

CONGRESSMAN LES AuCOIN
OPENING REMARKS
Hearings on H.R. 1908
Subcommittee on International Trade, Investment
and Monetary Policy
July 23, 1979

Today the committee meets to begin two days of hearings on H.R. 1908, a bill to amend the Eximbank Act of 1945 and the Trade Act of 1974.

The bill is similar to legislation introduced in the Senate by Senator Stevenson of Illinois, who is also holding hearings now on this issue.

If there is a single driving principle in this bill it is this: That the United States has been taking for granted its status as a leading trading nation, and for that, it is paying a dear price.

The price is the loss of world markets and jobs to strong foreign competitors, endless balance of payments of deficits, a weakening dollar and inflation and recession at home.

The U.S. trade deficit is in its thirty-eighth consecutive month. Last year it hit the staggering level of \$34 billion, an all-time record. A new round of world oil price increases is bound to make the problem as great -- or greater -- this year.

As my colleague, Senator Stevenson, said in hearings last week, the United States restricts trade in the name of foreign policy and human rights and promotes neither.

This is the fundamental incoherence of U.S. trade policy. It assumes that American goods, American products, and American technology is so overwhelmingly superior, the other nations of the world have no place else to shop. Some would use this mythical leverage to bring the policies of Eastern bloc nations more into line with our own.

Perhaps there was a day when this was true. Perhaps there was a time when the U.S. held such a commanding position in world trade.

If it were ever true, it is manifestly not true today.

Consequently, the U.S. has closed off the ready markets that are possible in vigorous East-West trade -- forfeiting business, and foreign exchange, and jobs, to others.

At the same time, because there is no actual "leverage," our human rights objectives such as liberal East bloc emigration policies also have not been met.

In fact, from a human rights standpoint, our policy has had a reverse effect. Emigration from the Soviet Union dropped from the rate of 40,000 per year to 13,300 in 1975 after the current U.S. trade law went into effect.

In Senate hearings last week, Senator Stevenson described it well when he said: "...This policy punished the innocent seeking to emigrate from the Soviet Union. At best, it does nothing to advance other U.S. political interests, and it gives our competitors an opportunity to trade at our expense."

It is also significant that the House International Relations Committee, in a report in 1975, stated: "It would appear that the Jackson-Vanik amendment since its passage, has not really furthered the interests of (those) trying to leave the Soviet Union..."

The Jackson-Vanik provisions of the 1974 Trade Act marked the first time that emigration was tied to trade policy.

This legislation is not an effort to repeal those provisions. Their goal is beyond the challenge. Rather, the bill attempts to work within the existing framework of Jackson-Vanik to make it a more positive and hence more effective instrument.

H.R. 1908 would amend section 402 of the Trade Act of 1974 by eliminating the need for a non-market country to submit "physical assurances" to the United States that it adheres to a liberal emigration policy as a prerequisite for qualifying for most favored nation status -- a large order to ask of another sovereign country. The legislation would empower the President to grant a waiver entitling a country to MFN status if he believed such action would promote liberalized emigration.

Additionally, H.R. 1908 would restrict a country receiving a waiver for the first time, such as China, to 12 months, allowing for Congressional review at the end of that time. Subsequent waivers could be for as long as 60 months at the President's discretion and consultation with the Congress. This provision contrasts with S. 339 which sets a flat 5 year limit on the duration of a waiver.

Finally, this bill would remove certain restrictions on the use of Eximbank credits for sales to non-market countries. It would raise the amount from \$50 million to \$100 million of a transaction involving a non-market country requiring a separate Presidential determination on national security. And it would remove discriminatory single-country credit limits and impose instead an overall \$2 billion credit limit for all non-market countries.

Earlier this month we concluded a trade agreement with the People's Republic of China which calls for the granting of most favored nation status. Congress may soon have an opportunity to review this agreement according to existing law. This is a moment I have long awaited.

Because of this event, a review of Section 402 and other provisions relating to trade credits for non-market countries is even more timely -- especially if current U.S. laws would prevent the treaty from being approved. I believe this is possible because in the case of China, the assurances we receive might not meet the literal test of Jackson-Vanik -- or assurances might not even be made. It's a large order to demand that another sovereign country formally document that its internal policies square with ours -- even if its policy is basically meeting our wishes.

If pressed, this issue could disrupt our budding trade relations with China just at a time when it appears we are getting our foot in the door for what will someday be an important export market in the Pacific Rim.

It is my hope that the hearings today and tomorrow will allow for a thorough discussion of the issues surrounding H.R. 1908. With this in mind, we have organized the hearings to address the major issue areas raised by the legislation.

This morning, we will hear from the Administration to determine its position on the issues before us. This afternoon a panel of four witnesses representing various segments of the business community will speak to the provisions of the bill relating to Eximbank financing and the viability of markets in Eastern bloc nations.

Tomorrow morning we will have two panels. The first will address the broad questions of trade as it relates to our foreign policy; and the second will speak specifically to concerns about the Soviet Union's emigration policy.

I believe this plan will allow the Committee to proceed in an orderly way and still permit adequate time for Members to raise questions of the witnesses who have been invited to testify.

I want to acknowledge the help of the Subcommittee staff in making the arrangements for these hearings and thank Chairman Neal for scheduling them to be so timely.