East-West Trade
Madison Hotel - Wash DC
April 24, 1986

SOVIET TRADE TALKING POINTS Senator Dole

- There are two principal reasons for expanding trade with the Soviet Union: economic and political.
- The economic benefits which normally flow from trade apply to trade with the Soviets, but we must keep in mind that declining world energy prices have limited Soviet hard currency earnings and the ability of the Soviets to engage in trade with the West.
- The political benefits of trade with the Soviets are less clear.
- The Soviets have a record of subordinating their economic interests to political ends.
- While trade ties normally draw trading partners closer together politically, culturally and economically, there is no guarantee that trade with the Soviets will necessarily produce similar results.
- Yet there is evidence that behind the dogma preached by the Soviet state there is a pragmatic desire to trade with the West not just for economic, but for political reasons as well.
- Soviet interest in participating in the GATT as an observer and its call for MFN treatment from the United States is evidence that the Soviets want to be accepted as equals in the world of trading nations.
- We should not ignore these approaches from the Soviets, but we must also be clear and realistic in responding.
- The Soviets perennially object to the U.S. denial of MFN under the Jackson-Vanik amendment.
- Congress enacted the Jackson-Vanik amendment in 1974, tying MFN status to a country's emigration policies, in the hope of opening doors to freedom for the thousands in the Eastern Block who wish to emigrate.
- The Jackson-Vanik amendment has had mixed success.
- In the case of Romania, it has had a beneficial effect on the freedom to emigrate, while in the case of the Soviet Union, it may have actually made emigration more difficult.
- For the sake of those who wish to emigrate from the Soviet Union, we ought to consider new ideas on how best to achieve this result.

- This requires that the Administration work with Congress on fashioning a new approach; there is no evidence that the Administration is yet prepared to do so.

- In the decade since the enactment of Jackson-Vanik, the Soviets have engaged in extensive and outrageous violations of human rights.

- While they state that the United States has no right to interfere in Soviet internal affairs, we cannot accept their right to violate fundamental human rights, even if the people whose rights are violated happen to live in the Soviet Union.

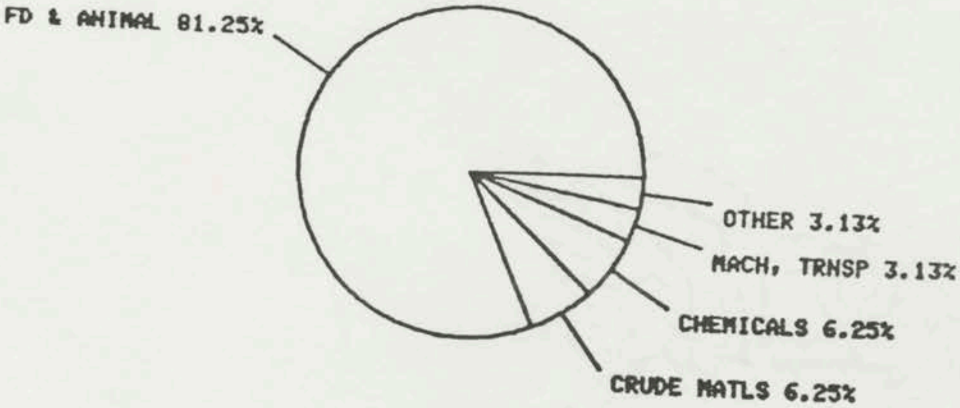
- Freedom to emigrate is a fundamental human right, and the Congress is unlikely to turn a deaf ear to Soviet abuse of this right.

- But we are willing to consider new approaches in achieving our common goal of defending freedom.

(One possible new approach:

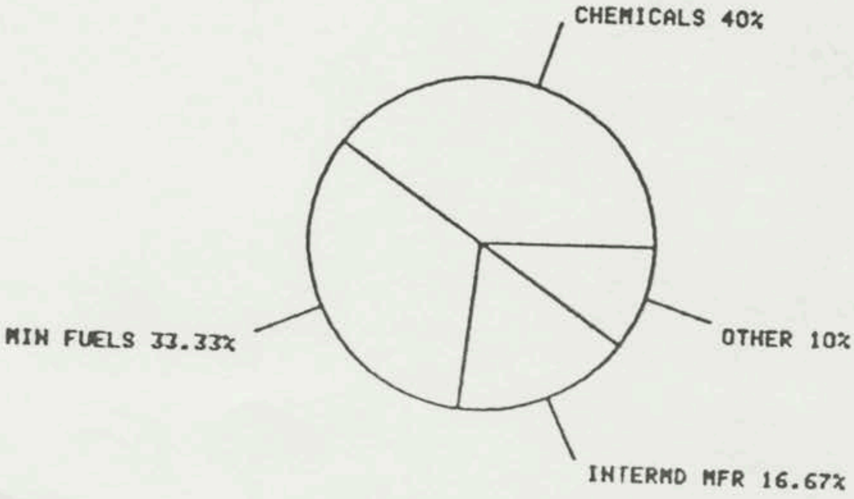
> Suspend Jackson-Vanik as applied to the Soviets for a year -- see what happens; if Soviets loosen up on emigration, extend suspension for another year, etc. This may get around the circular deadlock we are now in where they won't loosen up on emigration under the threat of Jackson-Vanik and we will not repeal Jackson-Vanik because they won't let people emigrate.)

COMPOSITION OF U.S. EXPORTS TO THE U.S.S.R
1984



TOTAL: $3.3 BILLION

COMPOSITION OF U.S. IMPORTS FROM THE U.S.S.R
1984



TOTAL: $0.6 BILLION

Table A-3.--U.S. trade with the U.S.S.R., 1/ by SITC Sections, 1984, January-September 1984, and January-September 1985

(In thousands of dollars)

SITC Section	1984	January-September 1984	January-September 1985
U.S. exports:			
0. Food and live animals	2,585,083	1,574,407	1,308,061
1. Beverages and tobacco	1,264	1,015	2,136
2. Crude materials--inedible, except fuel	224,263	216,108	84,237
3. Mineral fuels, lubricants, etc	30,045	19,314	42,639
4. Oils and fats--animal and vegetable	38,872	38,872	59,045
5. Chemicals	208,219	159,859	190,883
6. Manufactured goods classified by chief material	16,573	12,914	7,658
7. Machinery and transportation equipment	110,221	86,933	91,800
8. Miscellaneous manufactured articles	65,908	42,984	43,010
9. Commodities and transactions not elsewhere classified	2,205	1,677	1,420
Total	3,282,652	2,154,084	1,830,889
U.S. imports:			
0. Food and live animals	17,070	7,081	6,574
1. Beverages and tobacco	9,042	6,024	7,665
2. Crude materials--inedible, except fuel	17,270	14,286	11,063
3. Mineral fuels, lubricants, etc	191,577	105,904	84,958
4. Oils and fats--animal and vegetable	9	9	37
5. Chemicals	207,819	156,357	142,463
6. Manufactured goods classified by chief material	103,801	79,575	48,165
7. Machinery and transportation equipment	2,615	1,919	2,728
8. Miscellaneous manufactured articles	4,442	3,938	2,928
9. Commodities and transactions not elsewhere classified	2,477	1,828	2,371
Total	556,122	376,921	308,952

1/ Includes Estonia, Latvia, and Lithuania.

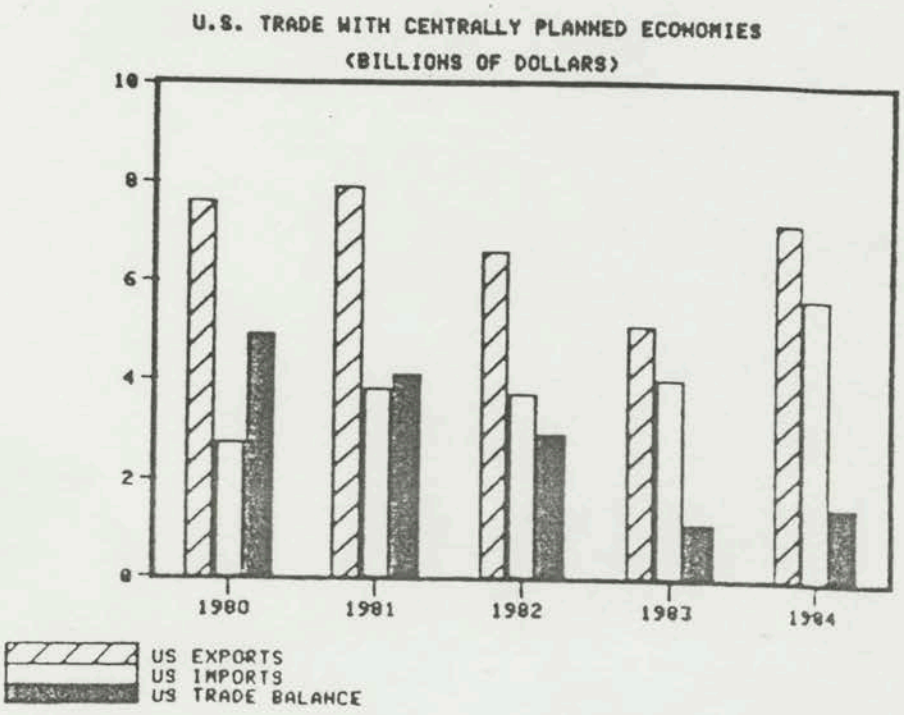
Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

U.S. TRADE WITH CENTRALLY PLANNED ECONOMIES

U.S. Trade with the USSR

- The U.S. trade surplus with the USSR grew $1.1 billion to $2.7 billion in 1984.
- U.S. exports to the USSR soared 64 percent to $3.3 billion in 1984, following a sharp decline the previous year.
  - -- Virtually all of the export growth occurred in wheat and corn in response to continued poor Soviet crop production.
  - -- The USSR accounted for 7 percent of U.S. agricultural exports in 1984.
  - -- A new U.S.-USSR grain agreement, which took effect October 1, 1984, specifies higher purchasing ceilings than the previous agreement.
- U.S. imports from the USSR in 1984 rose to $0.6 billion, their highest level since 1979.
  - -- Fuel oil and chemicals accounted for most of the import growth.
  - -- Imports of platinum and other precious metals also expanded.



ISSUES IN EAST-WEST TRADE

Relative to Your Speech Before the American Committee

On East-West Accord on April 24, 1986

1. The newly renewed Export Administration Act distinction between trade in general such as agriculture and trade with military applications.

2. There have been massive Soviet efforts to get U.S. technology, as documented in a 1985 Defense Department white paper.

   a. Soviets have greatly increased their military capabilities through these efforts.

   b. Stopping this loss of technology will remain a high priority for the U.S. for the rest of the 80's and into the 90's.

   c. The U.S. has major problems with defense reform, Congressional attempts to cut the defense budget, and research and development. If controls on high technology items that add to the Soviet military translate to a lower defense budget, those controls are economically as well as strategically desireable.

      NOTE: How many aircraft pilots would the U.S. have lost in Libya had the Libyans had better Soviet weapons?

3. Most important: the human rights component. The U.S. has always recognized that trade must be reviewed in the context of human rights, notably through the Jackson-Vanik Amendment.

MONDAY, MARCH 24, 1986

Business Day

The New York Times

New Focus On Soviet Trade Ties

U.S. Industry Intensifies Call To Ease Curbs

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, March 23 — American industrialists, anticipating increased business with the Soviet Union under its economic modernization plans, are stepping up pressure on the Reagan Administration to relax trade curbs that they say are undermining their ability to compete.

"We will never make our peace with right-wing individuals who oppose all trade with the Russians," said Robert D. Schmidt, president of the American Committee on East-West Accord and former vice chairman of the Control Data Corporation. "But we think we can help the pragmatists in the Administration and foster more trade."

The Reagan Administration has been torn by internal strife in recent years between hard-liners led by Defense Secretary Caspar W. Weinberger, who argue that practically all trade enhances the Soviet military potential, and pragmatists led by Secretary of State George P. Shultz and Commerce Secretary Malcolm Baldrige, who see increased trade improving political ties.

Viewpoint of White House

Following the Geneva summit meeting last November between President Reagan and the Soviet leader, Mikhail S. Gorbachev, most analysts believe the pragmatists are now more influential on Presidential thinking.

The Committee on East-West Accord, composed of luminaries from the business, academic and diplomatic worlds, is leading the new lobbying effort to dismantle the trade barriers.

"This time we will get support from the Jewish community," said Donald M. Kendall, co-chairman of the committee and chairman of Pepsico Inc. "Increased trade is a way to increase the flow of Jewish emigration."

Both Mr. Kendall and Mr. Schmidt made their comments last week during a meeting of their committee with Government officials, including Mr. Baldrige. The meeting was one of a series of stepped-up encounters aimed at getting the trade message across both within the Administration and on Capitol Hill.

The business leaders want Washington to know that if the East-West political climate improves, there could be substantial Soviet markets for nonstrategic American technology and equipment in such fields as oil exploration equipment, electronics and telecommunications.

Jackson-Vanik Amendment

The link between emigration and trade comes through the Jackson-Vanik amendment to the Trade Reform Act of 1974, which denies tariff preferences, technically called "most favored nation" treatment, to the Soviet Union because of its emigration restrictions. Most American trading parters get the tariff preferences. Denial means that tariffs on goods from the Soviet Union are roughly 10 times higher than from other countries.

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Continued on Page D2

New Focus by U.S. Industry on Soviet Trade

Continued From First Business Page

year are allowed to leave the Soviet Union, compared with 34,700 in 1973 and 54,000 in 1979. Jewish leaders estimate that between 200,000 and 400,000 Soviet Jews would be prepared to leave if the emigration doors were open.

The Committee on East-West Accord is cooperating with several Jewish groups in trying to improve the East-West business climate.

"We basically support improved Soviet relations," said Hyman Bookbinder, Washington representative of the American Jewish Committee. "By having good trade relations there is a more hopeful context for Jewish emigration."

Waiver of Ban Is Available

Mr. Bookbinder, who is a member of the Committee on East-West Accord, said, "If today the Russians now started to show some significant improvement in their emigration policies, I would encourage our Government to invoke the waiver."

He was referring to a provision in the Jackson Vanik-trade amendment under which the President could certify that freer emigration is taking place and ask Congress to waive the ban against tariff preferences for the Soviet Union.

"There's a good deal of optimism on both sides that more trade can be fostered," said Mr. Kendall. "But it will depend on the political climate and whether we have another summit."

The Committee on East-West Accord has been coordinating its lobbying activities with the American Jewish Committee, the American Jewish Congress and the National Conference on Soviet Jewry. The coordination has been under way since an unpublicized meeting of the groups in New York last July.

"We do not want increased trade at the expense of Soviet Jews, and neither does the Jewish community want to be working at cross purposes with the business community," said Meyer Berger, a Committee on East-West Accord board member who organized the July meeting.

Elaborate Controls Remain

The Reagan Administration has already taken modest steps to improve the trading climate, but it still maintains elaborate controls over the export of strategic goods and technology that would enhance the Soviet military potential.

Export restrictions were tightened by both the Carter and Reagan Administrations in response to Soviet intervention in Afghanistan and in Poland, and Washington forced American companies to break contracts.

Corporate lobbying produced stronger guarantees of contract sanctity in the 1985 renewal of the Export Administration Act. Contracts can no longer be canceled unless there is a breach of the peace posing "a serious and direct threat to the strategic interests of the United States."

"In the absence of progress in other areas of the bilateral relationship," Mr. Baldrige told the committee last week, "nonstrategic trade can grow but only within the existing trade framework."

He cautioned that the decline in world oil prices had sharply reduced Soviet hard-currency earnings and said this could affect their import plans. The reduction in oil prices to date could mean a Soviet loss of as much as $5 billion, he estimated.

The United States and the Soviet Union now do about $3 billion of two-way trade annually. Most of this, however, consists of American grain sold to the Russians. The Commerce Department estimates that nonagricultural exports to the Soviet Union should reach about $800 million this year, up 40 percent from last year. Total exports will be virtually unchanged, however, because Soviet grain imports have declined.

Despite the strictures and the existing restrictions, business leaders are relatively optimistic. Edwin D. Dodd, chairman emeritus of Owens-Illinois Inc., said the emphasis on industrial modernization in the Russians' recently announced 12th Five-Year Plan, combined with the lower value of the dollar, should strengthen American exports.

"Profitable opportunities for trade with the Soviet Union are available to American companies, and we should be taking a realistic look at them," he said, adding that "the Soviets pay their bills — and they pay very promptly."

April 4, 1986

MEMORANDUM

TO: SENATOR DOLE

FROM: LEN SANTOS

SUBJECT: U.S.-SOVIET TRADE TIES

This is in response to your note on the attached New York Times article on Soviet trade ties.

I have two suggestions involving changes to the Jackson-Vanik amendment:

1. Suspend the denial of MFN (thereby granting MFN) to the Soviet Union for a "trial" period (perhaps a year). After that, the President would have the discretion to deny MFN as under current law.

2. Transform the current annual review of MFN for the "Eastern Block" into a multi-year MFN review (perhaps every third year).

The purpose of granting MFN to the Soviet Union for a trial year would be to try overcoming the "cart and horse" routine, whereby we say they don't get MFN unless they allow Jewish emigration, and they say they will not tolerate interference in their internal affairs. A suitably-framed one year trial MFN might elicit a positive Soviet response on emigration which would, in turn, permit the President to continue MFN at the end of the year.

Transforming the current annual MFN review into a three year renewal would make MFN more valuable. Trade might increase based on the greater predictability of the relationship.

The Administration may not endorse either change for several reasons. First, the Administration does not believe the Soviets should be granted trade benefits unless they earn them through concrete actions on emigration. Second, dwindling Soviet hard currency earnings from the decline in the price of its energy exports make the Soviet Union a poor prospect for increased trade with the West, at least in the near term.

On the other hand, the Soviets regard the denial of MFN as an affront to their national dignity. It is hard to imagine any progress on emigration as long as they are denied MFN.

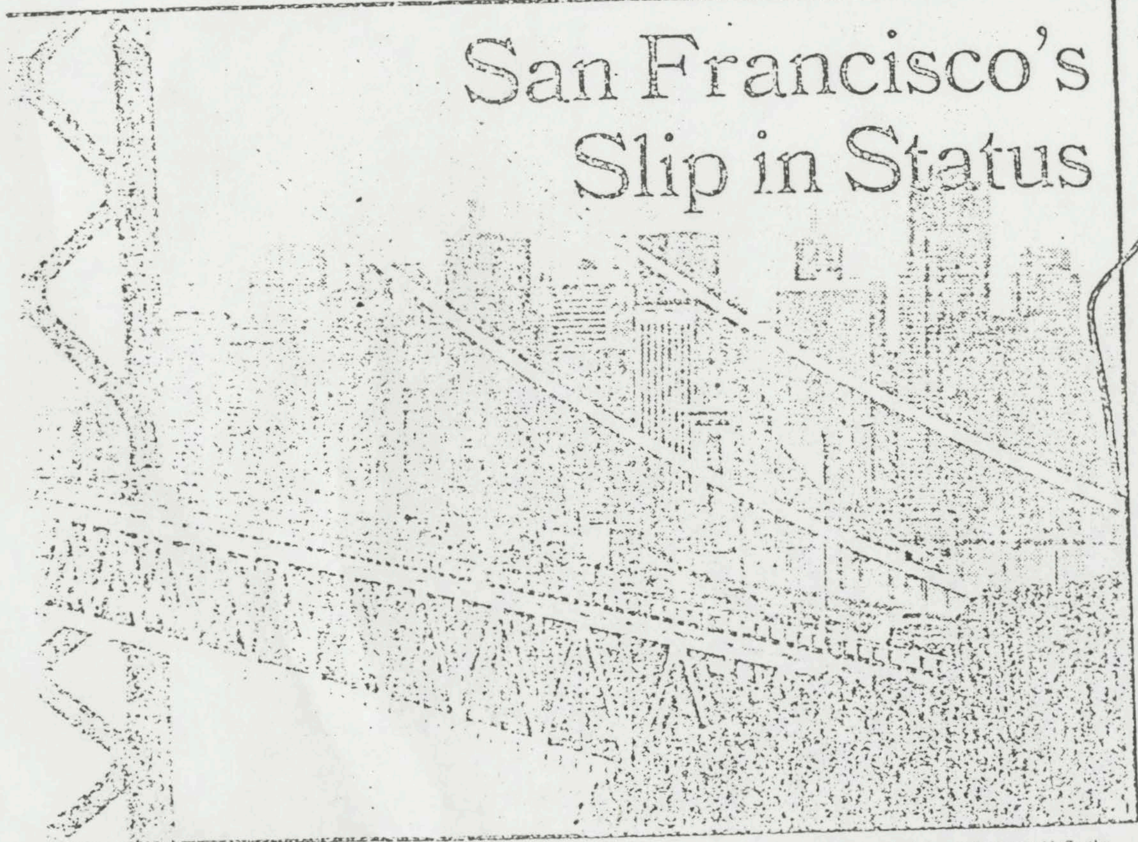
On a related matter, the American Committee on East-West Accord, headed by Donald Kendall, Chairman of Pepsico, Inc., (referred to in the attached article) is anxious to have you address their April trade forum in Washington (Madison Hotel). Mr. Kendall will be trying to call you with this invitation. They can schedule you from 1:00 to 1:30 p.m. on either April 22, 24, or 30, and are prepared to offer you an honorarium. The committee is interested in your views of trade with the Soviets.

usiness Day

The New York Times

D1

San Francisco's Slip in Status



The New York Times/Terrence McCarthy

of San Francisco framed by the San Francisco-Oakland Bay Bridge. A wave of takeovers is threaten-
he city from a center of corporate headquarters into one of corporate subsidiaries.

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April 24, 1986

TRADE/ TALKING POINTS

o Last week, for the first time in many, many months the United States got some good news on the trade front. The trade deficit, which has been deteriorating at an annual rate of $21 billion in the final three months of the year, improved at an annualrate of 14.8 billion from January through March.

o This positive shift is in large part the result of the decline in the value of the dollar. Since the meeting of the so-called G-5 nations last September, the dollar has fallen over 20% from its spring 1985 peak.

o I hope that this turnabout is not just a fluke. But even with the good news, we must face facts: the United States does not have an adequate long-term trade policy.

o Most people perceive the act of "trading" as an exchange -- between businesses, states, countries. We Americans believe trade is a two-way street -- goods coming and going.

o But the cold hard facts show us that the rest of the world does not necessarily agree. Many countries are only too happy to sell us their goods. But when it comes to buying ours, they say "No thanks." It's like a couple who comes to your home for dinner dozens of times, benefited from your hospitality and generosity, but never invites you to their home.

o The truth is, that most of us in Congress, most businesses, don't want protectionist barriers erected to prevent foreign goods from entering the United States. What we want is access -- the opportunity to sell American products in overseas markets.

o In the past, the United States 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.

o One unfortunate outgrowth of our trade problem is that it seems to color our relationship with foreign nations on a whole host of other issues. Whether it is defense, or environmental concerns -- sensitivity about America's deteriorating trade position has an impact on other policy matters.

AGRICULTURE AND TRADE

o I am especially sensitive to the importance of world markets to U.S. farmers. U.S. agricultural sales have fallen by 50% in four years: from $43.8 billion in 1981 to $28 billion in 1985.

o Problems facing ag exports have included:

--reduced buying power and increased food production in developing countries. These trends are tied to long-term economic trends, and will not change soon.

--the relatively high value of the dollar in 1981-85. With the 30% decline in the dollar since a year ago, U.S. sales should improve somewhat. However, most of our competitors have tied their currencies to shifts in the dollar's value to prevent losing market share.

--U.S. price supports above world market price levels. This has been addressed through the lower loan rates in the 1985 farm bill. However, these 15-25% reductions will not be effective until the 1986 harvest begins (June for wheat; September for feedgrains and soybeans). There are currently significant distortions in old crop vs. new crop prices.

--government-assisted competition. The EEC's use of export subsidies is only the most blatant example of government intervention in farm exports. Others have used (and are using) various production and ocean freight subsidies or allow domestic hyperinflation to underprice their exports.

--lack of a coherent U.S. trade policy. Food has been used as an economic and political weapon by Administrations of both parties, either by cutting exports off in embargoes or by discriminating in the application of subsidies. U.S. refusal to offer Export Enhancement Program (EEP) bonus commodities across-the-board has cost sales to friends (Korea, Brazil) as well as enemies (Soviet Union, PRC).

o The Reagan Administration is making a serious effort to counter unfair trade practices. Lyng and Yeutter are meeting their EEC counterparts (de Clerq and Andreissen) in Paris today (Saturday) to make clear that the U.S. will not accept the new EEC restrictions on farm trade with Spain and Portugal. Unless the EEC rescinds its announced import quotas and protected market arrangements for wheat, grain sorghum and soybean products, the U.S. will offset the value of lost sales by imposing restrictions on EEC agricultural exports.

o We do not want to initiate a farm trade war. We would like to normalize ag trade by eliminating subsidies now allowed under GATT. The EEC has refused to put ag subsidies on the agenda for the new GATT round ever since the last Ministerial meeting broke down in November 1982. We cannot start new negotiations without ensuring that this issue will be addressed.

o Agriculture trade is vital to the economic health of rural America and the Nation. 20 million jobs and 20% of our economic activity can be tied to the farm sector. Low farm prices are one of the primary reasons for the low inflation being enjoyed by other Americans as well as foreigners.

o I have urged the Administration to consider setting annual targets for the volume or value of farm exports in 1986, 1987, and 1988. This would introduce a needed element of accountability into evaluating our export performance, particularly as it relates to the results of our domestic farm programs. It would also be recognition that the U.S. must accept a more active role in competing for agricultural exports as long as other governments continue to actively intervene in international trade.

o When a farmer has a bankruptcy sale or a plant closes down, the men and women whose lives were intertwined with those ventures are not interested in the fine points of the comparative advantage theory of free trade and how the EEC provides export subsidies. They want jobs and protection from unfair trade practices.

CONGRESS AND TRADE POLICY

o 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.

o 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.

o Although there is a diversity of opinion among members of Congress on how best to address the trade issue, there seems to be a 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.

o Last November a bipartisan group of my Senate colleagues joined with me in introducing a major trade initiative which attempts to restablish our involvement.

Specifically, this bipartisan initiative addresses are ways:

To insure systematic enforcement of existing trade laws against foreign unfair trade practices;

To expand trade through market liberalization;

To promote meaningful adjustment of import-impacted industries to new competitive conditions; and

To remedy misalignment of the dollar, developing country debt, and disincentives to U.S. exports.

In addition to this effort there are numerous sector specific bill which the Congress has been asked to cosnider. Notable among them, the so-called textile bill, which has passed overwhelmingly by both the House and Senate, then vetoed by the President.

CANADA FREE TRADE AGREEMENT

o One more recent example of congressional determination to become an active partner on the trade issue is the administration's proposal to begin negotiations on a free trade zone agreement with Canada.

o The administration got its way. On a tie vote, the Finance Committee voted to defeat a motion to disapprove of the proposal. But the close vote indicates how close the administration came to losing this one. There were a number of senators unhappy about specific trade issues with Canada, such as timber. But there were others, Republicans included, who are dissatisfied with the administration's failure to be more aggressive overall on the trade front.

o The trade issue is not going to go away. Members of Congress recognize that America's trade policy is in shambles. And Congress seems prepared to pick up the pieces -- if you can believe all the rhetoric.

CONCLUSION

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

o 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 the problem any longer, we put at risk our own prosperity and our role as the engine of global economic progress.

east - west trade record
April 24, 1986

Senator Dole

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- This requires that the Administration work with Congress on fashioning a new approach; there is no evidence that the Administration is yet prepared to do so.

- In the decade since the enactment of Jackson-Vanik, the Soviets have engaged in extensive and outrageous violations of human rights.

- While they state that the United States has no right to interfere in Soviet internal affairs, we cannot accept their right to violate fundamental human rights, even if the people whose rights are violated happen to live in the Soviet Union.

- Freedom to emigrate is a fundamental human right, and the Congress is unlikely to turn a deaf ear to Soviet abuse of this right.

- But we are willing to consider new approaches in achieving our common goal of defending freedom.

(One possible new approach:

> Suspend Jackson-Vanik as applied to the Soviets for a year -- see what happens; if Soviets loosen up on emigration, extend suspension for another year, etc. This may get around the circular deadlock we are now in where they won't loosen up on emigration under the threat of Jackson-Vanik and we will not repeal Jackson-Vanik because they won't let people emigrate.)

Table A-3.--U.S. trade with the U.S.S.R., 1/ by SITC Sections, 1984, January-September 1984, and January-September 1985

(In thousands of dollars)

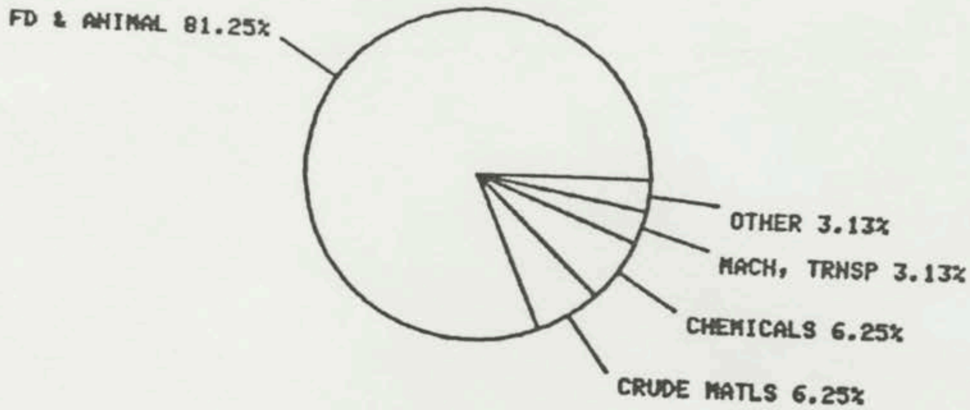
SITC Section	1984	January-September 1984	January-September 1985
U.S. exports:			
0. Food and live animals	2,585,083	1,574,407	1,308,061
1. Beverages and tobacco	1,264	1,015	2,136
2. Crude materials--inedible, except fuel	224,263	216,108	84,237
3. Mineral fuels, lubricants, etc	30,045	19,314	42,639
4. Oils and fats--animal and vegetable	38,872	38,872	59,045
5. Chemicals	208,219	159,859	190,883
6. Manufactured goods classified by chief material	16,573	12,914	7,658
7. Machinery and transportation equipment	110,221	86,933	91,800
8. Miscellaneous manufactured articles	65,908	42,984	43,010
9. Commodities and transactions not elsewhere classified	2,205	1,677	1,420
Total	3,282,652	2,154,084	1,830,889
U.S. imports:			
0. Food and live animals	17,070	7,081	6,574
1. Beverages and tobacco	9,042	6,024	7,665
2. Crude materials--inedible, except fuel	17,270	14,286	11,063
3. Mineral fuels, lubricants, etc	191,577	105,904	84,958
4. Oils and fats--animal and vegetable	9	9	37
5. Chemicals	207,819	156,357	142,463
6. Manufactured goods classified by chief material	103,801	79,575	48,165
7. Machinery and transportation equipment	2,615	1,919	2,728
8. Miscellaneous manufactured articles	4,442	3,938	2,928
9. Commodities and transactions not elsewhere classified	2,477	1,828	2,371
Total	556,122	376,921	308,952

1/ Includes Estonia, Latvia, and Lithuania.

Source: Compiled from official statistics of the U.S. Department of Commerce.

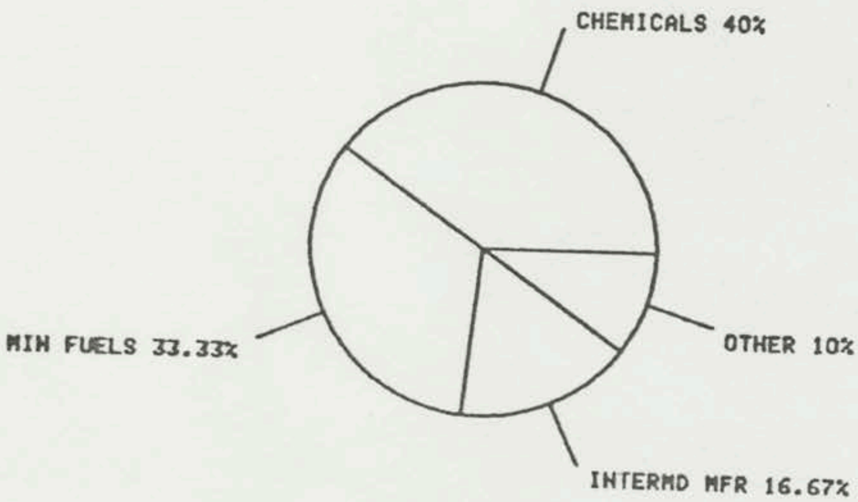
Note.--Because of rounding, figures may not add to the totals shown.

COMPOSITION OF U.S. EXPORTS TO THE U.S.S.R
1984



TOTAL: $3.3 BILLION

COMPOSITION OF U.S. IMPORTS FROM THE U.S.S.R
1984



TOTAL: $0.6 BILLION

U.S. TRADE WITH CENTRALLY PLANNED ECONOMIES

U.S. Trade with the USSR

- o The U.S. trade surplus with the USSR grew \$1.1 billion to \$2.7 billion in 1984.

- o U.S. exports to the USSR soared 64 percent to \$3.3 billion in 1984, following a sharp decline the previous year.

  -- Virtually all of the export growth occurred in wheat and corn in response to continued poor Soviet crop production.

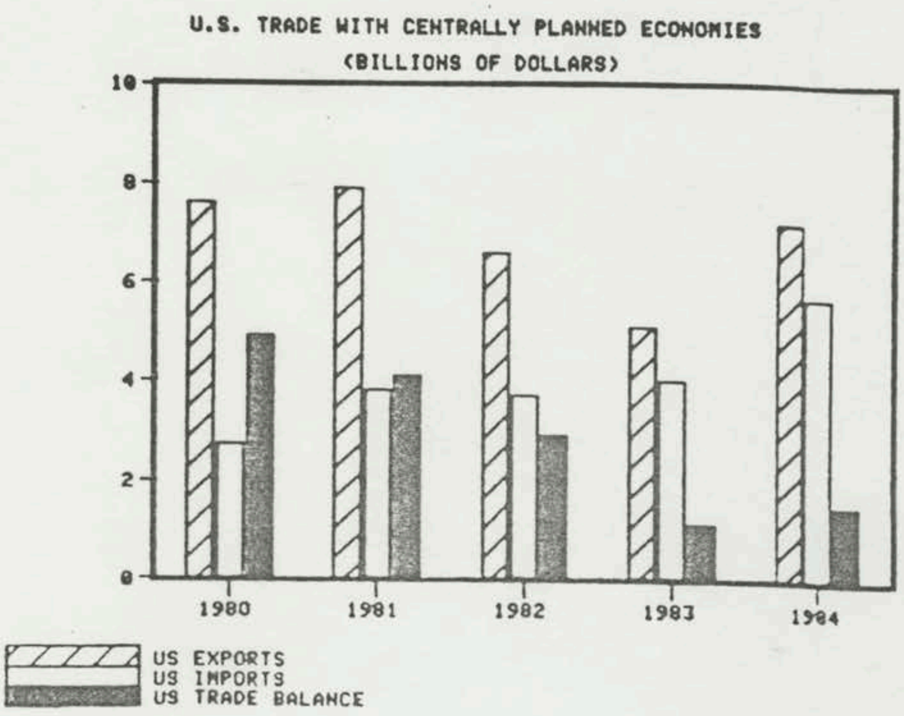
  -- The USSR accounted for 7 percent of U.S. agricultural exports in 1984.

  -- A new U.S.-USSR grain agreement, which took effect October 1, 1984, specifies higher purchasing ceilings than the previous agreement.

- o U.S. imports from the USSR in 1984 rose to \$0.6 billion, their highest level since 1979.

  -- Fuel oil and chemicals accounted for most of the import growth.

  -- Imports of platinum and other precious metals also expanded.



TALKING POINTS: CENTRAL AMERICA

- o PRESIDENT'S POLICIES WORKING:

  -- DEMOCRACY GAINING GROUND: DEMOCRATIC ELECTION OF PRESIDENT IN PANAMA; DUARTE GOVERNMENT IN EL SALVADOR.

  -- NICARAGUA THE ONLY EXCEPTION TO DEMOCRATIC TREND.

- o OBJECTIONS TO SANDINISTA REGIME:

  -- OPENING COUNTRY TO SOVIET, CUBAN, LIBYAN AND OTHER FORCES AND "ADVISERS."

  -- MASSIVE MILITARY BUILD-UP (SOVIET AND CUBAN ARMS) TO THREATEN AND POLITICALLY INTIMIDATE NEIGHBORS.

  -- SUPPORT FOR INSURGENCIES IN NEIGHBORING DEMOCRACIES.

  -- SUPPRESSION OF DEMOCRACY AT HOME.

- o STRATEGY: MULTI-FACETED.

  -- SUPPORT FOR FRIENDS (MILITARY AND ECONOMIC AID, POLITICAL SUPPORT.

  -- SEARCH FOR NEGOTIATED REGIONAL SETTLEMENT UNDER CONTADORA.

    -- THOUGH THAT PRETTY MUCH SCUTTLED BY SANDINISTA REJECTION OF LATEST CONTADORA REGIONAL PEACE PROPOSAL.

  -- SUPPORT FOR CONTRAS AS PRESSURE POINT ON SANDI-NISTAS.

    -- WITHOUT SUCH PRESSURE NO REASON IN WORLD FOR SANDINISTAS TO RESPOND TO OUR CONCERNS.

- o HOUSE SHOULD ACT ON PRESIDENT'S PACKAGE NOW.

  -- SANDINISTA INVASION OF HONDURAS SHOWED TRUE STRIPES.

  -- SO DID SCUTTLING OF CONTADORA INITIATIVE.

o THESE CALLS TO "GIVE PEACE A CHANCE" MAKE NO SENSE.

o SANDINISTAS DON'T WANT A NEGOTIATED SETTLEMENT, EITHER IN NICARAGUA WITH OPPOSITION OR IN REGION WITH NEIGHBORS.

o O'NEILL PROMISED REAL VOTE. WHAT HE DELIVERED WAS SHAM.

o HOUSE REPUBLICAN MANEUVER EXACTLY RIGHT MOVE.

-- STILL WILL BE TOUGH BUT OFFERS US SOME HOPE OF A REAL VOTE IN HOUSE.

FACT SHEET ON TERRORISM BILL

ELEMENTS OF THE BILL:

o Defines terrorism as an act of aggression by a foreigner, aimed at U.S. citizens and corporations, with the purpose of influencing our policy.

o Gives the President clear-cut authority to deal with specific acts of terrorism with all appropriate means, including deadly force.

o Gives the President authority to act to preempt as well as respond to specific acts of terrorism.

o Makes clear terrorists include not only actual "bomb throwers" but also those who organize, lead, fund and support terrorists.

o Requires the President to report to Congress within ten days of utlizing his authority, specifying in detail the terrorist threat or terrorist act that justified his action.

o Supercedes the War Powers Resolution by: (1) imposing no time limit, such as the 60 and 90 day time limits in the resolution, on the President's use of force in a terrorist situation; (2) requiring no prior consultation with Congress; (3) and extending the reporting period from 48 hours to 10 days..

PROTECTIONS IN THE BILL

o Limits the authority to terrorist situations.

o Insures, through the reporting requirement, that the authority will be used only to combat specific acts of terror.

o Does not expand the President's traditional powers to conduct foreign policy -- only to react to terrorism.

o Applies only to acts by foreigners and has no impact on the rights of Americans.

TALKING POINTS ON ANTI-TERRORISM BILL

Justification for bill

-- PURPOSE OF BILL: TO CLARIFY AND STRENGTHEN PRESIDENT'S AUTHORITY TO DEAL WITH TERRORISM.

-- TERRORISM IS AN ACT OF AGGRESSION AGAINST THE UNITED STATES.

-- WHEN THERE IS A CLEAR-CUT CASE OF TERRORISM, PRESIDENT MUST HAVE AUTHORITY TO REACT: QUICKLY, DECISIVELY AND WITHOUT A BUNCH OF SECOND GUESSING.

-- PERSONALLY BELIEVE PRESIDENT ALREADY HAS THAT AUTHORITY.

-- BUT RECOGNIZE OTHERS VIEW THIS CONSTITUTIONAL MATTER DIFFERENTLY.

-- IMPORTANT THAT IT BE CLARIFIED AS SOON AS POSSIBLE.

-- ALSO IMPORTANT THAT WE HAVE POLITICAL AUTHORITY OF CONGRESS CLEARLY BEHIND PRESIDENT. WILL IMMEASURABLY STRENGTHEN HIS HAD.

Protections in Bill

-- LIMITED TO TERRORISM SITUATIONS.

-- DOES NOT EXPAND PRESIDENT'S TRADITIONAL POWERS TO CONDUCT FOREIGN POLICY -- ONLY TO REACT TO TERRORISM.

-- REPORTING REQUIREMENT TO FURTHER INSURE WILL BE USED ONLY TO COMBAT SPECIFIC ACTS OF TERROR.

-- APPLIES ONLY TO ACTS BY FOREIGNERS.

-- DOES NOT IN ANY WAY IMPACT ON RIGHTS OF AMERICAN CITIZENS.
-- EXCEPT FOR INSURING THE RIGHT TO FREEDOM FROM TERRORISM.

Forbes

The Group of Five has driven down the dollar's value against major currencies. So why are farmers miffed? The textile trade?

Good medicine, too few patients

By Edwin A. Finn Jr.

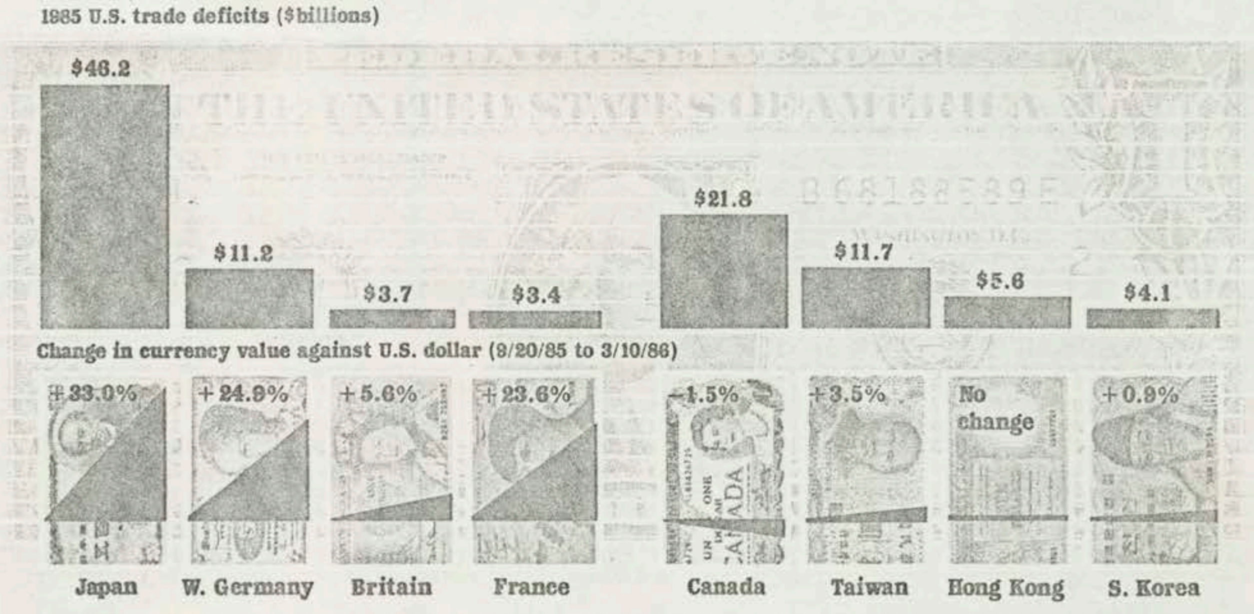
BILL TURRENTINE is one angry farmer—but not for the usual reasons. Sure, the local irrigation equipment company went bust last month, farm banks around him are under water, and at best there's a bleak future on the farm for his son.

But the Kansan's real beef is with the world's finance ministers, especially the Group of Five (the U.S., Britain, France, West Germany and Japan), which has been collaborating since last September to weaken the dollar and thereby help the U.S. cut its trade deficit. The way farmer Turrentine sees it, they're the ones who make peddling his wheat abroad unprofitable. If this year's harvest of hard winter wheat goes like last year's, Brazilian bakeries will end up buying his crop for less than it cost him to raise the stuff.

Selling wheat overseas is critical to Turrentine and thousands of other American farmers. But it's a money-losing proposition when prices are as low as they are today. Why so low? In good part because big competitors like Australia, Canada and Argentina undercut prices by keeping their currencies cheap against the dollar.

The group of how many?

The dollar has barely budged against the currencies of Canada, Taiwan, Hong Kong and South Korea, among others. That means U.S. trade deficits with those countries are likely to persist this year—and they may even widen. Meanwhile, pressure from aggrieved farmers and manufacturers across the U.S. could force Treasury Secretary James Baker to broaden his currency discussions well beyond the Group of Five.



Few people besides Turrentine seem to have noticed that while the dollar has fallen sharply against the currencies of Japan, France, Britain and West Germany in the past six months, it is still flying high against many of the world's other currencies, especially those in which some of farmer Turrentine's sharpest competitors price their crops. "The Group of Five hasn't done a thing for the farmers," Turrentine complains bitterly.

Agriculture Department officials agree. Partly owing to weak currencies in Australia, Canada and Argentina, they project the U.S. share of worldwide wheat exports will shrink to 30% for the year ending June 30, down from 36% the previous fiscal year. Meanwhile, Australia's share of world wheat exports is expected to jump to 17%, from 14%, and Canada's stake will probably climb a percentage point, to 19%.

The issue reaches far beyond the farm. U.S. plasticsmakers, steel companies and textile firms stand to lose out because the dollar has barely budged against the currencies of Singapore, Hong Kong, Taiwan and South Korea. These are among the world's feistiest competitors, and cheap currencies will only make them feistier. Korea, for instance, with its deliveries of carbon plate streaming into the West Coast and its tubular steel gaining market share in the Texas oilfields, already makes 8% of the steel imported by the U.S. And while Japanese autos will become more costly here, Korea's subcompact Hyundai Excel will not.

As long as Asia's emerging industrial powers can maintain cheap currencies, their imports to the U.S. are likely to keep swelling. Those imports are nothing to sneeze at as it is. Last year the U.S. trade deficits with Taiwan, Hong Kong and South Korea were 17% greater than its deficits with West Germany, France and Britain *(see chart, opposite page)*.

What's more, the Japanese may capitalize on the currency advantage by expanding their assembly operations in places like Taiwan and then shipping the final product to the U.S. Already that practice has become a "back door" that masks significant Japanese exports.

Should the U.S. have included more than just the Group of Five at the currency parley at New York's Plaza Hotel last September? Washington, in spite of howls from people like farmer Turrentine, still sounds unpersuaded. The attitude seems to be: Who cares about Taiwan, Brazil, Australia? "The only real players are the dollar, the yen and the mark," contends a Senate staffer whose boss is talking a lot these days about worldwide monetary reform. "Next, people will be complaining that New Guinea's currency isn't moving against the dollar," he sniffs. "These smaller currencies just march to their own drummer."

But U.S. voters may not agree, putting pressure on Congress to act against some of the smaller players. Already there's been talk of Treasury Secretary James Baker opening up his currency club to include Canada, Italy, Sweden, Belgium and the Netherlands. But that ignores newly industrialized countries that are a big part of the problem: Brazil, Taiwan, Korea.

It would take some serious arm-twisting to get players like Hong Kong to stop fixing their currencies to the dollar at such low exchange rates. And some economists say it would be counterproductive to urge debt-ridden countries such as Argentina to raise their currencies' value.

But a system that fails to take into account Australia, Argentina and Asia's emerging industrial powers is probably inadequate to solve the U.S. trade problem. Expect pressure, as the evidence mounts, from U.S. farmers, steelmen and other aggrieved parties to form a new, larger currency group, perhaps consisting of the 20 countries that do most of the world's trading. After all, it is not Japan or Germany that causes woes for U.S. farmers or for U.S. textile, shoe and garment manufacturers. ■

Sears is in lots of things: investments, insurance, real estate, credit cards. But retailing remains the heart of the business. How well is that heart beating?

Minding the store

By Barry Stavro

SEARS, ROEBUCK & Co.'s new Discover credit card has apparently caught the imagination of investors, even though Sears expects to lose $115 million on the plastic this year. At the same time, Sears' Dean Witter group is struggling to expand its presence in financial services; meanwhile, in real estate Coldwell Banker is running smoothly, as is the big Allstate Insurance group. All the same, Sears' fortunes will depend over the next few years, as they have for most of the last century, primarily on the retail business.

Last year Sears' merchandise group produced 65% of the company's $41 billion sales and 59% of the $1.3 billion profits, or $3.53 per share. Sears, which in the 1960s passed A&P and became the world's largest general merchandise retailer, is still the biggest, even though K mart is threatening to close the gap. Last year K mart hit $22.4 billion in retail sales, compared with Sears' $26.5 billion.

Does it matter if K mart passes Sears in dollar volume? Yes. There is more at stake here than bragging rights. In recent years, the growth in specialty retailers—from Toys "R" Us to Home Depot—has nibbled away at Sears' market. K mart has also grabbed sales by offering hardware and housewares that are reliable but low-priced. And K mart has diversified cleverly, buying bookstore, drugstore and home improvement chains to bolster its sales and opportunity for greater profit.

Sears executives admit that they, too, are looking at possible acquisitions as a way to increase their company's sales. Sears also plans small specialty stores of its own. It will open 50 small paint and hardware stores this year in urban areas, hoping to steal some business from Ace, True Value and other chains. Sears also has gotten a different lesson in merchandising from another sharply competitive discounter, Wal-Mart, which has

FOREIGN EXCHANGE

Friday, February 22, 1985

The New York foreign exchange selling rates below apply to trading among banks in amounts of $1 million and more, as quoted at 3 p.m. Eastern time by Bankers Trust Co. Retail transactions provide fewer units of foreign currency per dollar.

Country	U.S. $ equiv. Fri.	U.S. $ equiv. Thurs.	Currency per U.S. $ Fri.	Currency per U.S. $ Thurs.
Argentina (Peso)	.004410	.004410	226.77	226.77
Australia (Dollar)	.7100	.7210	1.4085	1.3870
Austria (Schilling)	.04211	.04255	23.75	23.50
Belgium (Franc)				
Commercial rate	.01470	.01485	68.05	67.33
Financial rate	.01460	.01479	68.50	67.62
Brazil (Cruzeiro)	.0002643	.0002643	3783.00	3783.00
Britain (Pound)	1.0773	1.0828	.9282	.9235
30-Day Forward	1.0731	1.0784	.9319	.9273
90-Day Forward	1.0653	1.0710	.9387	.9337
180-Day Forward	1.0600	1.0655	.9434	.9385
Canada (Dollar)	.7194	.7310	1.3900	1.3680
30-Day Forward	.7187	.7302	1.3914	1.3695
90-Day Forward	.7166	.7281	1.3955	1.3735
180-Day Forward	.7130	.7246	1.4025	1.3800
Chile (Official rate)	.007744	.007744	129.14	129.14
China (Yuan)	.3551	.3551	2.8163	2.8163
Colombia (Peso)	.008563	.008563	116.78	116.78
Denmark (Krone)	.08247	.08326	12.125	12.010
Ecuador (Sucre)				
Official rate	.01489	.01489	67.18	67.18
Floating rate	.008183	.008183	122.20	122.20
Finland (Markka)	.1430	.1444	6.9930	6.9250
France (Franc)	.09648	.09751	10.3650	10.2550
30-Day Forward	.09635	.09738	10.3785	10.2695
90-Day Forward	.09613	.09709	10.4030	10.3000
180-Day Forward	.09585	.09681	10.4325	10.3300
Greece (Drachma)	.007342	.007364	136.20	135.80
Hong Kong (Dollar)	.1283	.1283	7.7950	7.7925
India (Rupee)	.07663	.07698	13.05	12.99
Indonesia (Rupiah)	.0009217	.0009217	1085.00	1085.00
Ireland (Punt)	.9180	.9290	1.0893	1.0764
Israel (Shekel)	.001363	.001363	733.75	733.75
Italy (Lira)	.0004742	.0004798	2109.00	2084.00
Japan (Yen)	.003803	.003821	262.95	261.70
30-Day Forward	.003810	.003829	262.44	261.17
90-Day Forward	.003831	.003851	261.00	259.69
180-Day Forward	.003870	.003888	258.42	257.18
Lebanon (Pound)	.07519	.07519	13.30	13.30
Malaysia (Ringgit)	.3895	.3914	2.5675	2.5550
Mexico (Peso)				
Floating rate	.004082	.004292	245.00	233.00
Netherlands (Guilder)	.2604	.2630	3.8400	3.8030
New Zealand (Dollar)	.4450	.4480	2.2472	2.2321
Norway (Krone)	.1035	.1045	9.6650	9.5700
Pakistan (Rupee)	.06369	.06369	15.70	15.70
Peru (Sol)	.0001513	.0001513	6611.26	6611.26
Philippines (Peso)	.05511	.05511	18.145	18.145
Portugal (Escudo)	.005495	.005510	182.00	181.50
Saudi Arabia (Riyal)	.2792	.2792	3.5820	3.5815
Singapore (Dollar)	.4405	.4435	2.2700	2.2550
South Africa (Rand)	.4840	.4945	2.0661	2.0222
South Korea (Won)	.001199	.001199	833.90	833.90
Spain (Peseta)	.005351	.005410	186.90	184.85
Sweden (Krona)	.1055	.1062	9.4800	9.4200
Switzerland (Franc)	.3503	.3538	2.8550	2.8265
30-Day Forward	.3512	.3547	2.8476	2.8191
90-Day Forward	.3536	.3569	2.8300	2.8017
180-Day Forward	.3573	.3609	2.7990	2.7712
Taiwan (Dollar)	.02551	.02551	39.20	39.20
Thailand (Baht)	.03608	.03608	27.72	27.72
Uruguay (New Peso)				
Financial	.01280	.01280	78.13	78.13
Venezuela (Bolivar)				
Official rate	.1333	.1333	7.50	7.50
Floating rate	.07943	.07943	12.59	12.59
W. Germany (Mark)	.2949	.2980	3.3905	3.3555
30-Day Forward	.2957	.2988	3.3823	3.347
90-Day Forward	.2974	.3006	3.3624	3.327
180-Day Forward	.3002	.3034	3.3310	3.2955
SDR	0.953802	0.956874	1.04844	1.04507
ECU	0.657259	0.664562	....	....

Special Drawing Rights are based on exchange rates for the U.S., West German, British, French and Japanese currencies. Source: International Monetary Fund.

ECU is based on a basket of community currencies. Source: European Community Commission.

z-Not quoted.

FOREIGN EXCHANGE

Wednesday, March 19, 1986

The New York foreign exchange selling rates below apply to trading among banks in amounts of $1 million and more, as quoted at 3 p.m. Eastern time by Bankers Trust Co. Retail transactions provide fewer units of foreign currency per dollar.

Country	U.S. $ equiv. Wed.	U.S. $ equiv. Tues.	Currency per U.S. $ Wed.	Currency per U.S. $ Tues.
Argentina (Austra)	1.2484	1.2484	.801	.801
Australia (Dollar)	.7100	.7125	1.4085	1.4035
Austria (Schilling)	.06472	.06337	15.45	15.78
Belgium (Franc)				
Commercial rate	.02161	.02172	46.270	46.030
Financial rate	.02132	.02145	46.910	46.620
Brazil (Cruzado)	.07262	.07262	13.77	13.77
Britain (Pound)	1.4880	1.4785	.6720	.6764
30-Day Forward	1.4833	1.4730	.6742	.6789
90-Day Forward	1.4742	1.4637	.6783	.6832
180-Day Forward	1.4645	1.4522	.6828	.6886
Canada (Dollar)	.7191	.7204	1.3907	1.3882
30-Day Forward	.7166	.7230	1.3954	1.3832
90-Day Forward	.7140	.7256	1.4005	1.3781
180-Day Forward	.7111	.7282	1.4062	1.3732
Chile (Official rate)	.005426	.005417	184.29	184.60
China (Yuan)	.3122	.3122	3.2031	3.2031
Colombia (Peso)	.005634	.005583	177.48	179.10
Denmark (Krone)	.1201	.1203	8.3275	8.3100
Ecuador (Sucre)				
Official rate	.01504	.01504	66.48	66.48
Floating rate	.007143	.007143	140.00	140.00
Finland (Markka)	.1958	.1963	5.1075	5.0950
France (Franc)	.1437	.1449	6.9595	6.9025
30-Day Forward	.1434	.1445	6.9745	6.9205
90-Day Forward	.1425	.1436	7.0195	6.9625
180-Day Forward	.1417	.1428	7.0595	7.0025
Greece (Drachma)	.007130	.007181	140.25	139.25
Hong Kong (Dollar)	.1280	.1280	7.8130	7.8120
India (Rupee)	.08183	.08190	12.22	12.21
Indonesia (Rupiah)	.0008857	.0008842	1129.00	1131.00
Ireland (Punt)	1.3365	1.3440	.7482	.7440
Israel (Shekel)	.6725	.6761	1.487	1.479
Italy (Lira)	.0006510	.0006549	1536.00	1527.00
Japan (Yen)	.005647	.005734	177.85	174.40
30-Day Forward	.005654	.005743	176.86	174.14
90-Day Forward	.005676	.005763	176.18	173.52
180-Day Forward	.005708	.005798	175.19	172.48
Jordan (Dinar)	2.9481	2.9472	.3392	.3393
Kuwait (Dinar)	3.5224	3.5026	.2839	.2855
Lebanon (Pound)	.05102	.05149	19.60	19.42
Malaysia (Ringgit)	.3949	.3968	2.5325	2.5200
Malta (Lira)	2.5221	2.5157	.3965	.3975
Netherland(Guilder)	.3918	.3945	2.5520	2.5350
New Zealand (Dollar)	.5300	.5280	1.8868	1.8939
Norway (Krone)	.1403	.1409	7.1300	7.0950
Pakistan (Rupee)	.06309	.06309	15.85	15.85
Peru (Inti)	.07171	.07168	13.945	13.95
Philippines (Peso)	.04535	.04843	22.05	20.65
Portugal (Escudo)	.006723	.006768	148.75	147.75
Saudi Arabia (Riyal)	.2740	.2740	3.6495	3.6495
Singapore (Dollar)	.4616	.4627	2.1665	2.1610
South Africa (Rand)				
Commercial rate	.4865	.4995	2.0555	2.0020
Financial rate	.3375	.3450	2.9629	2.8985
South Korea (Won)	.001131	.001130	884.50	884.70
Spain (Peseta)	.007042	.007065	142.00	141.55
Sweden (Krona)	.1387	.1390	7.2100	7.1925
Switzerland (Franc)	.5280	.5322	1.8940	1.8790
30-Day Forward	.5295	.5340	1.8887	1.8728
90-Day Forward	.5326	.5370	1.8775	1.8623
180-Day Forward	.5374	.5420	1.8607	1.8450
Taiwan (Dollar)	.02563	.02556	39.01	39.10
Thailand (Baht)	.03788	.03789	26.40	26.39
United Arab(Dirham)	.2723	.2723	3.673	3.6720
Uruguay (New Peso)				
Financial	.007526	.007468	132.87	133.90
Venezuela (Bolivar)				
Official rate	.1333	.1333	7.50	7.50
Floating rate	.05450	.05353	18.35	18.68
W. Germany (Mark)	.4419	.4453	2.2630	2.2455
30-Day Forward	.4430	.4465	2.2573	2.2398
90-Day Forward	.4454	.4488	2.2454	2.2283
180-Day Forward	.4485	.4522	2.2298	2.2115
SDR	1.15292	1.15599	0.867361	0.865059
ECU	0.956927	0.960986	....	....

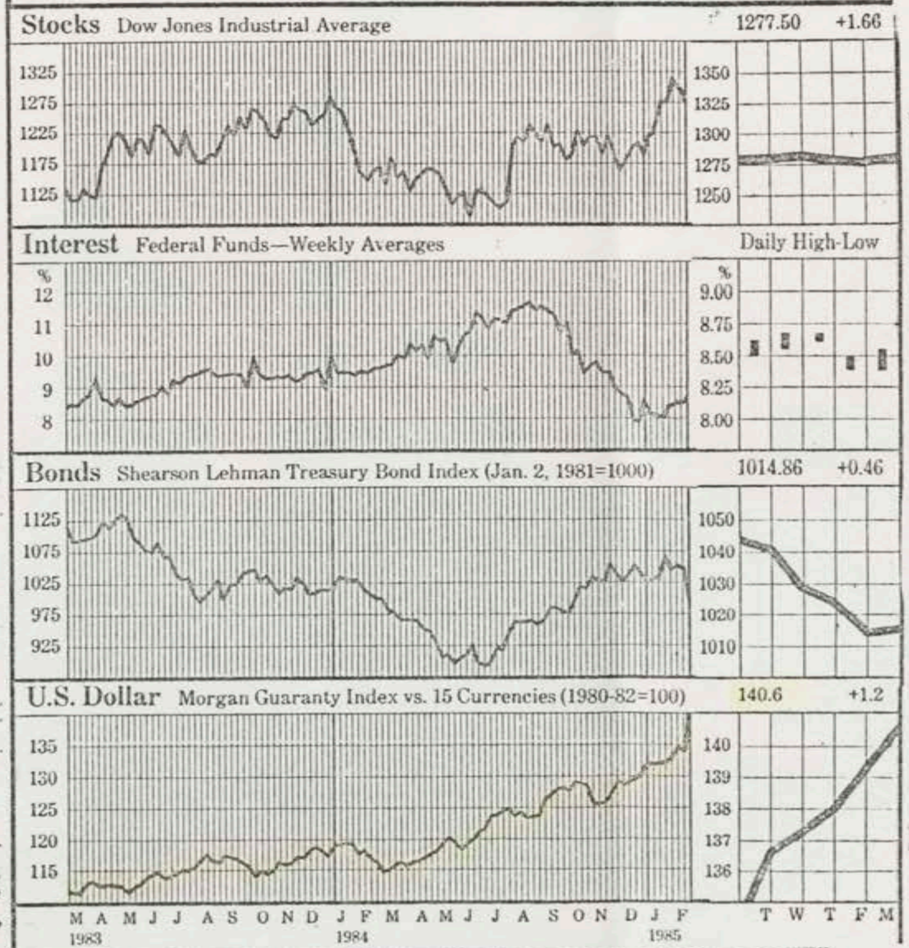
Special Drawing Rights are based on exchange rates for the U.S., West German, British, French and Japanese currencies. Source: International Monetary Fund.

ECU is based on a basket of community currencies. Source: European Community Commission.

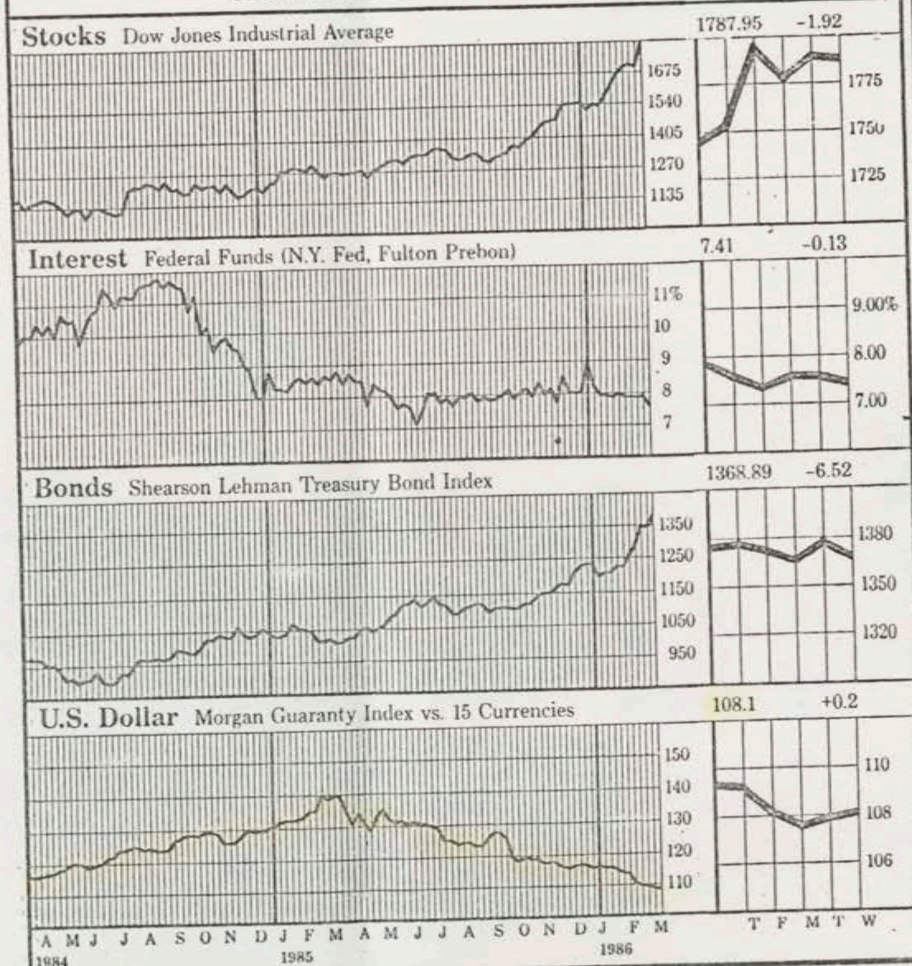
z-Not quoted.

2/26/85

MARKETS AND MONEY



MARKETS AND MONEY



STOCK MARKET DATA BANK March 19, 1986

Major Indexes

A

Selected International Prices

Item	March 18, 1986		Change from a week ago	A year ago
ROTTERDAM PRICES 1/	$ per MT	$ per bu.	$ per MT	$ per MT
Wheat:				
Canadian No. 1 CWRS-13.5%.	N.Q.	--	--	183.00
U.S. No. 2 DNS/NS: 14%....	165.00	4.49	+4.50	165.00
U.S. No. 2 S.R.W. 10/	119.00	3.24	0	164.00
U.S. No. 3 H.A.D..........	164.00	4.46	+5.00	177.00
Canadian No. 1 A: Durum...	N.Q.	--	--	187.00
Feed grains:				
U.S. No. 3 Yellow Corn....	112.00	2.84	+.50	135.00
Soybeans and meal:				
U.S. No. 2 Yellow........	218.70	5.95	+.50	244.00
Brazil 47/48% SoyaPellets	204.00	--	+4.00	155.00
U.S. 44% Soybean Meal....	198.00	--	+4.00	150.00
U.S. FARM PRICES 3/				
Wheat.....................	115.36	3.14	+.73	123.08
Barley....................	--	--	--	78.54
Corn......................	90.16	2.29	+1.57	105.91
Sorghum...................	79.81	3.62 2/	+1.10	94.58
Broilers..................	1121.70	--	+.22	1095.02
EC IMPORT LEVIES				
Wheat 5/..................	157.70	4.29	+.30	43.40
Barley....................	148.95	3.24	+1.90	46.35
Corn......................	142.20	3.61	+.60	41.85
Sorghum...................	145.05	3.68	-4.50	54.55
Broilers 4/ 6/ 8/.........	N.Q.	--	--	--
EC INTERVENTION PRICES 7/ 9/				
Common wheat(feed quality)	192.10	5.23	+1.95	133.00
Bread wheat (min. quality)	204.15	5.55	+2.10	141.35
Barley and all other feed grains.......	192.10	--	+1.95	133.00
Broilers 4/ 6/...........	N.Q.	--	--	--
EC EXPORT RESTITUTIONS (subsidies)				
Wheat	86.80	2.36	--	16.10
Barley....................	109.80	2.39	--	28.25
Broilers 4/ 6/ 8/.........	N.Q.	--	--	--

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Twelve-city average, wholesale weighted average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.00 ECU/100 bag effective 9/14/83 from 22.50 ECU/100 bag set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/ Reflects change in level set by EC. 9/ Changes may be due partly to exchange rate fluctuations and/or ECU payments. 10/ June shipment. N.A.=None authorized. N.Q.=Not quoted. Note: Basis April delivery.

*U.S. GOVERNMENT PRINTING OFFICE: 1986-490-917:20403/FAS

American Committee on East-West Accord

REMARKS

BY

SENATOR ROBERT J. DOLE

at the second session of the

<u>1986 FORUM ON U.S.-SOVIET TRADE RELATIONS</u>

April 24, 1986

The Madison Hotel

Washington, D.C.

The Forum is a year-long series of monthly luncheon meetings on U.S.-Soviet Trade Relations sponsored by the American Committee on East-West Accord. For further information, contact:

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"U.S.-Soviet Trade from the Congressional View"

REMARKS OF SENATOR ROBERT J. DOLE, April 24, 1986, Washington, D.C.
(Introduced by William G. Miller, Chief Executive Officer, ACEWA)

(Acknowledges introduction) Thank you very much, Bill. I appreciate that -- pretty much the way we had gone over it. You got it right. (Laughter)

I'm very glad to be here. I'm not sure what the media is all around here for. I wasn't going to say anything. You must have another program following this one. (Laughter)

The Senate is in session today. That's the bad news. The good news is we're not going to stay in too long and we'll not be in tomorrow but we'll be back on Monday. We're looking at the budget right now. I'm not here to talk about the budget, but quickly just to give you a thumb-nail sketch of where we are -- many of you already know -- and what we're doing, and that wouldn't take long to tell you that (laughter). But there is a lot of precedence for doing nothing, and we wouldn't want to break the mold. So we are struggling with the budget as we do every year. We'll be struggling with it for some time as we do every year. We have tax reform in the Finance Committee. Up until this morning we have been meeting in the sunshine. Starting this morning, with Chairman Packwood, we are now meeting in the back room, in what I guess you would call a closed session to see whether tax reform will be able to fly. So we're looking at those two basic issues which are with us all the time. But I would also indicate to this group that we're looking at another issue, a broader issue, hopefully not a partisan issue, under the general heading of trade--which means many different things to many different people.

To some of us who are running in 1986, as I am, and to others in the Congress, it means how do we protect, or how do we help--I don't mean to use that word "protect," it may have the wrong meaning! (Laughter). How do we assist our constituents who are trying to sell their products overseas, who believe they are competitive and believe they should have access to markets around the world. I would only say this, it is bipartisan. It is not a partisan issue. I hope it does not become a partisan issue. As many of you know, on the House side the Ways and Means are engaged trying to mark up a trade bill. We had an experience yesterday in the Finance Committee whether or not we should enter into negotiations with Canada on a free trade agreement. The question is whether we should disapprove the resolution. The vote was 10 to 10. The President won on a tie vote. It was after a lot of heavy work and lobbying. In the last analysis, Senator Matsanaga decided to vote with the rest of us to give us 10 and the opponents had 10. That's an indication in itself. Not that we have any problems with Canada. Very clearly everybody praised Canada and all the great things in our friendship, our border--we have a few trade problems but not generally with the government. We have good relations. And then proceeded to vote against them. They did it because of their frustration, I assume, with the Administration, as we have been frustrated with other Administrations when it comes to trade.

I guess we have a narrow view. If you come from farm country and you can't sell your commodities overseas. Or if you've lost your job if you're in the textile area or the steel area. There are a lot of reasons that would lead us to believe we ought to do better on the trade side.

We have a rather simple view of trade, many of us. We are not particularly expert, but we are running for election and reelection from time to time--which many of the experts do not do. Ours is simple to the extent that we believe that if we are competitive that we should have access to markets if those same countries where they are competitive have access to our markets. It is hard to explain to people in my state why we don't have access in certain countries to their markets,when they appear to have unlimited access to ours where they are competitive. I must say that it is particularly difficult coming from a farm state where we find ourselves in almost a state of depression in parts of the farm belt because of lack of exports, low prices, the high dollar, whatever. It is changing I think, finally, for the better. But I have observed when I have gone home from time to time and gone to town meetings, not frequently but a few times, I have had a few farmers in the front row and they had caps on and across the front it said "Dump Dole." We immediately put them down as "undecided." (Laughter) But it is an indication of the farmers' frustration. I'm not certain they dislike Bob Dole--maybe they do--but they want somebody's attention.

I will just say in a general way that I assume there will be some trade legislation this year, hopefully with the Administration's support. But with or without the Administration's support I have a feeling that something will pass. Whether or not it will be vetoed or signed I'm not certain.

But let me be a little more specific, because I know where I am and I know you are interested in East-West trade. I know that many here are hoping that there are some opportunities with the Soviet Union in particular. I think that first of all we have to understand that we are not interested in giving the Soviets high technology. There are certain limits that we believe are in our own national interest. We wonder how many more Americans may have lost their lives in Libya had they [the Libyans] had better equipment. So we are a little leery about people trying to tell us not to worry about technology because we believe we can control that. So I must start off with that caveat. I think the Soviets have greatly increased their military capabilities. They would certainly like to have our technology. There may be some of it we can spare. But when it gets into the high tech and some of these areas, then I think we have to draw the line.

I also believe--though I am not the expert, I am on the Finance Committee and I am on the Trade Subcommittee, and have spent some time on the issue--as I look at the

Soviet Union, and again, I hope that someday there may be everlasting friendship, and I am certainly encouraged by the first visit that President Reagan and Secretary Gorbachev had and I hope there is a second visit, whether it comes before or after the election I don't think makes much difference. It appears now that it is more likely to come after the election just looking at the calendar, looking at the President's schedule, and looking at the latest move by the Soviets. But in any event, we believe that dialogue is very important. We believe that even in the farm belt that trade might improve and mutual advantage to both the Soviets and the United States and the American farmer, for example, if we continue to have the dialogue and continue to break down some of the barriers and some of the notions that we have about one another.

But we are hopefully not naive. Not speaking as someone who wants to trade with the Soviets, speaking as someone who wants to improve our relationship, but speaking as a member of the Congress. As far as I can determine there are only two reasons for expanding trade with the Soviet Union. One is economic and one is political. Some have more interest in the economics than the politics. The economic benefits that normally flow from trade apply to trade with the Soviets. But we must keep in mind that declining world energy prices probably limited what the Soviets might have available in any event. Now who knows what the oil prices may finally do, but I would guess that they sharply reduced the hard currency earnings in the Soviet Union and the ability of the Soviets to engage in trade with the West. Maybe it is temporary, maybe it's lasting. I don't know.

The political benefits of trade with the Soviets are probably less clear. I think it is rather clear that the Soviets have a record of subordinating their economic interests to political ends. While we would like to think that trade ties normally bring countries together, and people together, whatever, we are not certain that is the case with the Soviet Union. But there is some evidence that behind all the dogma the Soviets have an interest. And the fact is their desire to trade with the West is not just economic but for political reasons as well. Their interest in participating in GATT as an observer, their interest in MFN treatment is certainly in my view another piece of evidence they want to be accepted as equals in the world of trading nations. I don't think we should ignore these approaches. To me if they are signals they should be pursued. We should determine what the final result might be and what their real purpose might be.

The Soviets, as you know, perennially object to the U.S. denial of MFN under the Jackson-Vanik Amendment. Since the Jackson-Vanik Amendment was passed in 1974, I think it is fair to say it has met with mixed results. The Soviets are offended by the fact that we try to impose restrictions and try to say "unless you do this, we are not going to trade with you." That is resented by the Soviet Union. On the other hand, we are concerned about human rights. And the very basic human right is the right to emigrate, even if it happens in the Soviet Union. We have a right to respond in some way, and this is the way chosen-- an amendment by the late Senator Jackson and now-retired Congressman Charlie Vanik.

I wanted to explore Jackson-Vanik, I think it was about three years ago, and had a brief hearing in the Senate Finance Committee. I remember Senator Jackson appearing at that hearing and indicating that we shouldn't change anything. Whether it was working as well as we had hoped, he still felt it was a statement that needed to be made year after year after year by the Congress on the subject of human rights, even if those people happened to reside in the Soviet Union. Many of us believe, and again it is not a partisan issue--I don't think it is an issue in this audience, as I said the right to emigrate is a fundamental right-- and I think the Congress is unlikely to turn a deaf ear to the Soviet abuse of this right. So what do we do about it.

There are a number of options, and I am sure there are a number of suggestions in this audience. One approach would be to suspend the Jackson-Vanik as applied to the Soviets for one year. See what happens. If the Soviets loosen up on emigration, extend the suspension for another year, and so forth. This might get us out of the circular deadlock we are now in --where they won't loosen up on emigration under the threat of Jackson-Vanik, and we will not repeal Jackson-Vanik because they won't loosen up on emigration. We need to look for some way to fashion some new approach to what I consider a very serious problem. Maybe it will be resolved at the highest levels, maybe between the President of the United States and Mr. Gorbachev at their next meeting or the next one. You know they have a lot of other areas to discuss, but certainly in addition to arms control this is of great interest to many, many people, many business men and women, many corporations, many who are trying to improve our relationship with the Soviet Union--not just for their economic gain but what they consider to be a necessity and a hope that we can live with each other in peace for the next fifty or one hundred years.

So I would just suggest that we are aware of the problem. We are aware of how much U.S. trade we have with the centrally planned economies. We have a little surplus with the USSR, about 2.7 billion dollars in '84, so we have a little the better of it. But I would just suggest in the overall trade debate to take place this year, there may be room for some discussion or recognition of a fact to at least go back and take another look at Jackson-Vanik. There is no question in my mind that in order to make any change there is going to have to be a change in attitude of many groups in this country. Some believe very firmly that we shouldn't change it one bit--that there shouldn't be a suspension, there should not be anything that deviates from the Jackson-Vanik Amendment. But I do see some signs of a change in attitude among some of the Jewish leaders in America who now believe that perhaps there might be some other approach. So I would guess that whether or not anything is done would depend on the attitude of many leaders in that area, and also the Administration. We don't know what the Administration, what the President's policy might be in this area. I don't know of anybody in the Senate, the Senate Finance Committee, who is seeking to walk out there alone without some evidence that there is going to be some broadbased support--bipartisan support, support of the Administration, support of the groups directly involved, support of the business groups, and support of many conservative groups that have a little different view on particularly the high tech area that I stated.

I think it was President Eisenhower who said that he would be willing to sell the Russians anything they couldn't shoot back at us. That is how some of us from the farm states justify grain sales and other things of that kind. It was repeated by Hubert Humphrey; in fact I think he inserted that everytime he talked about exports. The other theory was that if they are going to spend their hard currency, why not spend it on food. I know that some in this audience have other ideas on how they could spend it, not just on food.

So I would guess that we haven't made any great changes. We like to believe that we are a good supplier. We have some products the Soviets might want if they have the money to pay for it. So I am just suggesting as one member of the Senate Finance Committee and the Trade Subcommittee that we are certainly aware of some of the desires of this group and certainly ~~willing~~ to be responsive, keeping in mind, I think, what I stated at the outset. I don't believe that there is anywhere near a majority in the Congress who are yet willing to embrace some of the ideas being proposed by the Soviet leaders. We have yet to see any real demonstration of their concern--at least as we see it, they may have just the opposite view--whether it is arms control or cooperation against international terrorism, or whatever it may be. I would guess that until the President and ~~Mr. Gorbache~~v continue their dialogue and actually have some concrete results that attitude is not going to change.

Mr. Gorbachev continue their dialogue and actually have some concrete results, that attitude is not going to change. There are many in the Senate, not all Republicans but Republicans and Democrats, who pretty much share this view. We want to make progress, but our definition of progress might be a bit different from yours. Sometimes progress is not changing. To others progress is changing, moving in one direction or the other. I just hope that we can work together with this Committee and others.

I might have a little time for some questions. I might not have the answer, but I could mail it to you.

Q: Would you be a little more specific on the trade bill you mentioned..how that is being played out...how hard a fight you think it's going to be?

A: Well I was in a meeting yesterday at 1:45 at the White House when the President met with about eight Senators, trying to convince them to help him out on the Canadian proposal. Out of the eight, one finally did--Senator Matsanaga. Again, the President indicated to Senator Matsanaga quite clearly that he had gotten the message. The message was that many of us in the Senate don't feel we have been properly consulted by the Administration. We don't always mean the President, because he can't consult on everything. We have the highest regard for Secretary Baldrige and Ambassador Yeutter, the USTR, and all that. A couple of things we're looking at...we're looking at a whole host of things, including mandating that the President take certain actions if we find that certain unfair trade practices have taken place. In effect, revising section 201 and 301. I don't think any Administration could support that. But these are the kinds of things we have in mind. I would hope that the trade debate does not become politicized and not become a partisan issue before the '86 election. We don't believe it will on the Senate side. We have the outstanding leadership of Senators Danforth and Bentsen, the Chairman and ranking member on the trade subcommittee. We may let some of our parochial views show from time to time, but I think generally we have an objective view of what should be done.

Q: Do you think the Soviet Union should pay for what it imports from us in hard currency, or what would be your position on selling on credit to the Soviets. And secondly, what do you feel about the fact that the trade balance with Romania and some other countries for a few years has been negative. Just from a financial and trade balance point of view?

A: I think that we have found in the past...I don't have the figures here... that the Soviets have been pretty good in repayment. There haven't been any problems, whether it's cash up front or solid credit terms. We haven't had any problems with that. I think I would leave that up to the Administration that might be undertaking that proposal. We are concerned about our trade deficits. I don't have the figures on Romania. (Turns to Dr. Susanne Lotarski, Department of Commerce) Have we had a trade deficit with Romania?

Lotarski: The last couple of years it has been a deficit.

A: It is not large compared to what we are facing in other countries. We can't always expect X for X. There are always going to be trade imbalances in some countries. I would like to think that overall there is some sort of balance. We haven't had that balance primarily because of our big deficit with Canada and the bigger deficit with Japan. I am not certain that is a big factor.

Q: I wonder if you would comment on the status of U.S. agriculture. Certainly through the years U.S. agriculture has been losing its market share overseas. China is selling soybeans to Japan now, and there is a glut in the market. Do you feel that U.S. agriculture is still competitive and can improve its posture in coming years?

A: I picked up last Sunday's paper, I think it was, saying that farm exports had dropped another 20 percent. You bring that back to the farmer, who is already in a depressed situation. It's pretty tough. They tell the story in Iowa -- I was out there recently checking on Bush and Kemp..(laughter) I was visiting with this farmer who said "I've got to tell you about my neighbor. He was arrested for child abuse." I said "what happened?" He said "well, he gave his farm to his son." (laughter) That's how tough it is out there in parts of the country. All we need to further depress the market price which is already depressed, is not to be able to export. Now we have this new farm bill. $53 billion signed by the President on December 23, and the cost has been reestimated at $60 billion over three years. In that particular bill there are literally billions of dollars for export programs. We have the so-called "bicep" program. The export enhancement program. Again we have a problem there with the Soviet Union, who says "we're not going to buy it from you because we don't get the bonuses." We have a philosophical/ideological difference. We shouldn't subsidize the Soviets at all. Of course, that sort of pits the farmers against other conservatives. Farmers consider themselves to be conservatives. So I am not certain how it's going to work. We have lost a lot of our market shares. Going ~~back~~ to the soybean decision that President Nixon made with Brazil, we lost a lot of our markets. So we haven't had much luck with our on again/off again embargoes. Very frankly, our price support structure in effect did ourselves in. We have changed in our new farm bill the direction of price supports. Now they are going to be flexible. Now they are going to be low. Hopefully they are going to be competitive with other countries. And hopefully we can export some of the $8 billion of surplus grain we have by using an export program which would in effect tell a country "if you've been a purchaser, and you buy from us, we'll give you a bonus -- unless you are the Soviet Union." You know that presents a real problem. Maybe the President and Mr. Gorbachev can...well, that's a small detail, but it's rather important.

Well, we have a meeting at the White House at 1:45, to thank the ten of us who helped the President on the Canadian vote yesterday. The President leaves tomorrow for Tokyo. It takes him a while to get there. He will stop in L.A. for one night, in Hawaii for two nights, Bali a couple of nights. (laughter) We told the President to leave his number in case we needed him. We are on the budget, and taxes, and all of these things are coming in focus all at once. I told the President this morning that if I really got into deep trouble I'd check with the Secretary of Transportation. (Laughter & Applause)

* * *