade Agreements Act. For the most part, however, opponents of the administration's trade program ignored the White House's attempt to make this linkage. One witness said it was merely "a recent addition to the arguments and slogans by which [reciprocal trade] has been put over periodically in the past." Nor did opponents of reciprocal trade have much to say about the administration's claim that a five-year tariff extension was necessary in order to negotiate successfully with the European Common Market. Instead, they relied on traditional arguments and growing protectionist sentiment in the United States to defeat the president's proposals. At the hearings their ranks were swollen by a growing number of industry, and even some labor, spokesmen and by independent oil and coal producers and representatives from other depressed mining industries. All sought relief from foreign imports through the imposition of higher duties or import quotas.39

Despite the White House's emphasis on the Soviet economic threat, it was clear by the end of the hearings that the administration's trade program was in deep trouble. Senate Majority Leader Johnson said as much, and in the House, opponents of the program claimed they had the votes to defeat any trade legislation. Further diminishing the White House's chances of getting the bill through Congress was the fact that by the spring of 1958 the United States had slid into a serious recession as a result of a decline in private investment and a drop in industrial production. The recession added strength to the protectionists' argument that the United States was facing unfair competition from abroad and caused a drop in the president's popularity. The president's rating in the polls plunged from 79 percent at the beginning of his second term to 49 percent in April, one of the sharpest drops ever recorded.40

Eisenhower's final effort to save his trade program began at a White House dinner in March, where he again emphasized the vital national interest involved in passage of his trade recommendations. Later that month he made the same argument before the National Conference on International Trade Policy in Washington. Planned and arranged by the White House, this gather-
ing brought together business, civic, labor, and farm leaders from all sections of the country and represented the climax of months of administration activity to rally grassroots support behind the Trade Agreements Act. In a major address to the conference, the president spelled out the dangers of the Soviet economic offensive abroad and warned that non-Communist nations would “inexorably” turn to the Communist world if they could not trade with the West because of tariff barriers.\textsuperscript{41}

**The Trade Bill in the House**

Considering the nation’s political climate, the growing protectionist mood in Congress, and the strength of the opposition to the trade agreements program, the administration did remarkably well to win approval of most of its proposals from the Ways and Means Committee and then from the full House. In order to do so, however, it had to agree to the attachment of several restrictive amendments in committee. To help steer the bill through the House, the White House had the full support of Speaker Sam Rayburn, who the previous year had not been fully cooperative in supporting the mutual security program. At the end of April, a gloomy Rayburn, who regarded passage of the trade program as even more important than the foreign-aid legislation also being considered by Congress, told Eisenhower that Secretary Weeks did not carry “one single bit of weight” on Capitol Hill. He suggested that Douglas Dillon, who had already established a favorable reputation on Capitol Hill, be assigned more of the responsibility for pushing the reciprocal trade bill through Congress.\textsuperscript{42}

At a meeting with Weeks on May 3, Speaker Rayburn said that passage of a five-year extension of the Trade Agreements Act might be too much to expect and that a one-year extension seemed more realistic. He added that there was sentiment to let Congress have thirty or sixty days in which to cancel any presidential decisions on escape clause recommendations. Finally, he told Weeks that he intended to take the floor himself on behalf of the trade legislation and that he was “one hundred percent” certain something needed to be done to extend the program.\textsuperscript{43} Three days later the Ways and Means Committee, which had begun to consider the extension bill at the end of April, suspended deliberations for a week. Reports circulated in Washington that Democratic members had told President Eisenhower that changes in the trade legislation and stronger Republican support were needed to assure its passage. The president asked for this support in a speech honoring the Republican members of Congress. The next day Rayburn called for some concessions, but not “the gutting kind.”\textsuperscript{44}

On May 15 the Ways and Means Committee approved an amendment that would give Congress the power to reverse, by a two-thirds vote of each house, any decision by the president to reject a Tariff Commission recommendation in escape clause cases. The committee also agreed to give Congress the
power, again by a two-thirds vote of each house, to override the president if he rejected import curbs recommended by the Tariff Commission. In addition, it increased from 120 days to 180 days the time within which the Tariff Commission had to undertake peril point investigations and it decreased from nine months to six months the duration of escape clause reviews. Finally, the committee authorized the president to cut ad valorem tariffs by only 2 percent rather than the 3 percent he had requested. But even with these provisions added to the bill, the committee reported out a measure on May 21 that was very much like the bill the president had requested, including as it did a five-year extension of the Trade Agreements Act as well as authority to reduce tariff rates 25 percent below existing levels and to lower to 50 percent of value all tariffs above that level.45

In the House, debate on the Ways and Means Committee’s report revolved around a substitute proposal by Congressman Simpson of Pennsylvania which, if approved, would have effectively gutted the administration’s trade program. The Simpson substitute extended the Trade Agreements Act for only two years and withheld the tariff-cutting authority requested by the president. The proposal also differed from the committee’s bill in two other respects. It gave the Tariff Commission power to determine the tariff concessions the president could negotiate with other countries and, in effect, made the commission’s recommendations for tariff increases in escape clause cases mandatory by requiring congressional approval if the president departed from the commission’s recommendations.46

On June 10, President Eisenhower warned House Minority Leader Martin that if the Simpson “substitute should prevail, the Reciprocal Trade Program would be irreparably damaged.” The same day the new chairman of the Ways and Means Committee, Wilbur Mills of Arkansas, released a letter the president had sent him at the end of May concerning two separate proposals that had circulated on Capitol Hill. These proposals would give Congress a majority-vote veto over the president’s actions in escape clause cases and would extend to the Tariff Commission the final determination in such cases. The first measure “would clearly be unconstitutional,” Eisenhower wrote Mills, while the second “would be a tragic blunder which could seriously jeopardize the national interest, the foreign relations, as well as the security of the United States.” But the president also made clear to the Ways and Means chairman that the override amendment attached to the trade legislation by the committee was acceptable to him.47

The next day the House defeated the Simpson amendment by a three-to-two margin, which was considerably smaller than many congressional observers had anticipated. But after then turning down a motion by Representative Daniel Reed to recommit the bill to committee without instructions and adding an amendment providing more criteria for relief by industry under the law’s national security clause, the House overwhelmingly approved the extension measure as it had come from the Ways and Means Committee.48 A major
cause for the defeat of the Simpson amendment was the fact that it took too much authority away from the president in determining tariff rates. Even congressmen who objected to the power that had accrued to the president were unwilling to return to pre–Trade Agreements Act days, when the House and Senate had had to wrestle with the difficult and often politically damaging problem of determining tariff rates. As Representative Charles Halleck of Indiana commented, the Simpson amendment was “too restrictive” and was not “geared to the necessities of this day and age.” Similarly, the Reed motion to recommit the bill to committee was defeated because the protectionists failed to agree on instructions to accompany the motion, which left members with the alternative of voting for the original bill or for no trade legislation at all.49

Eisenhower did not like the amendments attached to the trade legislation, especially the veto power given Congress in escape clause cases, but he had agreed to go along with these concessions to the protectionists and was generally satisfied with the outcome of his tariff program in the House. With the aid of the Democratic leadership, he had gotten a satisfactory measure through committee and had helped defeat the Simpson amendment. If the Senate did as well as the House, the president told Paul Hoffman, their “hope of bettering international relations—as well as the economic situation for our friends and ourselves—[would] be vastly strengthened.”50

The Trade Bill in the Senate

Eisenhower was aware, however, that opposition to his trade program was even stronger in the Senate than in the House. Moreover, the Senate opposition was led by his own minority leader, William Knowland of California, and included other prominent Republicans, such as Styles Bridges of New Hampshire. As early as January, Knowland had remarked that the administration’s trade proposals were in for “rough going” in Congress. After the House approved the five-year extension of the Trade Agreements Act, the Senate minority leader stated that he would support efforts to cut the extension to three years. Bridges also announced that he intended to support only a three-year extension. In contrast, Majority Leader Johnson said he hoped the Senate would pass the trade legislation without major changes.51

The president was perplexed and annoyed by the opposition from Knowland and Bridges.52 Denied the support of even his own party’s leadership, he watched the Senate Finance Committee add a series of crippling amendments to the House-approved bill after it completed hearings on the measure in July.53 First the Committee voted to cut the extension period from five years to three years and to trim the tariff reduction authority from 25 percent to 15 percent. It also eliminated the cumulative features of the House measure whereby any tariff-reduction authority not used in one year could be carried over to the next. It then approved an amendment by Democratic Senator
Robert Kerr of Oklahoma (an amendment proposed earlier by another conservative Democrat, Strom Thurmond of South Carolina), whereby the president would have thirty days in which to accept a Tariff Commission recommendation to raise duties or impose import quotas in escape clause cases. If he refused to accept the recommendation, it would go into effect automatically after ninety days provided the president’s action was not upheld by a majority of both the House and the Senate. In other words, the Kerr-Thurmond amendment replaced the House provision for a congressional override of the president’s decision to disregard Tariff Commission recommendations with one requiring affirmative action by Congress to approve such decisions.54

In addition to these amendments, which would sharply curtail the trade agreements program and limit the president’s authority to negotiate tariff reductions, the Senate Finance Committee approved several other proposals that indicated its displeasure with existing tariff legislation and its intention to give American industry more protection from foreign imports. It added a section to the trade legislation providing that in cases of tie votes by the commission, its affirmative findings (raising tariffs or import quotas) would be considered the findings of the commission; in cases of tie votes as to the remedy for injury, the recommendation specified by the president as providing the greatest measure of relief to a domestic industry would be considered the commission’s finding. The Finance Committee also broadened the House-approved national security provisions. If the president determined that imports were threatening the national security, he would be required to adjust them accordingly. Finally, the committee adopted a proposal by Ralph Flanders to establish a nine-member commission to study the objectives and operations of the reciprocal trade program and to report its findings to Congress by June 30, 1960.55

The Finance Committee approved its version of the trade bill by a twelve-to-two vote and sent it to the Senate on July 15. In minority statements William E. Jenner of Indiana and George Malone of Nevada, who opposed any extension of the reciprocal trade program and voted against reporting the bill to the Senate, nevertheless supported the committee’s amendments as marking the “first move in 24 years to return to the U.S. constitution.” At the other end of the spectrum, Paul Douglas of Illinois, who did not vote on the bill, said that its passage as reported by the committee would mean “a virtual abandonment” of reciprocal trade.56

President Eisenhower was greatly discouraged by the Finance Committee’s emasculation of his trade legislation, particularly by its inclusion in the measure of the Kerr-Thurmond amendment. At a meeting with Committee Chairman Harry Byrd of Virginia while the amendment was still being considered, both the president and the senator had commented on the need to eliminate it from the final bill, and Byrd had assured Eisenhower that the amendment would be taken out before the measure left committee.57 To counteract this major setback, the White House decided to concentrate its effort
in getting the full senate to reject the Kerr-Thurmond amendment and to return the House's language to the trade bill in the area of congressional action on presidential tariff decisions. The length of extension (five or three years) could be worked out in conference committee, where an acceptable compromise seemed likely. The president outlined his plan to a group of legislative leaders shortly before the Senate began its deliberations on the trade proposal.  

The White House strategy worked remarkably well. Occupied by other urgent legislative and diplomatic problems, including the mutual security appropriations for 1959 and disorders in Iraq and Jordan and in Lebanon, where American marines had gone ashore on July 15, Eisenhower relied heavily on the Democratic leadership to push his trade program through the Senate. Using his already well-known talents of persuasion, Majority Leader Johnson successfully sponsored an amendment to eliminate the Kerr-Thurmond amendment and that section of the bill which interpreted a tie vote of the Tariff Commission in escape clause cases as a vote for higher duties and import quotas.

Final Passage of the Trade Bill

In conference committee Senate and House spokesmen then agreed to a compromise, proposed by Wilbur Mills, which extended the Trade Agreements Act for four years instead of the five years called for by the House and the three years approved by the Senate. The compromise also gave the president authority to reduce tariffs by 20 percent and allowed any unused authority to accumulate over the four years of extension, with reductions to take effect no later than four years after the expiration of the bill in 1962. In addition, the conferees retained the House requirement of a two-thirds vote of both the Senate and the House to override a presidential rejection of Tariff Commission recommendations. Finally, they dropped the Senate provision for a bipartisan commission to study the reciprocal trade program. That last decision caused considerable debate in the Senate, where Ralph Flanders, who had proposed the establishment of the commission, urged his fellow senators to reject the conference report. But the House and the Senate agreed to accept the report after Senator Frank Carlson of Kansas assured Flanders that the Finance Committee would consider making a study along the lines Flanders proposed.

President Eisenhower signed the bill on August 20, remarking that it would “further our own nation's domestic interests and [would] promote the economic strength, solidarity and security of the free and independent nations.”

In analyzing the key votes in both houses, Secretary Weeks noted that the president had picked up considerable Republican strength in the House since the trade bill of 1955. Approximately 55 percent of the Republicans in the House voted with the administration in 1958 as opposed to only a third in
1955. In the Senate, the Republicans also performed well, with thirty-six Republi­cans voting to eliminate the Kerr-Thurmond amendment and only nine in opposition. But as Weeks commented, it was the administration's decision to conduct the fight for its trade bill on a bipartisan basis that accounted for final passage of the bill in the Senate. Thirty-six Democrats had joined with the Republicans in sending the measure to conference committee without the Kerr-Thurmond provision.62

Getting a four-year trade bill through Congress with such bipartisan sup­port was a major presidential accomplishment, but for supporters of a more liberal trade policy, the president's achievements were less impressive. In the first place, the bill's effect was to freeze most tariff rates at existing levels for the next four years. Not until the law expired in 1962 was the United States likely to sign an extensive package of tariff reductions with the Common Market, and only then would the president's authority to cut tariffs by the full 20 percent take effect. (Cuts up to this amount could then be spread over the following four years.) For foreign businessmen, then, passage of the Trade Agreements Extension Act of 1958 brought the assurance that the American market would remain essentially the same for the next four years, not that it would be more open.63 Furthermore, Congress had added new restrictions to the reciprocal trade program. With the White House's approval, the House and Senate had increased the penalties in escape clause cases. They had also made it easier for domestic industry to obtain relief from foreign competition under the escape clause and peril point provisions, and to do so more quickly. Finally, they had made explicit the criteria under which the national security provisions of the law could be applied against imports, and for the first time they had given to the House and the Senate the authority to override presiden­tial actions on Tariff Commission decisions, albeit in a way that made such vetoes unlikely. It was not entirely hyperbole, therefore, when the Committee for a National Trade Policy, which had called for a ten-year extension of the Trade Agreements Act, termed the final bill “the most highly protectionist measure ever passed by Congress in all the Reciprocal Trade renewals since 1934.”64

Other Trade Programs

Other trade policies pursued by the White House and Congress also gave free-traders cause for disappointment and concern. In a paper on agricultural trade policy prepared for the Boggs Committee, for example, D. Gale John­son of the University of Chicago restated the need, expressed by most propon­ents of liberalized trade, for harmonizing the nation's agricultural policy with the principles of free trade. Johnson even challenged the widely held assumption that many segments of American agriculture would not be able to compete with cheaper foreign imports and that high price supports were nec­essary to assure American farmers a satisfactory income. High price sup­
ports encouraged high and uneconomic production and hence lower prices, and thus cast doubts about America’s ability “to carry forward constructive international economic policies.” Yet these arguments failed to persuade either Congress or the administration. The White House indicated no interest in modifying its trade policy on farm imports, and the matter never came before Congress for consideration. Instead, the White House continued to subsidize the export of farm surpluses through the P.L. 480 program. As far as the administration was concerned, the damage the program caused in terms of U.S. relations with other surplus-exporting countries was tempered by the benefits it brought the Third World nations in additional food and local currencies.

Congress refused for the fourth consecutive year to consider the president’s request for U.S. membership in the proposed OTC. Eisenhower had renewed his appeal in behalf of membership in his budget message to Congress in January, and Sinclair Weeks had raised the issue once more during his testimony before the House Ways and Means Committee in February. But the administration did not lobby hard with Congress, perhaps concluding that the House and Senate would never approve the measure or perhaps because it simply had higher priorities. Without Eisenhower’s strong backing, the OTC proposal was lost in the shuffle over extension of the reciprocal trade program.

In contrast, however, Congress did take up and complete action on a bill to strengthen the Anti-Dumping Act of 1951, which had been passed to prevent the dumping of foreign goods in the United States below their cost of production. Under the revised statute approved by the House and Senate in August, the Treasury Department was given wider latitude in assessing higher punitive duties on low-priced imports that the Tariff Commission determined were threatening injury to domestic producers. The Treasury was also granted greater discretion in comparing domestic and foreign classes of goods for purposes of defining “dumping.” Again the administration remained silent as Congress raised the barriers and strengthened the restrictions on foreign imports.

The White House agreed to loosen ties on trade with the Soviet Union, but only reluctantly and only as a result of intense pressure at home and abroad. In June 1957 Congress routinely extended for another two years the Export Control Act of 1949, which gave the secretary of commerce licensing power over the shipment of scarce and strategic goods. In a conversation with the president of International General Electric Company, William R. Herod, Undersecretary of State Christian Herter made it clear that the administration contemplated no change in the administration of the law, but in the winter of 1958 the West European governments and Japan undertook the first review of export controls since 1954. England, France, West Germany, and Japan all argued that the embargo list be limited to strictly military items since the Soviets had made technical gains despite it. American businessmen also argued for expanded East-West trade, and under this pressure the White
House relented. In July the United States joined in a fifteen-nation agreement that cut in half the list of embargoed goods, a list that had last been revised in 1954. Items freed for sale to the Soviet Union included civil aircraft, most types of machine tools, ball and roller bearings, and aluminum and copper in all forms. However, the United States maintained its total embargo on trade with Communist China, North Korea, and North Vietnam—countries that were still beyond the pale of U.S. diplomacy.71

Conclusion

The administration's record in advancing the cause of liberalized trade was thus mixed. Certainly proponents of freer trade had ample cause for disappointment, but it is significant how little attention even they paid to the special needs of Third World countries. Arguments for applying a liberal trade policy to the Third World were couched in the most general terms and increasingly in the context of combatting the Soviet economic offensive abroad. By fostering world economic growth, trade, like aid, would promote economic and political stability abroad and thereby stop the spread of communism.72 These arguments lacked any consideration of the peculiar situation of most underdeveloped countries—their dependence on a single commodity for export. This dependency created at least two problems for underdeveloped nations. First, they were faced with declining world commodity prices because of the elasticity of demand for their goods. Second, the reduction in trade barriers after World War II had created much growth in Northern trade, but not in Southern trade. Trade liberalization, even under GATT provisions, was much more modest for Southern export commodities—either raw or processed—than for Northern industrial products.73 Most advocates of liberalized trade simply ignored these problems.

In 1957, however, GATT agreed to establish a panel of experts to examine current trends in international trade. In setting up the panel the trade ministers attending the meeting noted "some disturbing elements" with respect to world commerce, including the prevalence of agricultural protectionism; sharp variations in the prices of primary products, accompanied by wide fluctuations in the export earnings of primary producers; and the failure of the export trade of underdeveloped countries to keep up with growing import needs. Headed by Gottfried Haberler of Harvard University, the panel found that there had been a 5 percent average annual decline in the price of primary products since 1955 while simultaneously there had been a 6 percent increase in the price of manufactured goods. In addition, since before World War II the volume of imports in the nonindustrial countries had risen more sharply than the volume of their exports. The terms of trade in these countries, though greatly improved since the depression years of the 1930s, were at about the same level in 1958 as they had been thirty years earlier. Yet the Haberler panel concluded that the "avoidance of business cycles and the maintenance of a
steadily rate of domestic growth are the most important contributions which the highly industrialized countries can make to the stabilization of the markets for primary products. 74

Often the spokesmen for developing countries themselves neglected the peculiar problems of primary product countries as they stressed the need to move out of primary production into import-substituting industries as rapidly as possible. They tended to equate economic development with industrial growth and stagnation with agricultural and raw-material dependency. Not until the first United Nations Conference on Trade and Development (UNCTAD) in 1964 did Third World leaders really begin to concentrate on the problems associated with commodity production. At UNCTAD they urged a reorientation of world trade away from the GATT principles of non-discrimination and toward the use of trade as a device for increasing North-South income transfers—for example, through the use of international commodity agreements. 75

The debate over trade liberalization that took place in 1957 and 1958 thus had a vacuous quality to it even among Third World leaders. In the United States it was restricted by a liberal viewpoint that generated confidence about America’s ability to promote world economic growth and stop Communist expansion, but that tended to ignore many of the major obstacles to Third World economic and political development. Certainly the peculiar problems of primary product countries were not discussed at any length in the papers prepared for the Boggs Committee or in the extensive hearings on the Trade Agreements Act held before the House Ways and Means Committee and the Senate Finance Committee. This lack of awareness of the obstacles to economic and political growth in underdeveloped countries was evident as well in the continued debate over foreign aid, the other major foreign economic issue facing the Eighty-fifth Congress.