

1/25/83

STATEMENT OF SENATOR BOB DOLE

THANK YOU MARVIN--

IN YOUR INVITATION, YOU ASKED THAT I DISCUSS WITH THIS GROUP THE TRADE "PROBLEMS" WHICH MAY BE DEVELOPING IN THE NEXT CONGRESS. THAT CHOICE OF TERM IS BOTH UNFORTUNATE AND ACCURATE BECAUSE WE ARE NOW FACED WITH MORE "PROBLEMS" IN THE TRADE AREA THAN AT ANY TIME IN RECENT MEMORY. OBVIOUSLY, THESE PROBLEMS ARE IN PART THE RESULT OF ECONOMIC CONDITIONS BUT THEY ARE ALSO IN PART THE RESULT OF DOMESTIC PERCEPTIONS OF THE TRADING SYSTEM. I THINK IT IS FAIR TO SAY THAT GATT ITSELF IS UNDER ATTACK. WHILE WE HAD HOPED THAT THE MINISTERIAL MEETING WHICH JUST CONCLUDED WOULD BE A REAL OPPORTUNITY TO STRENGTHEN THE GATT SYSTEM IT APPEARS THAT IT FELL SHORT OF THAT GOAL.

RESULTS OF THE GATT MINISTERIAL

I KNOW THAT YOU HEARD FROM AMBASSADOR BROCK THIS MORNING ABOUT HIS VIEW OF THE RESULTS OF THE MINISTERIAL. WHILE BILL INITIALLY JUDGED THE RESULTS AS A "C" AT BEST, I THINK IT IS APPARENT THAT THE MINISTERS MAY HAVE MISSED A UNIQUE OPPORTUNITY TO STRENGTHEN THE GATT SYSTEM AND TO RELIEVE IT FROM SOME PORTION OF THE CRITICISM FROM WHICH IT SUFFERS.

O FINANCE COMMITTEE RESOLUTION - LAST MAY, THE COMMITTEE ON FINANCE ADOPTED A RESOLUTION, WHICH WAS UNANIMOUSLY AGREED TO BY THE SENATE IN SEPTEMBER, WHICH CALLED ON THE GATT MINISTERS TO DO FOUR THINGS:

(1) TO REVIEW THE ADEQUACY OF THE RULES REGARDING SUBSIDIES, PARTICULARLY IN THE AGRICULTURE AREA: (2) TO IMPROVE THE DISPUTES SETTLEMENT PROCEDURES: (3) TO INITIATE WORK PROGRAMS IN THE AREAS OF TRADE IN SERVICES, PERFORMANCE REQUIREMENTS, AND HIGH TECHNOLOGY PRODUCTS: AND (4) TO COMPLETE AN AGREEMENT ON RULES FOR SAFEGUARD MEASURES.

WHILE MODEST PROGRESS WAS MADE IN SOME OF THOSE AREAS NONE AT ALL WAS MADE IN OTHERS. THIS IS NOT NECESSARILY A PRECISE GUAGE OF THE SUCCESS OR FAILURE OF THE MINISTERIAL BUT I BELIEVE IT IS INDICATIVE OF THE WAY IT WILL BE PERCEIVED BY SOME MEMBERS OF CONGRESS.

O NO REFORM OF TREATMENT OF AGRICULTURAL EXPORT SUBSIDIES - WE HAVE YET TO CONVINCE THE EUROPEAN COMMUNITY THAT THE RULES WHICH PERMIT GREATER SUBSIDIES ON AGRICULTURAL EXPORTS THAN ON MANUFACTURED EXPORTS MUST BE REFORMED. AS A RESULT THE MINISTERS ONLY AGREED TO A WEAK TWO YEAR PROGRAM TO EXAMINE "ALL MEASURES AFFECTING TRADE, MARKET ACCESS, AND COMPETITION, AND SUPPLY IN AGRICULTURAL PRODUCTS, INCLUDING SUBSIDIES AND OTHER FORMS OF ASSISTANCE." READ WITH THE OTHER LANGUAGE IN THE DECLARATION, IT IS CLEAR THAT DOMESTIC U.S. PROGRAMS LIKE SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT WILL BE EXAMINED WITH THE SAME INTENSITY AS EXPORT SUBSIDY PROGRAMS. THE DIFFERENCE IN THE TRADE DISTORTING EFFECT BETWEEN THE TWO PROGRAMS IS CLEAR AND SHOULD HAVE BEEN REFLECTED IN THE AGREEMENT.

O NO SPECIFIC AGREEMENTS OR SAFEGUARDS OR DISPUTE SETTLEMENTS - THE MINISTERS WERE ALSO UNABLE TO CONCLUDE SPECIFIC AGREEMENTS SOUGHT BY THE U.S. ON RULES DEFINING THE CIRCUMSTANCES UNDER WHICH NATIONS MAY TAKE IMPORT RESTRICTING MEASURES OR RULES

FOR STREAMLINING THE DISPUTE SETTLEMENT PROCESS. THE MINISTER DID AGREE "TO BRING INTO EFFECT EXPEDITIOUSLY A COMPREHENSIVE UNDERSTANDING ON SAFEGUARDS" BASED ON STATED ELEMENTS FOR ADOPTION BY 1983. HOWEVER, THE FAILURE TO REACH A FINAL AGREEMENT WITHIN THE FRAMEWORK OF THE MINISTERIAL CARRIES WITH IT THE RISK THAT THIS FUTURE DEADLINE WILL NOT BE OBSERVED. AS FOR DISPUTE SETTLEMENTS THE U.S. HAD SOUGHT AN AGREEMENT PROVIDING FOR TIMELY AND BINDING DECISION WHICH COULD NOT BE BLOCKED BY ONE OF THE PARTIES. INSTEAD THE MINISTERS AGREED THAT "CONSENSUS WILL CONTINUE TO BE THE TRADITIONAL METHOD OF RESOLVING DISPUTES" AND THAT "OBSTRUCTION IN THE PROCESS ... SHALL BE AVOIDED."

O ONLY A PRELIMINARY WORK PROGRAM ON TRADE IN SERVICES, NO ACTION ON TRADE IN HIGH TECHNOLOGY PRODUCTS OR INVESTMENT DISTORTIONS - CONCERNING THE WORK PROGRAM IN TRADE IN SERVICES (LIKE THE INSURANCE INDUSTRY), THE MINISTERS AGREED ONLY TO RECOMMEND THAT EACH COUNTRY WITH AN INTEREST IN THIS AREA UNDERTAKE AN EXAMINATION OF THE ISSUES IN THIS AREA. NOT EVEN THIS MUCH COULD BE AGREED TO ON TRADE IN HIGH TECHNOLOGY PRODUCTS, LIKE COMPUTERS, WHICH ARE A STRATEGIC U.S. CONCERN. LIKEWISE, THE MINISTERS REFUSED TO EVEN CONSIDER A WORK PROGRAM CONCERNING INVESTMENT DISTORTING REQUIREMENTS PRACTICAL BY SOME COUNTRIES.

O NO ACTION IN OTHER KEY AREAS - MINISTERIAL ALSO FAILED TO MAKE ANY PROGRESS IN OTHER AREAS OF PARTICULAR CONCERN TO THE U.S. TRADE IN COUNTERFEIT GOODS. HERE THEY COULD AGREE ONLY TO INSTRUCT THE GATT COUNCIL TO EXAMINE THE APPROPRIATENESS OF JOINT ACTION IN THE GATT FRAMEWORK ON THE TRADE ASPECTS OF COMMERCIAL COUNTERFEITING." THE MINISTERS ALSO FAILED TO AGREE ON AN APPROACH TO TARIFF AND NONTARIFF BARRIERS NEGOTIATIONS BETWEEN THE DEVELOPED AND NONN DEVELOPING COUNTRIES.

O FINANCE COMMITTEE HEARINGS - IN ORDER THAT WE MAY FULLY UNDERSTAND ALL OF THE SPECIFICS OF THE AGREEMENT I HAVE INSTRUCTED THE COMMITTEE STAFF TO WORK WITH THE ADMINISTRATION ON AN IN DEPTH ANALYSIS OF THE RESULTS OF THE MINISTERIAL. COMMITTEE WILL ALSO BE HOLDING HEARINGS BEGINNING ON JANUARY 25TH TO REVIEW THESE RESULTS.

TRADE MEASURES BEFORE THE CONGRESS

O WHILE I DO NOT WANT TO BE OVERLY PESSIMISTIC ABOUT WHAT WE KNOW OF THESE RESULTS THUS FAR, I THINK IT IS FAIR TO SAY THAT THEY COULD WELL ADD TO THE PROTECTIONIST PRESSURES WHICH ARE BUILDING IN THE CONGRESS. ON THE OTHER SIDE OF THE COIN, I BELIEVE THAT IT MAY ALSO STIMULATE A MORE AGGRESSIVE EXPORT ATTITUDE IN THE CONGRESS. THESE ATTITUDES AND PRESSURES WILL ARISE IN A NUMBER OF SPECIFIC MEASURES WHICH WILL BE BEFORE US IN THE NEAR FUTURE.

EXPORT PROMOTION ISSUES

O EAST-WEST TRADE. - PRIOR TO ATTENDING THE GATT MINISTERIAL MEETING IN GENEVA, I SPENT A WEEK IN THE SOVIET UNION. I MET WITH A NUMBER OF SOVIET LEADERS AND AMERICAN BUSINESSMEN WHO WERE ATTENDING A U.S. - SOVIET TRADE MEETING. IT IS THE VIEW OF SOME THAT IF WE CAN ASSURE THE SOVIETS THAT WE ARE A COMMERCIALLY RELIABLE SUPPLIER WE CAN REACH A REASONABLE ACCOMMODATION WITH THEM ON OUR HUMAN RIGHTS CONCERNS, U.S. FARMERS AND BUSINESSMEN CAN SELL A GREAT DEAL MORE IN THAT MARKET. FOR VERY OBVIOUS REASONS, WE MUST EXPLORE WAYS OF

ENHANCING OUR DIALOGUE WITH THE SOVIETS. GIVEN THAT EXPORTS CREATE JOBS AND OUR CRITICAL NEED TO REDUCE UNEMPLOYMENT, INCREASED EXPORTS TO THE SOVIETS COULD SERVE US WELL. TO CONVINCE THE SOVIETS, AND OTHERS FOR THAT MATTER, THAT WE ARE A COMMERCIALY RELIABLE SUPPLIER AND WANT MORE TRADE MAY WELL REQUIRE NEW LEGISLATIVE INITIATIVES. NEEDLESS TO SAY WE HAVE OUR PROBLEMS WITH THE SOVIETS BUT IN MY VIEW THE ALTERNATIVE IS SO GRIM WE MUST TRY TO FIND REASONBLE WAYS TO IMPROVE RELATIONS.

O DISC (DOMESTIC INTERNATIONAL SALES CORPORATION) -FOR SOME TIME WE HAVE BEEN UNDER PRESSURE FROM OUR GATT TRADING PARTNERS TO AMEND OUR DISC LEGISLATION. THE ADMINISTRATION AGREED, AS PART OF OUR EFFORT TO ACHIEVE A SUCCESSFUL GATT MINISTERIAL, TO FORWARD LEGISLATION WHICH WOULD MAKE DISC CLEARLY COMPATABLE WITH OUR GATT OBLIGATIONS. THOSE PROPOSALS HAVE NOT BEEN DRAFTED IN FINAL FORM, BUT WHEN THEY ARE THEY WILL BE REFERRED TO THE FINANCE COMMITTEE TO ASSURE THAT IF IT IS AMENDED THE DISC LEGISLATION BECOMES AN EFFECTIVE EXPORT PROMOTION.

O EXPORT ADMINISTRATION ACT - THE EXPORT ADMINISTRATION ACT EXPIRES NEXT YEAR. THERE HAS BEEN A CLEAR EXPRESSION OF SENATORIAL CONCERN WITH THE TRANSFER OF STRATEGIC TECHNOLOGY TO EASTERN BLOC COUNTRIES AND THE DANGER WHICH THIS POSES TO OUR SECURITY. WHILE SOME WILL SEEK TIGHTER CONTROL OVER SUCH TRANSFER, OTHERS ARE CONCERNED THIS MIGHT STRANGLE OUR EFFORTS TO INCREASE OUR EAST-WEST TRADE.

O EX-IM BANK AUTHORIZATION - THE CHARTER FOR THE EX-IM BANK ALSO MUST BE RENEWED NEXT YEAR. THERE ARE THOSE IN CONGRESS WHO HAVE ALREADY MADE CLEAR THEIR INTENT TO STRENGTHEN THE LENDING AND LOAN GUARANTEE AUTHORITY OF THE BANK. WITH THE INCREASING PRESSURES WE ARE FACING IN STRATEGIC INDUSTRIES LIKE AIRCRAFT, I EXPECT THESE MEMBERS WILL CONTINUE TO PRESS FOR MORE ACTIVE AND AGGRESSIVE GOVERNMENT INVOLVEMENT IN THE EXPORT AREA.

O AGRICULTURAL SUBSIDIES - IN THE RECONCILIATION BILL THIS YEAR THE CONGRESS APPROVED A \$190 MILLION PROGRAM TO ASSIST AGRICULTURAL EXPORTS. ABOUT HALF THAT MONEY HAS ALREADY BEEN USED IN A BLENDED INTEREST PROGRAM AND I FULLY ANTICIPATE CONGRESSIONAL PRESSURE TO USE PART OF THE BALANCE FOR DIRECT PRICE SUBSIDIES. OBVIOUSLY, THE FAILURE OF THE GATT MINISTERS TO ACHIEVE BETTER CONTROL IN THIS AREA WILL INCREASE PRESSURE FOR THESE TYPES OF PROGRAMS. IN ADDITION THERE WILL ALSO BE MOVES TO RELEASE OUR GROWING STOCKS OF PRODUCTS LIKE BUTTER ON THE WORLD MARKETS AT DISTRESSED PRICES.

O RECIPROCITY - THE "RECIPROCITY" BILL MARKED UP BY THE FINANCE COMMITTEE IS STILL AWAITING FLOOR ACTION IN BOTH HOUSES. I HAVE TOLD SENATOR BAKER AND CHAIRMAN ROSTENKOWSKI THAT WE WOULD LIKE TO SEE THIS BILL MOVE THIS YEAR. OBVIOUSLY ANYTHING WE CAN DO TO INCREASE OUR ACCESS TO FOREIGN MARKETS SHOULD BE DONE.

IMPORT RELATED ISSUES

THERE ARE ALSO A NUMBER OF MEASURES WHICH ARE MORE GENERALLY IMPORT-RELATED WHICH WILL BE BEFORE CONGRESS IN THE NEAR FUTURE.

O LOCAL CONTENT - AS YOU ALL KNOW, A "LOCAL CONTENT" BILL HAS BEEN MARKED UP IN THE HOUSE COMMERCE COMMITTEE AND IS ON THE HOUSE CALENDAR. IN THE SENATE, THE BILL HAS BEEN REFERRED TO THE COMMERCE COMMITTEE. WHETHER OR NOT THE BILL PASSES THE HOUSE, OR IS CONSIDERED BY THE SENATE THIS SESSION, IT WILL CLEARLY BE AN

ISSUE FOR SOME TIME TO COME. MR. MONDALE AND OTHERS HAVE BECOME ARDENT SUPPORTERS OF THE CONCEPT NOTWITHSTANDING THE DRASTIC CONSEQUENCES IT IMPLIES.

O GSP (GENERALIZED SYSTEM OF PREFERENCES) - UNDER THE TRADE ACT OF 1974 THE U.S. ESTABLISHED A PROGRAM OF PERMITTING DUTY-FREE IMPORTS OF DESIGNATED PRODUCTS FROM DEVELOPING COUNTRIES. SINCE THE PROGRAM EXPIRES IN JANUARY 1985, THE ADMINISTRATION HAS INDICATED THAT IT WILL FORWARD EXTENSION LEGISLATION NEXT YEAR. SEVERAL MEMBERS OF THE FINANCE COMMITTEE (HEINZ, MOYNIHAN, CHAFEE) HAVE INDICATED THEIR UNHAPPINESS WITH THE PROGRAM IN THE PAST AND I EXPECT THERE WILL BE A NUMBER OF SPECIFIC SUGGESTIONS FOR RESTRICTING THE SCOPE OF THE PROGRAM WHEN SUCH LEGISLATION COMES BEFORE THE FINANCE COMMITTEE. THE FEELINGS WILL UNDOUBTEDLY BE ENHANCED BY THE FAILURE OF THE MINISTERS TO AGREE ON ANY PROVISION FOR A NEW ROUND OF TARIFF NEGOTIATIONS BETWEEN THE DEVELOPED AND DEVELOPING COUNTRIES

O CBI (CARIBBEAN BASIN INITIATIVE) - THE HOUSE WAYS AND MEANS COMMITTEE HAS TENTATIVELY SCHEDULED A MARKUP ON CBI FOR LATER THIS WEEK. IF THE MEASURE IS ACTED UPON BY THE HOUSE AND CONSIDERED BY THE FINANCE COMMITTEE IN MARKUP, I EXPECT THAT A NUMBER OF THE SAME GROUPS WHO WILL OPPOSE EXTENSION OF THE GSP PROGRAM WILL OPPOSE THE CBI BILL OR SEEK TO BE SPECIFICALLY EXCLUDED FROM ITS COVERAGE.

O TARIFF NEGOTIATING AUTHORITY - UNDER THE TRADE ACT OF 1979 THE PRESIDENT WAS GIVEN A TWO YEAR AUTHORITY TO NEGOTIATE TARIFF REDUCTIONS ON A LIMITED AMOUNT OF TRADE. THIS AUTHORITY HAS NOW EXPIRED. THERE IS CURRENTLY PENDING BEFORE THE WAYS AND MEANS COMMITTEE AN ADMINISTRATION-REQUESTED BILL TO EXTEND THIS LIMITED TARIFF NEGOTIATING AUTHORITY. WHILE, NO ACTION HAS BEEN TAKEN BY EITHER HOUSE IT IS REASONABLE TO ASSUME THAT IT WILL CONTINUE TO BE DIFFICULT TO TAKE WHAT IS VIEWED AS A TRADE LIBERALIZING STEP.

O TRADE ADJUSTMENT ASSISTANCE - FINALLY, THE TRADE ADJUSTMENT ASSISTANCE PROGRAM EXPIRES AT THE END OF THIS FISCAL YEAR, WHILE IT IS WIDELY ACKNOWLEDGED THAT THE PROGRAM FAILED TO PROVIDE ANY ADJUSTMENT, AND SERVED ONLY AS AN ADDITIONAL UNEMPLOYMENT COMPENSATION PROGRAM, THERE MAY BE SOME CONGRESSIONAL PRESSURE TO CONTINUE THIS PROGRAM IN SOME FORM. SUCH LEGISLATION WOULD OF COURSE, SPARK DEBATE ON THE WHOLE ISSUE OF THE BENEFITS OF THE MULTILATERAL SYSTEM.

O TRADE DEFICIT - THE DATA WHICH IS NOW AVAILABLE FROM THE DEPARTMENT OF COMMERCE INDICATES THAT THE UNITED STATES MAY WELL BE HEADING FOR ANOTHER RECORD TRADE DEFICIT (IN THE RANGE OF \$45 BILLION) AND IN PARTICULAR ANOTHER HUGE DEFICIT WITH JAPAN (IN THE RANGE OF \$20 BILLION). THESE DEFICITS, PERHAPS MORE THAN ANYTHING ELSE, WILL CAUSE CONTINUED CRITICISM OF THE MULTILATERAL SYSTEM. TO MANY MEMBERS OF CONGRESS AND THEIR CONSTITUENTS THEY ARE INDICATIVE OF THE FAILURE OF THAT SYSTEM AND THE NEED TO APPROACH SOME OF OUR PROBLEMS ON A MORE BILATERAL BASIS. THE AVERAGE AMERICAN SIMPLY DOES NOT UNDERSTAND WHY JAPANESE CARS AND TV'S ARE SOLD HERE BUT U.S. CIGARETTES AND BASEBALL BATS CANNOT BE SOLD IN JAPAN. IN KANSAS, MY CONSTITUENTS CANNOT UNDERSTAND WHY WE CANNOT SELL AIRPLANES IN BRAZIL. SINCE A NUMBER OF THE MEASURES WHICH I HAVE OUTLINED ABOVE ALMOST CERTAINLY WILL HAVE TO BE DEALT WITH BY THE NEXT CONGRESS, THERE WILL BE AMPLE OPPORTUNITY FOR THE EXPRESSION OF THESE VIEWS.