

News from Senator

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REMARKS OF SENATOR BOB DOLE
COMMITTEE ON FINANCE HEARING
RESULTS OF GATT MINISTERIAL CONFERENCE

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STATEMENT OF SENATOR DOLE

Ambassador Brock, I welcome you today to discuss with the Committee on Finance the results of the November meeting of ministers to the General Agreement on Tariffs and Trade, and more generally, the state of the multilateral trading system. I know that you may not be able to address some related issues in advance of the President's State of the Union address tonight and the final decision on the budget. I hope the Committee members will have mercy on you in this regard!

IS THE GATT VIABLE?

Nearly fifty years ago, the Congress enacted legislation spawning the reciprocal trade agreements program as the foundation of U.S. trade policy. The fundamental principles of that program--nondiscrimination and reciprocity in extending trade benefits--remain the cornerstones on which this country builds our trading ties with ever-increasing numbers of partners abroad. The negotiating authority and objectives specified in the Trade Act of 1974, the guides to current U.S. policy, firmly reiterate the past five decades of U.S. practice.

From the first bilateral reciprocal trade agreements through the post-war development of the multilateral GATT system, the twin principles of nondiscrimination and reciprocity have served the United States well. From a meager \$23 billion in 1953, total U.S. merchandise trade grew to over \$500 billion in 1981, including \$236 billion in exports. Merchandise trade as a percent of GNP nearly tripled to about 16 percent in the past three decades, with exports supporting about 15 percent of our labor force. Of course, the fast-growing service sector of our economy has rapidly assumed a significant place in international trade as well; the U.S. exported \$137 billion in services in 1981. There has been a concomittant increase in international direct investment. U.S. firms increased their foreign investments nearly 20 times since 1950, to a present total of \$377 billion.

I recite these data as a reminder of how the United States economy is now inextricably a part of the world economy. We have benefitted greatly from fostering this interdependence, just as we now are suffering some of the drawbacks. We have a very large stake in the success of our international economic relations.

I thus was greatly disturbed by what I saw in November at the GATT Ministerial meeting. Despite your extraordinary efforts, Ambassador Brock, the results of that meeting suggested to me--

and I suspect to Senators Danforth and Grassley, who also attended--that the viability of the GATT may have been called into serious question. The United States' desire to meet head-on the issues of subsidies, safeguards, services, performance requirements, counterfeiting, and others was met with institutional paralysis. I hope to begin to explore today whether politically and procedurally the GATT, with over 100 diverse members, is capable of meeting the challenges of today and tomorrow. Are there preferable alternatives to the GATT that will foster trade by achieving overall reciprocity and nondiscrimination?

I hope Ambassador Brock will shed light on whether the GATT still offers an effective forum in which to pursue U.S. trade policy.

U.S. COMPETITIVENESS IN AN INTEGRATED WORLD ECONOMY

The direction of the GATT, however, is but one facet of the complex set of trade issues we must address in this Congress. Despite the national wealth trade expansion has wrought, 1983 promises to continue the recent trend of increasing merchandise trade deficits. Some predict a \$75 billion trade deficit that will reverse by a large amount our historic surplus of current account. The state of the world economy, and its effects on the United States, requires the development and coordination of sound domestic economic strategies as never before.

A major problem will be the relationship of trade and lending policies. Total world debt now exceeds \$600 billion, with quite a number of countries near default. Near default or not, all countries seek to break the weight of recession by exporting more and importing less; indeed, the international financial institutions may condition lending aid on this basis. But, obviously, not everyone can do so. What is the U.S. approach in this regard? Are the IMF and GATT jointly addressing these debt issues?

Our integration into the world economy requires a searching look at U.S. industrial competitiveness and government policies that foster or debilitate it. For example, not only must we review the mechanisms by which we address the most common trade-distorting practices, it is time to reflect deeply on the implications of the trade effects of other nations' industrial policies, particularly the targeting of U.S. industries. Restoring the reputation of the U.S. and its firms as reliable trading partners is another high priority of mine. Reconstituting the DISC and other steps to minimize restraints on U.S. exports will also receive early Congressional attention. Finally, at hearings on unemployment which we will have in the near future, we must look at industrial adjustment policies and mechanisms.

The policies and practices of other nations can defeat our efforts to be fully and fairly competitive. We must therefore seek means to ensure that nondiscrimination and reciprocity of benefits continue to underlie the implementation of our trade agreements. The recent government-assisted sale of wheat flour to Egypt was a welcome sight that the Administration will defend our export markets against subsidized competition. I was pleased also with the measures announced by Prime Minister Nakasone. I hope that this time the measures will truly produce significant market-opening results in Japan. The current substantial imbalance cannot continue to be based, as it is in part, on the one-sided extension of trading opportunities.

The trade agenda for the 98th Congress is thus full. But I see these demands in terms of the opportunities they offer to "recapitalize" our trading position, with the consequent contribution vigorous trade can make to economic recovery. I look forward to working with you, Ambassador Brock, and Senators Danforth, Long, Bentsen and all the other Committee members on these issues.