

TRADE SPEECH

note connections.

AS WE BEGIN THE 80'S, AMERICAN INTERNATIONAL TRADE IS IN A MORE PRECARIOUS POSITION THAN AT ANY TIME IN RECENT MEMORY. THERE'S BOTH GREAT PROMISE AND GREAT PERIL FOR AMERICAN EXPORTERS, THE ECONOMY, AND AMERICA'S ECONOMIC STRENGTH IN THE WORLD AS A RESULT OF CURRENT INTERNATIONAL CRISES AND INCOHERENT U.S. TRADE POLICIES.

THE PERIL IS ALL TOO CLEAR. THE INVASION OF AFGHANISTAN BY THE SOVIET UNION HAS SEVERELY CHILLED U.S.-SOVIET RELATIONS; CONTACTS CAREFULLY NURTURED SINCE THE THAW IN OUR RELATIONS IN THE EARLY '70'S ARE RAPIDLY DETERIORATING.

SALT IS DEAD, AT LEAST FOR A LONG WHILE. THERE'S THE POSSIBILITY OF A NEW COLD WAR -- OR WORSE. TO REVIEW THE BIDDING IN THE WAKE OF THE SOVIET PROVOCATIONS, WE HAVE:

CURTAILED SOVIET FISHING PRIVILEGES;

POSTPONED A DECISION ON SALT;

INDEFINITELY DELAYED OPENING NEW CONSULAR FACILITIES;

DETERRED NEW CULTURAL EXCHANGES;

AND, OF PARTICULAR INTEREST TO US TODAY, WE HAVE EMBARGOED HIGH TECHNOLOGY TRADE, AS WELL AS GRAIN SALES.

ALSO RUMORED ARE WITHDRAWAL FROM THE UPCOMING OLYMPIC GAMES, OR MOVING OF THE SITE OF THOSE GAMES -- AS WELL AS A POSSIBLE ALLIANCE WITH THE PEOPLE'S REPUBLIC OF CHINA.

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EVEN AS A STRONG ADVOCATE OF TRADE WITH THE EASTERN BLOC AND A SUPPORTER OF SALT, I WANT TO SAY THAT I SUPPORT THE PRESIDENT IN HIS SENSE OF NECESSITY TO RESPOND QUICKLY AND DECISIVELY TO BLATANT SOVIET AGGRESSION.

BUT, I THINK IT'S IMPORTANT NOT TO KID OURSELVES ABOUT ANY OF THESE THINGS, ESPECIALLY TRADE. AND, I WOULD SAY THAT BEFORE WE RUSH INTO POLTICIZING OUR TRADE POLICY WE SHOULD HAVE AN UNDERSTANDING OF THE COSTS OF OUR ACTIONS. TRADE SANCTIONS DO INVOLVE A PRICE. AND WE NEED TO MAKE SURE, AT THE VERY LEAST, THAT THE PRICE WE PAY IS NEVER GREATER THAN THE VALUE OF WHAT IT BUYS.

AND SO THE QUESTION IS, DO THE NEW TRADE SANCTIONS AGAINST THE SOVIETS JUSTIFY THE RESULTS? THE ANSWER, FROM WHERE I STAND, IS NO.

LET'S LOOK FIRST AT THE COST OF THE ACTION. FOR OREGON, THE EMBARGO ON GRAIN SALES MEANS A POTENTIAL LOSS OF BETWEEN \$75 AND \$130 MILLION. NOT JUST TO OREGON WHEAT FARMERS, BUT ALSO TO THE PORT OF PORTLAND, AND THE STATE'S ECONOMY.

THIS MAY BE A SMALL PRICE -- IF INDEED THE EMBARGO WOULD DEAL A PUNISHING BLOW TO THE SOVIET ECONOMY AND EFFECTIVELY DRIVE HOME OUR CONDEMNATION OF SOVIET ACTIONS, AND HAVE SOME CHANCE OF ALTERING SOVIET BEHAVIOR. BUT I'M HERE TO BET THAT IT WON'T.

I KNOW OF NO TRADE EMBARGO IMPOSED UNILATERALLY, THAT WAS EFFECTIVE. TO WORK, AN EMBARGO CANNOT BE UNDERCUT BY OTHER NATIONS WHICH HAVE THE SAME TRADING CAPACITY AND CHOOSE TO DO BUSINESS AS USUAL. ALREADY WE HEAR THAT FRANCE BELIEVES IT SHOULD REFRAIN FROM REDUCING ITS EXPORTS TO THE SOVIET UNION AND IS PREPARED TO DO BUSINESS AS USUAL. ARGENTINA, ANOTHER GRAIN PRODUCING NATION, HAS SAID IT WILL NOT JOIN IN THE EMBARGO.

THE CASE OF ARGENTINA SPEAKS FOR ITSELF. THAT COUNTRY ALONE IS ESTIMATED TO HAVE 12 MILLION TONS OF CORN, SOYBEANS AND SORGHUM. COMPARE THAT 12 MILLION TON FIGURE WITH THIS FACT -- MOST OF THE EMBARGOED 17 MILLION TONS OF CEREALS FOR THE SOVIET UNION ALSO CONSISTED OF CORN, SOYBEANS AND SORGHUM.

THUS, IT'S POSSIBLE THAT ARGENTINA ALONE WOULD FILL ALL BUT 5 MILLION TONS OF RUSSIA'S NEED

ADD TO THAT, THESE FACTS:

OUR COMMON MARKET ALLIES HAVE REFUSED TO EMBARGO THEIR OWN SHIPMENTS -- AND HAVE GIVEN NO INDICATION THAT THIS POSITION IS PERMANENT.

THE UNITED STATES CAN -- AND MIGHT -- SELL SOME OF

ITS GRAIN RESERVES ON THE WORLD MARKET AND POSSIBLY PICK UP NEW CUSTOMERS THAT ARGENTINA AND OTHER EXPORTERS MAY DROP FOR THE SOVIETS.

THE AGRICULTURE DEPARTMENT CONCEDES THAT 3 MILLION TONS OF U.S. GRAIN WILL "LEAK" THROUGH TO THE SOVIET UNION THROUGH THIRD PARTIES.

FINALLY, THE SOVIETS CAN MAKE UP SOME OF THE DEFICIT BY BUYING MEAT FROM WORLD EXPORTERS. YOU'LL REMEMBER THAT THE EMBARGO WAS DESIGNED TO CHOK OFF RUSSIAN LIVESTOCK FEED. ARGENTINA AND FRANCE HAVE NOT PUBLICLY RULED OUT MEAT SALES -- AND BOTH HAVE SUPPLIES FOR EXPORT.

BUT MY QUARREL WITH THESE SANCTIONS GOES TO A MORE FUNDAMENTAL PROBLEM. IT REINFORCES THE DANGEROUS MYTH THAT TRADE IS A "GIFT." THAT WE CAN REWARD NATIONS BY SELLING PRODUCTS TO THEM AND THAT WE CAN "PUNISH" NATIONS BY REFUSING TO SELL TO THEM.

WELL, TRADE ISN'T A GIFT. MAYBE IN SIMPLIER DAYS -- WHEN SOME NATIONS ENJOYED AN OVERWHELMING COMPETITIVE ADVANTAGE -- TRADE CURTAILMENTS MIGHT HAVE BEEN USED TO PUNISH ADVERSARIES.

BUT IN TODAY'S WORLD, NO NATION HAS SUCH A MONOPOLY. AND SO, A COUNTRY THAT DENIES TRADE TO SOME COUNTRY IS APT TO BE LEFT WITH LITTLE REWARD OTHER THAN THE AFTER GLOW OF IT'S RIGHTOUS INDIGNATION -- AND THE KNOWLEDGE THAT IT MADE A SALE BY ONE OF IT'S COMPETITORS THAT MUCH EASIER.

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THE COSTS OF USING TRADE AS A WORLD POLITICAL WEAPON GO TO THE HEART OF OUR TRADE AILMENTS. AND WHAT ARE THOSE AILMENTS?

AMERICAN EXPORTS -- AND OUR TRADE BALANCE -- HAVE BEEN IN POOR HEALTH FOR YEARS WITH ONLY MARGINAL SIGNS OF IMPROVEMENT. LAST YEAR'S TRADE DEFICIT WAS AROUND \$24 BILLION -- ONLY A SMALL IMPROVEMENT OVER THE PREVIOUS RECORD HIGH FOR 1978 WHICH EXCEEDED \$30 BILLION. THE U.S. SHARE OF THE WORLD MARKET HAS DECLINED FROM AROUND 22 PER CENT IN 1970 TO 12 PER CENT LAST YEAR.

THERE ARE SEVERAL REASONS FOR OUR PRESENT TRADE CONDITION. AMONG THEM ARE THESE:

THE LACK OF AN AGGRESSIVE, CONSISTENT EXPORT POLICY;

DECLINING PRODUCTIVITY IN AMERICAN BUSINESS AND INDUSTRY;

INABILITY TO MEET COMPETITIVE FINANCING IN FOREIGN TRANSACTIONS;

AND OUR INABILITY TO EFFECTIVELY PROMOTE TRADE WITH EASTERN BLOC NATIONS.

WE ARE MAKING PROGRESS IN RESOVLING THESE PROBLEMS. TWO POSITIVE STEPS WERE THE APPROVAL OF THE MULTILATERAL TRADE AGREEMENTS AND REORGANIZATION OF THE FEDERAL GOVERNMENT'S TRADE FUNCTIONS. BUT MORE MEEDS TO BE DONE, ESPECIALLY IN OPENING UP THE

MARKETS OF THE EASTERN BLOCK. EAST-WEST TRADE OFFERS NEW, UNTAPPED MARKETS FOR AMERICAN EXPORTERS IF ONLY THE CURRENT LAWS CAN BE MODIFIED TO FACILITATE IT. IT IS ESTIMATED FOR EXAMPLE, THAT SOCIALIST COUNTRIES IN 1978 ACCOUNTED FOR 50 PER CENT OF ALL MACHINE TOOLS CONSUMED OUTSIDE THAT UNITED STATES. YET AMERICAN MACHINE TOOL MAKERS SUPPLIED ONLY 1 PERCENT OF THIS MARKET. THE SOVIET UNION ITSELF PURCHASED BETWEEN \$10 AND \$12 BILLION IN MANUFACTURED GOODS FROM THE MAJOR WESTERN DEVELOPED COUNTRIES. OF THIS, THE U.S. SHARE WAS ONLY 6 PERCENT. SOME PROJECTIONS HAVE PLACED SOVIET ACQUISITIONS FROM THE WEST AS HIGH AS \$70 BILLION BY 1984.

THESE ARE MARKETS OF DEVELOPED NATIONS THAT ARE WILLING BUYERS IF ONLY WE WERE A WILLING SELLER. RATHER THAN TALKING TRADE EMBARGO, WE SHOULD BE TALKING TRADE EXPANSION -- SEEKING WAYS TO TAP THE MARKETS OF THE EASTERN BLOCK AND RESTRUCTURING OUR TRADING RELATIONS WITH SOVIET CLIENT STATES.

ONE WAY TO RESTRUCTURE EAST-WEST TRADE RELATIONS TO TAKE ADVANTAGE OF THIS OPPORTUNITY IS THROUGH THE LEGISLATION WHICH SENATOR STEVENSON AND I INTRODUCED IN THIS CONGRESS.

STEVENSON-AUCOIN WOULD MODIFY THE PRESENT TRADE LAWS WHICH REQUIRE ASSURANCES AS TO A NONMARKET COUNTRY'S EMIGRATION POLICIES. THESE ASSURANCES ARE UNREALISTIC AND NOT BECOMING OF TRADING PARTNERS. BY SUBSTITUTING A PRESIDENTIAL DETERMINATION FOR THE ASSURANCES, THE BILL WILL FACILITATE A NORMAL TRADE AND ALLOW US TO REGISTER

OUR CONCERN ABOUT EMIGRATION PRACTICES ONCE THAT ECONOMIC RELATIONSHIP HAS BEEN ESTABLISHED. I HAVE NO ILLUSIONS, HOWEVER, ABOUT EARLY PASSAGE OF THIS LEGISLATION EVEN THOUGH THE NEED ~~HAVE~~^S NEVER BEEN GREATER. THE EVENTS IN AFGHANISTAN HAVE MADE IT POLITICALLY IMPOSSIBLE TO PASS THE BILL AT THIS TIME.

IN A BROADER SENSE, I'M CONCERNED ABOUT THE EMBARGO BECAUSE IT COULD POSSIBLY LEAD TO AN EMOTIONAL ESCALATION OF SANCTIONS -- EVEN TACIT ONES -- AGAINST OTHER COMMUNIST COUNTRIES ON THE PREMISE THAT THEY OPERATE IN A MONOLITHIC BLOC. BUT THEY DON'T.

RUMANIA, FOR EXAMPLE, RECOGNIZES ISRAEL, WHICH THE SOVIET UNION DOES NOT. YUGOSLAVIA IS WELL KNOWN FOR ITS INDEPENDENT LINE AND HAS CONDEMNED THE SOVIET INVASION OF AFGHANISTAN. IT IS ALSO THE MOST CAPITALISTIC OF ALL NONMARKET COUNTRIES AND HAS AN AGGRESSIVE JOINT-VENTURE POLICY TOWARD THE WEST. THE ITALIAN COMMUNIST PARTY HAS ALSO CONDEMNED THE SOVIET ACTION. AND VIETNAM HAS BEEN SENDING SIGNALS THAT IT WOULD WELCOME AN ALTERNATIVE TO MOSCOW IN THE INTERNATIONAL ARENA.

LADIES AND GENTLEMEN, I'M NOT SUGGESTING THAT AGGRESSION IN AFGHANISTAN, OR HUNGARY OR CZECHOSLOVAKIA OR ANYWHERE SHOULD GO UNANSWERED. THE FACT IS THEY SHOULD BE ANSWERED DECISIVELY AND FORCEFULLY. BUT WE CAN DO SO WITHOUT DESTROYING OUR OWN ECONOMIC OPPORTUNITIES AND CUTTING OFF OUR NOSE TO SPITE OUR FACE. INTERNATIONAL SANCTIONS, INCREASED STRATEGIC COOPERATION WITH THE PEOPLE'S REPUBLIC

OF CHINA, AND POSSIBLY SUPPORT OF ANTI-SOVIET FORCES IN AFGHANISTAN ARE VIABLE -- AND MOST IMPORTANT, EFFECTIVE -- OPTIONS.

I AM NOT SUGGESTING THAT TRADE IS NOT A WEAPON. IT IS. BUT THERE IS SUBSTANTIAL DISAGREEMENT OVER WHAT KIND OF WEAPON IT IS, AND HOW TO USE IT.

I BELIEVE THAT THE UNITED STATES SHOULD USE TRADE AS A WEAPON -- NOT AS A DEFENSIVE WEAPON, BUT AS AN "OFFENSIVE" ONE.

A MINUTE AGO, I SAID THAT HIS DECADE HOLDS GREAT PROMISE FOR AMERICAN EXPORTERS. IMPROVED EAST-WEST TRADE IS PART OF THAT PROMISE IF WE HAVE THE FORESIGHT TO SEIZE THE OPPORTUNITY AND MOVE BOLDLY AND DELIBERATELY TO PURSUE NORMAL TRADING RELATIONS WITH THE EASTERN BLOC.

A FAIR EXAMINATION OF HISTORY REVEALS THAT THE SOURCE OF OUR WORLD LEADERSHIP COMES NOT JUST FROM OUR MILITARY MIGHT, BUT FROM OUR ECONOMIC SUCCESS. PEOPLE AROUND THE WORLD DON'T EMIGRATE TO THE UNITED STATES TO COWER BEHIND MISSILES. THEY COME HERE LOOKING FOR ECONOMIC OPPORTUNITY.

THE UNITED STATES, AS A SECOND OR THIRD GENERATION INDUSTRIAL NATION, IS SEARCHING FOR NEW STIMULATION, NEW CHALLENGES. THE MOST LIKELY AREA FOR EXPANSION IS THROUGH WORLD TRADE, AND IN PARTICULAR, TRADE WITH THE EASTERN BLOC.

THEREFORE, I WOULD URGE THAT WE PROCEED CAREFULLY WITH OUR
RESPONSE TO THE SOVIET UNION AND KEEP A CLEAR VIEW OF OUR
ACTIONS AND THEIR CONSEQUENCES. THIS IS A TIME WHEN WE
CAN ILL-AFFORD TO STUMBLE.