News from Senator
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REMARKS OF SENATOR BOB DOLE
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I am especially pleased to be here tonight for a couple of reasons.

Foreign policy issues are very much on the agenda of the Senate, and for that matter of the country, as we return from our summer recess.

Right now, for example, all eyes are beginning to focus on Geneva and the November summit.

GENEVA SUMMIT AND ARMS CONTROL

The Soviets have begun maneuvering in earnest, and their strategy is clear -- they want to insure that what is theirs remains theirs, and what is ours becomes negotiable, especially SDI.

In the last couple of days, Gorbachev and his cronies have been working over some of my Senate colleagues, trying to convince them to throw out 65 years of Soviet history and believe that this time the Russians will really give up something of interest to them -- if we just give up something first. And the Russians will undoubtedly be repeating and amplifying that message to our NATO allies and to anyone else willing to listen.

Well, this Summit can be an important one, with important results. And clearly, it can only achieve those results if there is real bargaining on both sides.

A comprehensive deal, or even a decisive breakthrough, is not going to be achieved in a couple of days in Geneva. We do ourselves a disservice if we begin to think it might. And its not going to be achieved at all if we give away our chips in advance or if the Soviets refuse to go beyond posturing to real negotiating.

So we need to look to the Summit with hopes but no expectations. Geneva is an important event, but it's just one step on a long, tough journey.

SOUTH AFRICA

Another area of immediate concern is South Africa. When the Senate reconvenes next week, the first order of business will be the Conference Report on the South Africa bill. We are going to pass that bill overwhelmingly. If there was any questions on that point, it has been washed away by the flood of events in South Africa.

Though I share his reservations about sanctions as a way to implement foreign policy, the President must have some real administrative alternatives if a veto is to be sustained.

This is not a meat-cleaver approach "sanctions bill." The sanctions it does contain are well-focused, to assure that the U.S. presence will not -- and equally important, will not be seen to -- prop up the apartheid system.

Moreover, while reiterating our strong national revulsion over apartheid, the bill also asserts what I strongly believe -- that the U.S. presence in South Africa, overall, has been a force for good, a force against apartheid. I want to see our presence there, governmental and private sector, strengthened and made an even more potent weapon against apartheid. That's the purpose of the bill and, when people take a close look at it, I think they'll find that will be its impact.

But your invitation was especially timely even apart from our current national preoccupation with these important foreign policy issues. For I have just returned with six of my colleagues, Senator's Mc Clure, Domenici, Moynihan, Cohen, Wilson and Evans, from a two-week visit to some of our friends in Asia-- South Korea, Japan, Taiwan, Hong Kong and the People's Republic of China.

During our visits, we had the opportunity to speak at length with the leaders of each government. President Chun in Korea reinforced my view that there continues to be a real and present danger from a North Korea emboldened by shipments of new Soviet arms. Prime Minister Nakasone impressed me personally with his commitment to the U.S.-Japanese alliance as the cornerstone of stability and security in North Asia. And Chinese Chairman Deng Xiaoping emphasized Chinese economic growth and development while they slowly open new arenas for U.S. private sector involvement.

But, with these and other leaders -- President Chiang in Taiwan and top officials of Hong Kong -- one issue dominated every discussion: international trade, and specifically the sky-rocketing trade deficits which the United States now suffers.

It is this issue I want to focus on tonight.

BENEFITS OF FREE TRADE

Let me underscore that I personally favor a world trading system with open markets, enabling each nation to benefit from its respective comparative advantage. Historically, free trade has spurred U.S. economic growth, and fair competition from abroad has encouraged our industries to be more efficient. As a Senator from an agricultural state, I appreciate the importance of world markets for U.S. farmers. In principle, I am in agreement with the President's position on trade. I join him in rejecting knee-jerk protectionism as a solution to our trade crisis.

But, the United States cannot be the world's only free trader any more than we can unilaterally disarm. In the past, the U.S. blinked at other countries' trade barriers even though our markets are among the most open in the world. In view of the current U.S. political and economic climate we can no longer afford this luxury.

$150 BILLION TRADE DEFICIT

Last year, as you know we faced a record shattering $123 billion merchandise trade deficit and this year it could reach $150 billion. Our deficit with just four of the places we visited--Japan, Korea, Taiwan and Hong Kong--will amount to $70 billion this year.

These are not just statistics. This gross imbalance has devastated important sectors of our economy, particularly manufacturing which is costing us millions of jobs, offsetting employment gains in the service sector. In the last ten years, it is estimated that the United States has lost over 600,000 jobs in just three industries alone: textiles and apparel, steel and footwear. And this trend has now spread to such high technology areas as telecommunications and semiconductors.

While other factors are also at work, these job losses have been largely caused by the sharp rise in imports as a share of domestic consumption. Imports of textile and apparel products have doubled in four years despite bilateral import controls under the Multi-Fiber Arrangement. In the same period, U.S. steel production has declined in absolute terms, while imports have grown by over seventy percent. And imported shoes have now captured over seventy-five percent of the U.S. market.

IMPACT ON AGRICULTURE

The deterioration in the U.S. trade position has been equally pronounced in the agricultural sector. From a record high of $43.5 billion in 1980, farm exports have plummeted $10 billion in the past five years.

The U.S. was the world's largest supplier of basic food and feed commodities and products during the 1970's. Today we are faced with the very real possibility of having to impose restrictions to prevent imports of rice, cotton, soybean products, and even wheat. The loss of foreign markets is threatening to undermine our extensive export-dependent farm economy, and low farm prices have thrown U.S. agriculture into its worst depression since the 1930's. If you like to eat, you should think about this growing problem.

CURRENT ACCOUNT DEFICIT

This exploding deficit has made trade a top partisan political issue. But the trade deficit has also generated other problems.

We are faced with the spectacle of the world's richest country forced to borrow more and more capital from the rest of the world to pay for its imports. For the world, this capital drain arrests growth. For us, the borrowing binge gives other countries a mortgage on our Nation's future and raises serious questions about our national security, and even our sovereignty.

VARIETY OF CAUSES

Our massive trade deficit has a variety of causes--certainly not all are created by the unfair practices our trading partners.

To a large extent, our trade woes are self-inflicted. American business can be faulted for not being more aggressive in pursuing export markets. The U.S. economy also has recovered from the worldwide recession more quickly and vigorously than the economies of our major trading partners. The biggest culprit however is the overvalued dollar, which has made U.S. goods 40% more expensive over the past four years -- and at the root of this problem is our inability to control budget deficits.

During the first half of this year, Republicans in the Senate mounted a major effort to reduce the budget deficit, with the goal of reducing it to 2% of the GNP by 1988 and to 0% by 1990. Unfortunately, the final budget resolution compromise, even if fully implemented, will fall far short of this objective. Clearly more should be done to reduce Federal spending but realistically the window of opportunity is closed for now. You will hear tough talk about the budget and vetoing appropriations bills, but these actions, however laudable, will have little real impact.

FOREIGN TRADE BARRIERS

But even while acknowledging our contribution to this problem, we cannot and should not ignore the accelerating emergence of trade barriers overseas. It is ironic that countries like Japan, Korea, Taiwan, Brazil and Australia, beneficiaries of open foreign markets, present some of the most formidable barriers to penetrating their markets.

For example Koreans can be sent to jail for possessing foreign cigarettes; the Japanese confront foreign products with nearly insurmountable standards, certification and labeling requirements; the Taiwanese impose prohibitive tariffs on a broad range of imports--from scientific equipment, agricultural chemicals to fruit and nuts.

Foreign critics of U.S. telecommunications reciprocity legislation rarely note the closed nature of European and Canadian telecommunications markets. The Brazilians have been quick to criticize efforts by the U.S. footwear industry to obtain relief, but they maintain tariffs in excess of 100% on imported footwear.

Brazil imposes 60 percent tariffs and strict licensing restrictions on imports of civil aviation aircraft, while enjoying unencumbered access to the U.S. market for its aircraft exports. Canadian trucking restrictions have placed American truckers at a competitive disadvantage vis-a-vis Canadian truckers.

And while many of us rail against the folly, and it is folly, of U.S. domestic content legislation for automobiles, not much is heard about the domestic content requirements that Australia, Mexico, Brazil and other countries have had for years.

MARKETS MUST BE OPENED

As the trade deficit and resulting political pressure have grown, too little has been done to reduce foreign trade barriers to U.S. goods and services. For example, over the past five years, the Japanese have announced five trade liberalization programs, with no discernible effect on our rising trade deficit. Prime Minister Nakasone, to his credit recently launched another much heralded "action program", which could have some impact. However, the three-year implementation period ignores the urgency of the problem. Plus, the program fails to respond to many of our top priorities.

Members of our delegation were candid with Prime Minister Nakasone, the leaders of South Korea, Taiwan and Hong Kong. We believed they needed to know the urgency with which the trade problem is being considered in our country. They needed to know that, notwithstanding assurances from the Administration, or any other quarter, there is a rising tide of sentiment here for action.

TRADE AS A POLITICAL ISSUE

I have never seen stronger Congressional sentiment for acting on the trade front. My colleagues, including strong advocates of free trade, are fed up with what they believe to be basic unfairness.

Trade already is and will continue to be a major political issue in the 1986 and 1988 elections. Many in Congress are already moving to gain early political advantage. Hundreds of trade bills have been introduced to date. The stakes are high -- maybe control of the Senate in 1986.

The best known of the trade bills include the Thurmond/Jenkins bill, which estabishes annual limits on the growth of all imports of textiles and apparel, except for goods from the EC and Canada. With 53 cosponsors in the Senate and over 290 in the House, passage must be considered a strong possibility. Another major contender is the Danforth/Finance Committee bill responding to Japanese Unfair Trade Practices, which mandates U.S. retaliation unless Tokyo acts to remove trade barriers. A similar nonbinding resolution passed the Senate by a vote of 92-0 in the spring. There is also the Bentsen/Rostenkowski bill, which provides for a 25% surcharge on all imports from Japan, Taiwan, Korea, and Brazil.

Members of Congress are being pressed by American businessmen and women, farmers who cannot sell their products and workers who have lost their jobs.

Many of us reject protectionism and strive instead for a system of equal access to all markets; but the challenge if we hope to prevent a tide of real and perceived protectionist measures, is to devise other meaningful responses.

OTHER OPTIONS
THE PROPOSED NEW GATT ROUND

Some counsel that the best answer is a new round of negotiations under the General Agreement on Tariffs and Trade. Let me be frank--there is great skepticism in Congress about a new Gatt round. With the magnitude of our projected deficits, there is very little we can give up in new negotiations. And to expect others to make significant unilateral concessions is unrealistic.

A new round would also take years to negotiate. In my view, Congress will not tolerate the status quo for that long. The real time frame is much shorter, and those who would use a new round as a way to delay or divert Congress are out of touch with reality.

A GATT round may have some long-term utility, but it is not the answer to our immediate crunch.

APPLICATION OF CURRENT LAW

There are also those who argue that before pursuing further GATT discussions we should push for a more vigorous application of our current trade laws.

Particularly in the case of Section 301 authority which permits the Administration to respond by imposing tariffs, import quotas, or other restrictions, when an unfair foreign trade practice is burdening U.S. commerce, very little has been done. In fact Section 301 authority has only been used in two cases since its enactment in 1974. There are, however, indications that the Administration has recognized this need and will shortly institute a number of Section 301 cases. They had better hurry.

Section 201 authority, which permits the Federal Government to give relief to an industry which has suffered serious injury as a result of imports, has been invoked more frequently by private petitioners but has resulted in relief from imports in very few cases. The Administration's shoe decision last week is the most recent example of a case where relief was not given.

Some of the options available to Congress would include:

- More active and coordinated exchange rate policy to prevent the extreme fluctuations in exchange rates. Particularly with respect to Japan, efforts to stabilize our currencies could prove critical to our efforts. An international conference, or perhaps direct discussions with Japan regarding temporary measures to regulate the value of currency, is one possibility. Our intention would be to either modify the value of the dollar or increase by 25-30% the value of the yen. As in other areas, there will be no easy answers found here.

- A temporary and generalized increase in U.S. tariffs to offset the effects of the overvalued U.S. dollar and reduce the U.S. budget deficit.

- A review of the Generalized System of Preferences (GSP) to eliminate some of the better-off beneficiary countries. GSP is a system of preferences for the so-called developing countries under which their goods receive duty-free treatment when they enter the U. S. Thus, one can legitimately ask why we provide GSP to Singapore when it has achieved a higher per capita income than Ireland, Spain or Portugal which are not eligible for GSP.

- Reform of U.S. trade remedy laws to make them more responsive to complaints by U.S. industry and encourage more expeditious adjusment to foreign competitors.

- Restructuring of the external debt of the major debtor countries, particularly in Latin America, to facilitate the resumption of their growth and of U.S. exports to that region.

CONGRESS, THE CONSTITUTION AND TRADE POLICY

As the problems with the trade deficit have grown, so has the consensus that Congress must reassert its broad constitutional authority over trade policy. Under Article I of the Constitution, the Congress is expressly vested with the power to regulate commerce with foreign nations and to set tariffs. The erosion of this authority had its origin early in this century and has continued over the years to the point that Congress has ceded to the Executive Branch the primary role not only in implementing these policies but also in setting our overall trade policies.

In reasserting its constitutional mandate, Congress could impose tighter constraints on executive negotiating authority by placing explicit limits on certain trade areas, thereby reducing the broad discretion the Executive Branch has in trade matters.

Whatever specific steps are decided upon, one thing is clear--Congress thinks that American trade policy is in shambles, and Congress seems prepared to pick up the pieces--if you can believe all the rhetoric.

CONCLUSION

The clock is ticking. Ticking for our trading partners throughout the world, who need to take some decisive action soon.

The clock is also ticking here at home. We must do something, quickly, on two fronts. We have to get our deficits, and our dollar, under control. And we must set up an effective mechanism to deal with trade issues on a comprehensive basis. If we ignore this problem any longer, we put at risk our own prosperity and our role as the engine of global economic progress.

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