

EMIGRATION AMENDMENT TO THE TRADE REFORM ACT OF 1974

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-THIRD CONGRESS
SECOND SESSION

DECEMBER 8, 1974

Printed for the use of the Committee on Finance



U.S. GOVERNMENT PRINTING OFFICE

42-002 O

WASHINGTON : 1974

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C., 20402 - Price \$1.85

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EMIGRATION AMENDMENT TO THE TRADE REFORM ACT OF 1974

TUESDAY, DECEMBER 3, 1974

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10:30 a.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long, chairman, presiding.

Present: Senators Long, Hartke, Ribicoff, Bryd Jr., of Virginia, Nelson, Mondale, Gravel, Bentsen, Bennett, Curtis, Hansen, Dole, Packwood, and Roth Jr.

The CHAIRMAN. This hearing will come to order.

Mr. Secretary, we are pleased to have you here today and I am sure that you are prepared to discuss title IV of the bill and the administration's position with regard to the Jackson-Ribicoff-Javits amendment 2000.

[The amendment referred to, title IV of the bill, H.R. 10710, as reported, and an excerpt from the Senate report concerning title IV follows. Hearing commences on p. 51.]

Calendar No. 1231

93^D CONGRESS
2^D SESSION**H. R. 10710**

IN THE SENATE OF THE UNITED STATES

DECEMBER 2, 1974

Ordered to lie on the table and to be printed

AMENDMENTS

Intended to be proposed by Mr. JACKSON (for himself, Mr. RIBICOFF, and Mr. JAVITS) to H.R. 10710, an Act to promote the development of an open, nondiscriminatory, and fair world economic system, to stimulate the economic growth of the United States, and for other purposes, viz:

1 On page 247, line 15, strike out "(c)" and insert
2 "(e)", and after line 14, insert the following:

3 "(c) (1) During the 18-month period beginning on
4 the date of the enactment of this Act, the President is au-
5 thorized to waive by Executive order the application of sub-
6 section (a) and (b) with respect to any country, if he re-
7 ports to the Congress that—

8 "(A) he has determined that such waiver will
9 substantially promote the objectives of this section; and

Amdt. No. 2000

1 “(B) he has received assurances that the emigration
2 practices of that country will henceforth lead substan-
3 tially to the achievement of the objectives of this section.

4 “(2) During any period subsequent to the 18-month
5 period referred to in paragraph (1), the President is au-
6 thorized to waive by Executive order the application of sub-
7 sections (a) and (b) with respect to any country, if the
8 waiver authority granted by this subsection continues to
9 apply to such country pursuant to subsection (d), and if he
10 reports to the Congress that—

11 “(A) he has determined that such waiver will
12 substantially promote the objectives of this section; and

13 “(B) he has received assurances that the emigra-
14 tion practices of that country will henceforth lead sub-
15 stantially to the achievement of the objectives of this
16 section.

17 “(3) A waiver with respect to any country shall termi-
18 nate on the day after the waiver authority granted by this
19 subsection ceases to be effective with respect to such country
20 pursuant to subsection (d). The President may, at any time,
21 terminate by Executive order any waiver granted under
22 this subsection.

23 “(d) (1) If the President determines that the extension
24 of the waiver authority granted by subsection (c) (1) will
25 substantially promote the objectives of this section, he may

1 recommend to the Congress that such authority be extended
2 for a period of 12 months. Any such recommendation shall—

3 “(A) be made not later than 30 days before the
4 expiration of such authority;

5 “(B) be made in a document transmitted to the
6 House of Representatives and the Senate setting forth
7 his reasons for recommending the extension of such
8 authority; and

9 “(C) include, for each country with respect to
10 which a waiver granted under subsection (c) (1) is in
11 effect, a determination that continuation of the waiver
12 applicable to that country will substantially promote
13 the objectives of this section, and a statement setting
14 forth his reasons for such determination.

15 “(2) If the President recommends under paragraph (1)
16 the extension of the waiver authority granted by subsection
17 (c) (1), such authority shall continue in effect with respect
18 to any country for a period of 12 months following the end
19 of the 18-month period referred to in subsection (c) (1), if,
20 before the end of such 18-month period, the House of Rep-
21 resentatives and the Senate adopt, by an affirmative vote of
22 a majority of the Members present and voting in each House
23 and under the procedures set forth in section 153, a con-
24 current resolution approving the extension of such author-
25 ity, and such resolution does not name such country as being

1 excluded from such authority. Such authority shall cease to
2 be effective with respect to any country named in such con-
3 current resolution on the date of the adoption of such con-
4 current resolution. If before the end of such 18-month period,
5 a concurrent resolution approving the extension of such au-
6 thority is not adopted by the House and the Senate, but
7 both the House and Senate vote on the question of final
8 passage of such a concurrent resolution and—

9 “(A) both the House and the Senate fail to pass
10 such a concurrent resolution, the authority granted by
11 subsection (c) (1) shall cease to be effective with re-
12 spect to all countries at the end of such 18-month period;

13 “(B) both the House and the Senate pass such a
14 concurrent resolution which names such country as being
15 excluded from such authority, such authority shall cease
16 to be effective with respect to such country at the end
17 of such 18-month period; or

18 “(C) one House fails to pass such a concurrent res-
19 olution and the other House passes such a concurrent
20 resolution which names such country as being excluded
21 from such authority, such authority shall cease to be
22 effective with respect to such country at the end of such
23 18-month period.

24 “(3) If the President recommends under paragraph
25 (1) the extension of the waiver authority granted by sub-

1 section (c) (1), and at the end of the 18-month period
2 referred to in subsection (c) (1) the House of Representa-
3 tives and the Senate have not adopted a concurrent reso-
4 lution approving the extension of such authority and sub-
5 paragraph (A) of paragraph (2) does not apply, such
6 authority shall continue in effect for a period of 60 days
7 following the end of such 18-month period with respect
8 to any country (except for any country with respect to
9 which such authority was not extended by reason of the
10 application of subparagraph (B) or (C) of paragraph
11 (2)), and shall continue in effect for a period of 12 months
12 following the end of such 18-month period with respect to
13 any such country if, before the end of such 60-day period,
14 the House of Representatives and the Senate adopt, by an
15 affirmative vote of a majority of the Members present and
16 voting in each House and under the procedures set forth
17 in section 153, a concurrent resolution approving the exten-
18 sion of such authority, and such resolution does not name
19 such country as being excluded from such authority. Such
20 authority shall cease to be effective with respect to any
21 country named in such concurrent resolution on the date of
22 the adoption of such concurrent resolution. If before the end
23 of such 60-day period, a concurrent resolution approving the
24 extension of such authority is not adopted by the House
25 and Senate, but both the House and Senate vote on the

1 question of final passage of such a concurrent resolution
2 and—

3 “(A) both the House and the Senate fail to pass
4 such a concurrent resolution, the authority granted by
5 subsection (c) (1) shall cease to be effective with re-
6 spect to all countries on the date of the vote on the ques-
7 tion of final passage by the House which votes last;

8 “(B) both the House and the Senate pass such a
9 concurrent resolution which names such country as being
10 excluded from such authority, such authority shall cease
11 to be effective with respect to such country at the end
12 of such 60-day period; or

13 “(C) one House fails to pass such a concurrent
14 resolution and the other House passes such a concurrent
15 resolution which names such country as being ex-
16 cluded from such authority, such authority shall cease
17 to be effective with respect to such country at the end
18 of such 60-day period.

19 “(4) If the President recommends under paragraph (1)
20 the extension of the waiver authority granted by subsection
21 (c) (1), and at the end of the 60-day period referred to in
22 paragraph (3) the House of Representatives and the Senate
23 have not adopted a concurrent resolution approving the ex-
24 tension of such authority and subparagraph (A) of paragraph
25 (3) does not apply, such authority shall continue in effect

1 until the end of the 12-month period following the end of the
2 18-month period referred to in subsection (c) (1) with
3 respect to any country (except for any country with respect
4 to which such authority was not extended by reason of the
5 application of subparagraph (B) or (C) of paragraph (2)
6 or subparagraph (B) or (C) of paragraph (3)), unless
7 before the end of the 45-day period following such 60-day
8 period either the House of Representatives or the Senate
9 adopts, by an affirmative vote of a majority of the Members
10 present and voting in that House and under the procedures
11 set forth in section 153, a resolution disapproving the exten-
12 sion of such authority generally or with respect to such
13 country specifically. Such authority shall cease to be effective
14 with respect to all countries on the date of the adoption by
15 either House before the end of such 45-day period of a res-
16 olution disapproving the extension of such authority, and
17 shall cease to be effective with respect to any country on the
18 date of the adoption by either House before the end of such
19 45-day period of a resolution disapproving the extension of
20 such authority with respect to such country.

21 “(5) If the waiver authority granted by subsection (c)
22 has been extended under paragraph (3) or (4) for any
23 country for the 12-month period referred to in such para-
24 graphs, and the President determines that the further exten-
25 sion of such authority will substantially promote the objec-

1 tives of this section, he may recommend further extensions of
2 such authority for successive 12-month periods. Any such
3 recommendation shall—

4 “(A) be made not later than 30 days before the
5 expiration of such authority;

6 “(B) be made in a document transmitted to the
7 House of Representatives and the Senate setting forth
8 his reasons for recommending the extension of such
9 authority; and

10 “(C) include, for each country with respect to
11 which a waiver granted under subsection (c) is in effect,
12 a determination that continuation of the waiver appli-
13 cable to that country will substantially promote the objec-
14 tives of this section, and a statement setting forth his
15 reasons for such determination.

16 If the President recommends the further extension of such
17 authority, such authority shall continue in effect until the end
18 of the 12-month period following the end of the previous
19 12-month extension with respect to any country (except
20 for any country with respect to which such authority has
21 not been extended under this subsection), unless before the
22 end of the 60-day period following such previous 12-month
23 extension, either the House of Representatives or the Senate
24 adopts, by an affirmative vote of a majority of the Members
25 present and voting in that House and under the procedures

1 set forth in section 153, a resolution disapproving the extension
2 of such authority generally or with respect to such country
3 specifically. Such authority shall cease to be effective with
4 respect to all countries on the date of the adoption by either
5 House before the end of such 60-day period of a resolution
6 disapproving the extension of such authority, and shall cease
7 to be effective with respect to any country on the date of
8 the adoption by either House before the end of such 60-day
9 period of a resolution disapproving the extension of such
10 authority with respect to such country.”.

11 On page 75, line 9, strike out “section 152” and insert
12 “sections 152 and 153”.

13 On page 75, line 19, strike out “section 152 (a)” and
14 insert “sections 152 (a) and 153 (a)”.

15 On page 94, after line 14, insert the following:

16 **“SEC. 153. RESOLUTIONS RELATING TO EXTENSION OF**
17 **WAIVER AUTHORITY UNDER SECTION 402.**

18 “(a) **CONTENTS OF RESOLUTIONS.**—For purposes of
19 this section, the term ‘resolution’ means only—

20 “(1) a concurrent resolution of the two Houses of
21 the Congress, the matter after the resolving clause of
22 which is as follows: “That the Congress approves the
23 extension of the authority contained in section 402 (c)
24 (1) of the Trade Reform Act of 1974 recommended
25 by the President to the Congress on _____, ex-

1 cept with respect to _____.', with the first blank
 2 space being filled with the appropriate date and the sec-
 3 ond blank space being filled with the names of those
 4 countries, if any, with respect to which such extension of
 5 authority is not approved, and with the except clause
 6 being omitted if there is no such country; and

7 “(2) a resolution of either House of the Congress,
 8 the matter after the resolving clause of which is as fol-
 9 lows: ‘That the _____ does not approve the
 10 extension of the authority contained in section 402 (c)
 11 of the Trade Reform Act of 1974 recommended by the
 12 President to the Congress on _____ with respect
 13 to _____ .’, with the first blank space being filled
 14 with the name of the resolving House, the second blank
 15 space being filled with the appropriate date, and the
 16 third blank space being filled with the names of those
 17 countries, if any, with respect to which such extension of
 18 authority is not approved, and with the with-respect-to
 19 clause being omitted if the extension of the authority is
 20 not approved with respect to any country.

21 “(b) APPLICATION OF RULES OF SECTION 152;
 22 EXCEPTIONS.

23 “(1) Except as provided in this section, the provi-
 24 sions of section 152 shall apply to resolutions described
 25 in subsection (a).

1 “(2) In applying section 152 (c) (1), all calendar
2 days shall be counted, and, in the case of a resolution
3 related to section 402 (d) (4), 20 calendar days shall be
4 substituted for 30 days.

5 “(3) That part of section 152 (d) (2) which pro-
6 vides that no amendment is in order shall not apply to
7 any amendment to a resolution which is limited to strik-
8 ing out or inserting the names of one or more countries
9 or to striking out or inserting an except clause, in the
10 case of a resolution described in subsection (a) (1), or
11 a with-respect-to clause, in the case of a resolution de-
12 scribed in subsection (a) (2). Debate in the House of
13 Representatives on any amendment to a resolution shall
14 be limited to not more than one hour which shall be
15 equally divided between those favoring and those oppos-
16 ing the amendment. A motion in the House to further
17 limit debate on an amendment to a resolution is not
18 debatable.

19 “(4) That part of section 152 (e) (4) which pro-
20 vides that no amendment is in order shall not apply to
21 any amendment to a resolution which is limited to strik-
22 ing out or inserting the names of one or more countries
23 or to striking out or inserting an except clause, in the
24 case of a resolution described in subsection (a) (1), or
25 a with respect to clause, in the case of a resolution de-

1 cribed in subsection (a) (2). The time limit on debate
2 on a resolution in the Senate under section 152 (e) (2)
3 shall include all amendments to a resolution. Debate in
4 the Senate on any amendment to a resolution shall be
5 limited to not more than 1 hour, to be equally divided
6 between, and controlled by, the mover and the manager
7 of the resolution, except that in the event the manager
8 of the resolution is in favor of any such amendment, the
9 time in opposition thereto shall be controlled by the
10 minority leader or his designee. The majority leader and
11 minority leader may, from time under their control on
12 the passage of a resolution, allot additional time to any
13 Senator during the consideration of any amendment. A
14 motion in the Senate to further limit debate on an amend-
15 ment to a resolution is not debatable.

16 “(c) CONSIDERATION OF SECOND RESOLUTION NOT IN
17 ORDER.—It shall not be in order in either the House of Repre-
18 sentatives or the Senate to consider a resolution with respect
19 to a recommendation of the President under section 402 (d)
20 (other than a resolution described in subsection (a) (1) re-
21 ceived from the other House), if that House has adopted a
22 resolution with respect to the same recommendation.”.

23 On page 94, line 15, strike out “153” and insert “154”.

24 On page 94, line 18, after “302 (a),” insert “402 (d),”.

Calendar No. 1231

93^D CONGRESS
2^D SESSION**H. R. 10710**

[Report No. 93-1298]

IN THE SENATE OF THE UNITED STATES

DECEMBER 12, 1973

Read twice and referred to the Committee on Finance

NOVEMBER 26, 1974

Reported by Mr. LONG, with amendments

[Omit the part struck through and insert the part printed in italic]

* * * * *

7 **TITLE IV—TRADE RELATIONS WITH**
 8 **COUNTRIES NOT ~~ENJOYING~~**
 9 ***CURRENTLY RECEIVING NON-***
 10 **DISCRIMINATORY TREATMENT**

11 **SEC. 401. EXCEPTION OF THE PRODUCTS OF CERTAIN**
 12 **COUNTRIES OR AREAS.**

13 Except as otherwise provided in this title, the President
 14 shall continue to deny nondiscriminatory treatment to the
 15 products of any country, the products of which were not
 16 eligible for ~~column 1 tariff treatment~~ *the rates set forth in*
 17 *rate column numbered 1 of the Tariff Schedules of the United*
 18 *States on the date of the enactment of this Act.*

19 **SEC. 402. FREEDOM OF EMIGRATION IN EAST-WEST**
 20 **TRADE.**

21 (a) To assure the continued dedication of the United
 22 States to fundamental human rights, and notwithstanding
 23 any other provision of law, on or after the date of the enact-
 24 ment of this Act, products from any nonmarket economy
 25 country shall not be eligible to receive nondiscriminatory

1 treatment (most-favored-nation treatment), such country
2 shall not participate in any program of the Government of
3 the United States which extends credits or credit guarantees
4 or investment guarantees, directly or indirectly, and the
5 President of the United States shall not conclude any com-
6 mercial agreement with any such country, during the period
7 beginning with the date on which the President determines
8 that such country—

9 (1) denies its citizens the right or opportunity to
10 emigrate;

11 (2) imposes more than a nominal tax on emigra-
12 tion or on the visas or other documents required for
13 emigration, for any purpose or cause whatsoever; or

14 (3) imposes more than a nominal tax, levy, fine,
15 fee, or other charge on any citizen as a consequence
16 of the desire of such citizen to emigrate to the country
17 of his choice,

18 and ending on the date on which the President determines
19 that such country is no longer in violation of paragraph (1),
20 (2), or (3).

21 (b) After the date of the enactment of this Act, (A)
22 products of a nonmarket economy country may be eligible
23 to receive nondiscriminatory treatment (most-favored-nation
24 treatment), (B) such country may participate in any pro-
25 gram of the Government of the United States which extends

1 credits or credit guarantees or investment guarantees,
2 and (C) the President may conclude a commercial
3 agreement with such country, only after the President
4 has submitted to the Congress a report indicating that such
5 country is not in violation of paragraph (1), (2), or (3)
6 of subsection (a). Such report with respect to such country
7 shall include information as to the nature and implementation
8 of emigration laws and policies and restrictions or discrim-
9 ination applied to or against persons wishing to emigrate.
10 The report required by this subsection shall be submitted
11 initially as provided herein and, with current information, on
12 or before each June 30 and December 31 thereafter so
13 long as such treatment is received, such credits or guarantees
14 are extended, or such agreement is in effect.

15 (c) This section shall not apply to any country the
16 products of which are eligible for ~~column 1 tariff treatment~~
17 *the rates set forth in rate column numbered 1 of the Tariff*
18 *Schedules of the United States* on the date of the enactment
19 of this Act.

20 **SEC. 403. UNITED STATES PERSONNEL MISSING IN AC-**
21 **TION IN SOUTHEAST ASIA.**

22 (a) *Notwithstanding any other provision of law, if the*
23 *President determines that a nonmarket economy country*
24 *is not cooperating with the United States—*

25 (1) *to achieve a complete accounting of all United*

14 States military and civilian personnel who are missing
 15 in action in Southeast Asia,
 16 (2) to repatriate such personnel who are alive, and
 17 (3) to return the remains of such personnel who
 18 are dead to the United States,
 19 then during the period beginning with the date of such deter-
 20 mination and ending on the date on which the President
 21 determines such country is cooperating with the United
 22 States—
 23 (A) the products of such country may not receive
 24 nondiscriminatory treatment;
 25 (B) such country may not participate, directly or
 26 indirectly, in any program under which the United
 27 States extends credit, credit guarantees, or investment
 28 guarantees, and
 29 (C) no commercial agreement entered into under
 30 this title between such country and the United States
 31 will take effect.

32 (b) After the date of the enactment of this Act, (1) a
 33 nonmarket economy country may receive nondiscriminatory
 34 treatment, (2) such country may participate in a program
 35 under which the United States extends credit, credit guaran-
 36 tees, or investment guarantees, and (3) a commercial agree-
 37 ment between the United States and such country entered into
 38 under this title may take effect under the provisions of this

1 title, only after the President has submitted to the Congress
 2 a report indicating that such country is cooperating with the
 3 United States as described in subsection (a). Such report
 4 shall include information as to the nature of the cooperation
 5 by such country with the United States in securing an account-
 6 ing for military and civilian personnel who are missing in
 7 action, the repatriation of those who are alive, and the recov-
 8 ery of the remains of those who are dead. The report re-
 9 quired by this subsection shall be submitted initially as pro-
 10 vided herein and, with current information, on or before each
 11 June 30 and December 31 thereafter so long as such treat-
 12 ment is received, such credits or guarantees are extended, or
 13 such agreement is in effect.

14 (c) This section shall not apply to any country the prod-
 15 ucts of which are eligible for the rates set forth in rate
 16 column numbered 1 of the Tariff Schedules of the United
 17 States on the date of the enactment of this Act.

18 **SEC. 403. 404. EXTENSION OF NONDISCRIMINATORY TREAT-**
 19 **MENT.**

20 (a) The President may by proclamation extend nondis-
 21 criminatory treatment to the products of a foreign country
 22 which—

23 (1) has entered into a bilateral commercial agree-
 24 ment referred to in section 404, or

25 (2) has become a party to an appropriate multi-

1 ~~lateral~~ trade agreement to which the United States is
2 also a party.

3 No such proclamation may take effect before the close of the
4 applicable 90-day period referred to in section 406(e).

5 (a) *Subject to the provisions of section 405(c), the Pres-*
6 *ident may by proclamation extend nondiscriminatory treat-*
7 *ment to the products of a foreign country which has entered*
8 *into a bilateral commercial agreement referred to in section*
9 *405.*

10 (b) The application of nondiscriminatory treatment
11 shall be limited to the period of effectiveness of the obliga-
12 tions of the United States to such country under such bilateral
13 commercial agreement ~~or multilateral agreement~~. In addition,
14 in the case of any foreign country receiving nondiscrimina-
15 tory treatment pursuant to this title which has entered into
16 an agreement with the United States regarding the settle-
17 ment of lend-lease reciprocal aid and claims, the application
18 of such nondiscriminatory treatment shall be limited to pe-
19 riods during which such country is not in arrears on its obli-
20 gations under such agreement.

21 (c) The President may at any time suspend or with-
22 draw any extension of nondiscriminatory treatment to any
23 country pursuant to subsection (a), and thereby cause all
24 products of such country to be dutiable at the ~~column 2~~ rate

1 *rates set forth in rate column numbered 2 of the Tariff*
2 *Schedules of the United States.*

3 **SEC. 404. 405. AUTHORITY TO ENTER INTO COMMERCIAL**
4 **AGREEMENTS.**

5 (a) Subject to the provisions of subsections (b) and
6 ~~(d)~~ (c) of this section, the President may authorize the
7 entry into force of bilateral commercial agreements providing
8 nondiscriminatory treatment to the products of countries
9 heretofore denied such treatment whenever he determines
10 that such agreements with such countries will promote the
11 purposes of this Act and are in the national interest.

12 (b) Any such bilateral commercial agreement shall—

13 (1) be limited to an initial period specified in the
14 agreement which shall be no more than 3 years from the
15 date the agreement enters into force; except that it may
16 be renewable for additional periods, each not to exceed
17 3 years; if—

18 (A) a satisfactory balance of ~~trade concessions~~
19 *concessions in trade and services* has been main-
20 tained during the life of each *such* agreement, and

21 (B) the President determines that actual or
22 foreseeable reductions in United States tariffs and
23 nontariff barriers to trade resulting from multilat-

1 eral negotiations are satisfactorily reciprocated by
2 the other party to the bilateral agreement;

3 (2) provide that it is subject to suspension or termi-
4 nation at any time for national security reasons, or that
5 the other provisions of such agreement shall not limit the
6 rights of any party to take any action for the protection
7 of its security interests;

8 (3) provide safeguard arrangements necessary to
9 prevent disruption of domestic markets;

10 (4) if the other party to the bilateral agreement is
11 not a party to the Paris Convention for the Protection of
12 Industrial Property, provide rights for United States na-
13 tionals with respect to patents in such country not less
14 than the rights specified in such convention;

15 (5) provide arrangements for the settlement of com-
16 mercial differences and disputes; and

17 (6) provide for consultations for the purpose of re-
18 viewing the operation of the agreement and relevant as-
19 pects of relations between the United States and the
20 other party;

21 (c) Bilateral commercial agreements referred to in
22 subsection (a) may, in addition, include provisions
23 concerning—

24 (1) arrangements for the protection of industrial
25 rights and processes, trademarks, and copyrights;

1 ~~(2)~~ arrangements for the promotion of trade, in-
2 cluding those for the establishment or expansion of
3 trade and tourist promotion offices, for facilitation of
4 activities of governmental commercial officers, partici-
5 pation in trade fairs and exhibits and the sending of
6 trade missions, and for facilitation of entry, establish-
7 ment, and travel of commercial representatives; and

8 ~~(3)~~ such other arrangements of a commercial
9 nature as will promote the purposes stated in section 2.

10 ~~(d)~~ An agreement referred to in subsection (a), and a
11 proclamation referred to in section 403(a), shall take effect
12 only if, during the 90-day period referred to in section 406
13 ~~(c)~~, a disapproval resolution referred to in section 151 is
14 not adopted.

15 *(3) include safeguard arrangements (A) providing*
16 *for prompt consultations whenever either actual or pro-*
17 *spective imports cause or threaten to cause, or significant-*
18 *ly contribute to, market disruption and (B) authorizing*
19 *the imposition of such import restrictions as may be ap-*
20 *propriate to prevent such market disruption;*

21 *(4) if the other party to the bilateral agreement is*
22 *not a party to the Paris Convention for the Protection*
23 *of Industrial Property, provide rights for United States*
24 *nationals with respect to patents and trademarks in such*

1 country not less than the rights specified in such con-
2 vention;

3 (5) if the other party to the bilateral agreement is
4 not a party to the Universal Copyright Convention, pro-
5 vide rights for United States nationals with respect to
6 copyrights in such country not less than the rights speci-
7 fied in such convention;

8 (6) in the case of an agreement entered into or
9 renewed after the date of the enactment of this Act, pro-
10 vide arrangements for the protection of industrial rights
11 and processes;

12 (7) provide arrangements for the settlement of
13 commercial differences and disputes;

14 (8) in the case of an agreement entered into or re-
15 newed after the date of the enactment of this Act, pro-
16 vide arrangements for the promotion of trade, which
17 may include those for the establishment or expansion of
18 trade and tourist promotion offices, for facilitation of ac-
19 tivities of governmental commercial officers, participation
20 in trade fairs and exhibits, and the sending of trade
21 missions, and for facilitation of entry, establishment,
22 and travel of commercial representatives;

23 (9) provide for consultations for the purpose of re-
24 viewing the operation of the agreement and relevant

1 *aspects of relations between the United States and the*
2 *other party; and*

3 (10) *provide such other arrangements of a commer-*
4 *cial nature as will promote the purposes of this Act.*

5 (c) *An agreement referred to in subsection (a), and a*
6 *proclamation referred to in section 404(a) implementing*
7 *such agreement, shall take effect only if (1) approved by*
8 *the Congress by the adoption of a concurrent resolution*
9 *referred to in section 151, or (2) in the case of an agree-*
10 *ment entered into before the date of the enactment of this*
11 *Act and a proclamation implementing such agreement, a reso-*
12 *lution of disapproval referred to in section 152 is not adopted*
13 *during the 90-day period specified by section 407(c)(2).*

14 **SEC. 405. 406. MARKET DISRUPTION.**

15 (a) **A petition may be filed, or a Tariff Commission**
16 **investigation otherwise initiated, under section 201 of this Act**
17 **in respect of imports of an article manufactured or produced**
18 **in a country, the products of which are receiving nondis-**
19 **crimatory treatment pursuant to this title, in which case**
20 **the Tariff Commission shall determine (in lieu of the deter-**
21 **mination described in section 201 (b) of this Act) whether**
22 **imports of such article produced in such country are causing**
23 **or are likely to cause market disruption and material injury**
24 **to a domestic industry producing like or directly competitive**
25 **articles.**

1 (b) For purposes of sections 202 and 203, an affirma-
2 tive determination of the Tariff Commission pursuant to
3 subsection (a) of this section shall be treated as an affirma-
4 tive determination of the Tariff Commission pursuant to sec-
5 tion 201(b) of this Act; except that the President, in taking
6 action pursuant to section 203(b), may adjust imports of
7 the article from the country in question without taking ac-
8 tion in respect of imports from other countries.

9 (c) For purposes of this section, market disruption
10 exists whenever imports of a like or directly competitive
11 article are substantial, are increasing rapidly both absolutely
12 and as a proportion of total domestic consumption, and are
13 offered at prices substantially below those of comparable
14 domestic articles.

15 (a)(1) Upon the filing of a petition by an entity de-
16 scribed in section 201(a)(1), upon request of the President
17 or the Special Representative for Trade Negotiations, upon
18 resolution of either the Committee on Ways and Means of
19 the House of Representatives or the Committee on Finance
20 of the Senate, or on its own motion, the International Trade
21 Commission (hereafter in this section referred to as the "Com-
22 mission") shall promptly make an investigation to determine,
23 with respect to imports of an article which is the product of
24 a Communist country, whether market disruption exists with
25 respect to an article produced by a domestic industry.

1 (2) *The provisions of subsections (a) (2), (b) (3), and*
2 *(c) of section 201 shall apply with respect to investigations*
3 *by the Commission under paragraph (1).*

4 (3) *The Commission shall report to the President its*
5 *determination with respect to each investigation under para-*
6 *graph (1) and the basis therefor and shall include in each*
7 *report any dissenting or separate views. If the Commission*
8 *finds, as a result of its investigation, that market disruption*
9 *exists with respect to an article produced by a domestic in-*
10 *dustry, it shall find the amount of the increase in, or imposi-*
11 *tion of, any duty or other import restriction on such article*
12 *which is necessary to prevent or remedy such market disrup-*
13 *tion and shall include such finding in its report to the*
14 *President. The Commission shall furnish to the President*
15 *a transcript of the hearings and any briefs which may have*
16 *been submitted in connection with each investigation.*

17 (4) *The report of the Commission of its determination*
18 *with respect to an investigation under paragraph (1) shall be*
19 *made at the earliest practicable time, but not later than 3*
20 *months after the date on which the petition is filed (or the*
21 *date on which the request or resolution is received or the*
22 *motion is adopted, as the case may be). Upon making such*
23 *report to the President, the Commission shall also promptly*
24 *make public such report (with the exception of information*

1 *which the Commission determines to be confidential) and*
2 *shall cause a summary thereof to be published in the Federal*
3 *Register.*

4 *(b) For purposes of sections 202 and 203, an affirma-*
5 *tive determination of the Commission under subsection (a)*
6 *shall be treated as an affirmative determination under sec-*
7 *tion 201(b), except that—*

8 *(1) the President may take action under sections*
9 *202 and 203 only with respect to imports from the*
10 *country or countries involved of the article with respect*
11 *to which the affirmative determination was made, and*

12 *(2) if such action consists of, or includes, an*
13 *orderly marketing agreement, such agreement shall be*
14 *entered into within 60 days after the import relief*
15 *determination date.*

16 *(c) If, at any time, the President finds that there are*
17 *reasonable grounds to believe, with respect to imports of an*
18 *article which is the product of a Communist country, that*
19 *market disruption exists with respect to an article produced*
20 *by a domestic industry, he shall request the Commission to*
21 *initiate an investigation under subsection (a). If the Presi-*
22 *dent further finds that emergency action is necessary, he*
23 *may take action under sections 202 and 203 as if an*
24 *affirmative determination of the Commission had been made*
25 *under subsection (a). Any action taken by the President*

1 under the preceding sentence shall cease to apply (1) if a
2 negative determination is made by the Commission under
3 subsection (a) with respect to imports of such article, on the
4 day on which the Commission's report of such determination
5 is submitted to the President, or (2) if an affirmative deter-
6 mination is made by the Commission under subsection (a)
7 with respect to imports of such article, on the day on which
8 the action taken by the President pursuant to such determi-
9 nation becomes effective.

10 (d) (1) A petition may be filed with the Special Repre-
11 sentative for Trade Negotiations by an entity described in
12 section 201(a)(1) requesting the Special Representative to
13 initiate consultations provided for by the safeguard arrange-
14 ments of any agreement entered into under section 405 with
15 respect to imports of an article which is the product of the
16 country which is the other party to such agreement.

17 (2) If the Special Representative determines that there
18 are reasonable grounds to believe, with respect to imports of
19 such article, that market disruption exists with respect to an
20 article produced by a domestic industry, he shall initiate
21 consultations with such country with respect to such imports.

22 (e) For purposes of this section—

23 (1) The term "Communist country" means any
24 country dominated or controlled by communism.

25 (2) Market disruption exists within a domestic

1 *industry whenever an article is being, or is likely to be,*
 2 *imported into the United States in such increased quan-*
 3 *ties as to be a significant cause of material injury, or*
 4 *the threat thereof, to such domestic industry.*

5 **SEC. ~~406~~ 407. PROCEDURE FOR CONGRESSIONAL DISAP-**
 6 **PROVAL OF EXTENSION OR CONTINUANCE**
 7 **OF NONDISCRIMINATORY TREATMENT AP-**
 8 **PROVAL OR DISAPPROVAL OF EXTENSION**
 9 **OF NONDISCRIMINATORY TREATMENT**
 10 **AND PRESIDENTIAL REPORTS.**

11 (a) Whenever the President issues a proclamation
 12 under section ~~403~~ 404 extending nondiscriminatory treat-
 13 ment to the products of any foreign country, he shall
 14 promptly transmit to the House of Representatives and to
 15 the Senate a document setting forth the proclamation and
 16 the agreement the proclamation proposes to implement,
 17 together with his reasons therefor.

18 (b) On or before December 31 of each year, the Presi-
 19 dent shall transmit to the Congress, with respect to each
 20 foreign country the products of which are receiving nondis-
 21 criminatory treatment under this title, a document containing
 22 the report required by section ~~402(b)~~ to be submitted on or
 23 before December 31.

24 (b) The President shall transmit to the House of Repre-

1 *sentatives and the Senate a document containing the initial*
2 *report submitted by him under section 402(b) or 403(b) with*
3 *respect to a nonmarket economy country. On or before Decem-*
4 *ber 31 of each year, the President shall transmit to the House*
5 *of Representatives and the Senate, a document containing the*
6 *report required by section 402(b) or 403(b), as the case may*
7 *be, to be submitted on or before such December 31.*

8 ~~(c) If, before the close of the 90-day period beginning~~
9 ~~on the day on which the copy of the document referred to~~
10 ~~in subsection (a) or (b) is delivered to the House of Rep-~~
11 ~~resentatives and to the Senate, either the House of Repre-~~
12 ~~sentatives or the Senate adopts, by an affirmative vote of a~~
13 ~~majority of those present and voting in that House, a reso-~~
14 ~~lution of disapproval (under the procedures set forth in sec-~~
15 ~~tion 151) of the extension of nondiscriminatory treatment to~~
16 ~~the products of such country or for the continuing in effect~~
17 ~~of nondiscriminatory treatment with respect to such products,~~
18 ~~as the case may be, then, beginning with the day after the~~
19 ~~date of the adoption of such resolution of disapproval, non-~~
20 ~~discriminatory treatment shall not be in force with respect~~
21 ~~to the products of such country, and the products of such~~
22 ~~country shall be dutiable at the column 2 rate.~~

23 *(c)(1) In the case of a document referred to in subsec-*
24 *tion (a) (other than a document to which paragraph (2) ap-*
25 *plies), the proclamation set forth therein may become effective*

1 and the agreement set forth therein may enter into force and
2 effect only if the House of Representatives and the Senate
3 adopt, by an affirmative vote of a majority of those present
4 and voting in each House, a concurrent resolution of approval
5 (under the procedures set forth in section 151) of the exten-
6 sion of nondiscriminatory treatment to the products of the
7 country concerned.

8 (2) In the case of a document referred to in subsection
9 (a) which sets forth an agreement entered into before the
10 date of the enactment of this Act and a proclamation imple-
11 menting such agreement, such proclamation may become ef-
12 fective and such agreement may enter into force and effect
13 after the close of the 90-day period beginning on the day on
14 which such document is delivered to the House of Representa-
15 tives and to the Senate, unless during such 90-day period
16 either the House of Representatives or the Senate adopts,
17 by an affirmative vote of a majority of those present and
18 voting in that House, a resolution of disapproval (under the
19 procedures set forth in section 152) of the extension of non-
20 discriminatory treatment to the products of the country
21 concerned.

22 (3) In the case of a document referred to in subsection
23 (b) which contains a report submitted by the President under
24 section 402(b) or 403(b) with respect to a nonmarket
25 economy country, if, before the close of the 90-day period

1 *beginning on the day on which such document is delivered*
2 *to the House of Representatives and to the Senate, either the*
3 *House of Representatives or the Senate adopts, by an affirma-*
4 *tive vote of a majority of those present and voting in that*
5 *House, a resolution of disapproval (under the procedures*
6 *set forth in section 152) of the report submitted by the Presi-*
7 *dent with respect to such country, then, beginning with the*
8 *day after the date of the adoption of such resolution of dis-*
9 *approval, (A) nondiscriminatory treatment shall not be in*
10 *force with respect to the products of such country, and the*
11 *products of such country shall be dutiable at the rates set*
12 *forth in rate column numbered 2 of the Tariff Schedules of*
13 *the United States, (B) such country may not participate in*
14 *any program of the Government of the United States which*
15 *extends credit or credit guarantees or investment guarantees,*
16 *and (C) no commercial agreement may thereafter be con-*
17 *cluded with such country under this title.*

18 **SEC. 407. EFFECTS OF OTHER LAWS.**

19 **The President shall from time to time reflect in general**
20 **headnote 3-(c) of the Tariff Schedules of the United States**
21 **the provisions of this title and proclamations issued there-**
22 **under, as appropriate.**

1 **SEC. 408. PAYMENT BY CZECHOSLOVAKIA OF AMOUNTS**
2 **OWED UNITED STATES CITIZENS AND NA-**
3 **TIONALS.**

4 *Notwithstanding any other provision of law, Czechoslo-*
5 *vakia shall not be eligible to receive most-favored-nation*
6 *treatment or to participate in any program of the Govern-*
7 *ment of the United States which extends credits or credit*
8 *guarantees or investment guarantees, directly or indirectly,*
9 *and the Government of the United States shall not consent to*
10 *the release to Czechoslovakia of any gold belonging to that*
11 *nation and controlled directly or indirectly by the United*
12 *States pursuant to the provisions of the Paris Reparations*
13 *Agreement of January 24, 1946, or otherwise, until the Gov-*
14 *ernment of Czechoslovakia first pays all principal amounts*
15 *it owes to citizens or nationals of the United States on awards*
16 *heretofore rendered against that nation by the Foreign Claims*
17 *Settlement Commission of the United States under the provi-*
18 *sions of Public Law 85-604 (22 U.S.C. 1642 et seq.).*

[Excerpt From Senate Report 93-1298]

Title IV.—Trade Relations With Countries Whose Products Are Not Currently Receiving Nondiscriminatory (Most-Favored-Nation) Treatment

Title IV of the bill would authorize the President to extend non-discriminatory tariff (most-favored-nation) treatment to countries now denied such treatment (i.e., all communist countries except Yugoslavia and Poland) when certain conditions were met. The Congress would be given procedures for approving, withdrawing or denying such nondiscriminatory treatment. The Committee strongly believes that the authority to extend or withdraw nondiscriminatory treatment to countries not now receiving such treatment could be a useful factor in enabling the President to obtain important mutual and material economic benefits for the United States, while, at the same time, improving relations with these countries.

The United States has lagged behind other non-communist countries in expanding its trade relations with the communist world. The table below shows that since 1957, U.S. exports to East European communist countries exceeded imports from those countries, but even in the year in which the United States had the greatest exchange of goods with those countries (1973) the value of U.S. trade was still less than 10 percent of the value of overall non-communist country trade with the communist countries of Eastern Europe.

**EXCEPTION OF THE PRODUCTS OF CERTAIN COUNTRIES OR AREAS
(Section 401)**

Except as otherwise provided in Title IV, Section 401 would retain the requirement in Section 231 (a) of the Trade Expansion Act of 1962 that nondiscriminatory treatment be denied to the products of all communist countries except Poland and Yugoslavia. The countries presently ineligible to receive nondiscriminatory treatment, as set forth in headnote 3(e) to the Tariff Schedules of the United States, are Albania, Bulgaria, the People's Republic of China, Cuba, Czechoslovakia, East Germany, Estonia, Hungary, those parts of Indochina under communist control or domination, North Korea, the Kurile Islands, Latvia, Lithuania, Outer Mongolia, Romania, Southern Sakhalin, Tanna Tuva, Tibet and the USSR. Imports from these countries must pay higher (column 2) rates of duty than imports from other countries. The average rate of duty paid on dutiable imports from communist countries was 23.9% in 1972, as compared with an average rate of 8.6% for other countries.

The term "nondiscriminatory treatment" is intended to be synonymous with "most-favored-nation" treatment. Products of a country given such treatment would be subject to the normal (column 1) rates of duty to which the products of non-communist nations are now subject.

FREE WORLD TRADE WITH THE U.S.S.R. AND EASTERN EUROPE

[In U.S. dollars]

	Free World (billions) ¹		United States (millions) ²	
	Exports	Imports	Exports	Imports
1950.....	1.1	1.3	27	80
1951.....	1.2	1.4	3	64
1952.....	1.2	1.3	1	40
1953.....	1.1	1.2	2	36
1954.....	1.5	1.5	6	42
1955.....	1.8	1.9	7	56
1956.....	2.1	2.3	11	65
1957.....	2.6	2.6	86	61
1958.....	2.6	2.7	113	62
1959.....	3.0	3.0	89	81
1960.....	3.6	3.6	194	81
1961.....	3.8	3.9	134	81
1962.....	4.1	4.1	125	79
1963.....	4.5	4.6	167	81
1964.....	5.4	5.3	340	98
1965.....	5.8	6.0	140	137
1966.....	6.6	6.7	198	179
1967.....	6.8	7.0	195	177
1968.....	7.3	7.7	215	198
1969.....	8.3	8.4	249	195
1970.....	9.7	9.3	354	226
1971.....	10.1	9.9	384	223
1972.....	13.1	11.1	819	321
1973.....	18.2	15.5	1,797	519
1974 (Jan.-Sept.)	N.A.	N.A.	1,011	662

¹ Exports are f.o.b. and imports, in general, are c.i.f.

² Exports and imports are f.o.b.

N.A. Not Available.

Note: East European countries include East Germany, Czechoslovakia, Poland, Hungary, Estonia, Latvia, Lithuania, Albania, Romania, and Bulgaria.

Source: U.S. Department of Commerce.

FREEDOM OF EMIGRATION IN EAST-WEST TRADE

(Section 402)

Section 402 would make the products of a nonmarket economy country not now receiving nondiscriminatory treatment (i.e. all communist countries except Poland and Yugoslavia) ineligible to receive such treatment during any period in which the President determines

that it denies its citizens the right or opportunity to emigrate, or imposes more than nominal charges on emigration (or on related documents) or on its citizens as a consequence of their desire to emigrate. Such countries would be barred from participating in any program of the U.S. Government that extends credits or credit guarantees or investment guarantees, directly or indirectly, for example, under programs of the Export-Import Bank and Commodity Credit Corporation. Conclusion of commercial agreements by the U.S. Government with such countries would also be barred.

After the President submits to Congress a report indicating that emigration practices of a country not now receiving nondiscriminatory treatment satisfy these criteria, its products would become eligible for such treatment, and the President would no longer be enjoined from concluding a commercial agreement with it. Nondiscriminatory treatment could not be extended, and such a commercial agreement could not take effect until the Congress has approved a bilateral commercial agreement with such country. In the case of countries with existing bilateral agreements with the United States, nondiscriminatory treatment may be provided the products of such country unless the Congress vetoes the extension of such benefits to such country. The President's report should include information on the nature and implementation of the country's emigration laws and policies, and restrictions or discrimination applied to or against persons wishing to emigrate. The report would be required biannually as long as nondiscriminatory treatment, credits, or guarantees are extended, or a commercial agreement remains in effect.

The Committee anticipates that an amendment will be offered during the Senate's consideration of the bill which would allow a temporary, conditional waiver of this provision under circumstances to be specified in the amendment. This amendment was not available by the time the Committee ordered the bill favorably reported, and the Committee has therefore not had an opportunity to study or take a position on the amendment. The Committee will hold a hearing on the amendment before the bill is taken up on the floor.

The Committee reserves the right to recommend to the Senate such amendment as may be necessary to clarify the procedures relating to the determination of freedom of emigration after conducting public hearings on the subject and before consideration of the bill on the Floor of the Senate.

In the case of freedom of emigration from the Soviet Union, the following exchange of letters between Secretary of State Henry A. Kissinger and Senator Henry M. Jackson (D. Wash.) sets forth certain understandings with respect to persons wishing to emigrate from the Soviet Union.

EXCHANGE OF LETTERS BETWEEN SECRETARY KISSINGER
AND SENATOR JACKSON

OCTOBER 18, 1974.

DEAR SENATOR JACKSON: I am writing to you, as the sponsor of the Jackson Amendment, in regard to the Trade Bill (H.R. 10710) which is currently before the Senate and in whose early passage the administration is deeply interested. As you know, Title IV of that bill, as it

emerged from the House, is not acceptable to the administration. At the same time, the administration respects the objectives with regard to emigration from the U.S.S.R. that are sought by means of the stipulations in Title IV, even if it cannot accept the means employed. It respects in particular your own leadership in this field.

To advance the purposes we share both with regard to passage of the trade bill and to emigration from the U.S.S.R., and on the basis of discussions that have been conducted with Soviet representatives, I should like on behalf of the administration to inform you that we have been assured that the following criteria and practices will henceforth govern emigration from the U.S.S.R.

First, punitive actions against individuals seeking to emigrate from the U.S.S.R. would be violations of Soviet laws and regulations and will therefore not be permitted by the government of the U.S.S.R. In particular, this applies to various kinds of intimidation or reprisal, such as, for example, the firing of a person from his job, his demotion to tasks beneath his professional qualifications, and his subjection to public or other kinds of recrimination.

Second, no unreasonable or unlawful impediments will be placed in the way of persons desiring to make application for emigration, such as interference with travel or communications necessary to complete an application, the withholding of necessary documentation and other obstacles including kinds frequently employed in the past.

Third, applications for emigration will be processed in order of receipt, including those previously filed, and on a nondiscriminatory basis as regards the place of residence, race, religion, national origin and professional status of the applicant. Concerning professional status, we are informed that there are limitations on emigration under Soviet law in the case of individuals holding certain security clearances, but that such individuals who desire to emigrate will be informed of the date on which they may expect to become eligible for emigration.

Fourth, hardship cases will be processed sympathetically and expeditiously; persons imprisoned who, prior to imprisonment, expressed an interest in emigrating, will be given prompt consideration for emigration upon their release; and sympathetic consideration may be given to the early release of such persons.

Fifth, the collection of the so-called emigration tax on emigrants which was suspended last year will remain suspended.

Sixth, with respect to all the foregoing points, we will be in a position to bring to the attention of the Soviet leadership indications that we may have that these criteria and practices are not being applied. Our representations, which would include but not necessarily be limited to the precise matters enumerated in the foregoing points, will receive sympathetic consideration and response.

Finally, it will be our assumption that with the application of the criteria, practices, and procedures set forth in this letter, the rate of emigration from the U.S.S.R. would begin to rise promptly from the 1973 level and would continue to rise to correspond to the number of applicants.

I understand that you and your associates have, in addition, certain understandings incorporated in a letter dated today respecting the foregoing criteria and practices which will henceforth govern emigration

from the U.S.S.R. which you wish the President to accept as appropriate guidelines to determine whether the purposes sought through Title IV of the trade bill and further specified in our exchange of correspondence in regard to the emigration practices of non-market economy countries are being fulfilled. You have submitted this letter to me and I wish to advise you on behalf of the President that the understandings in your letter will be among the considerations to be applied by the President in exercising the authority provided for in Sec. 402¹ of Title IV of the trade bill.

I believe that the contents of this letter represent a good basis, consistent with our shared purposes, for proceeding with an acceptable formulation of Title IV of the trade bill, including procedures for periodic review, so that normal trading relations may go forward for the mutual benefit of the U.S. and the U.S.S.R.

Best regards,

HENRY A. KISSINGER.

OCTOBER 18, 1974.

DEAR MR. SECRETARY: Thank you for your letter of Oct. 18 which I have now had an opportunity to review. Subject to the further understandings and interpretations outlined in this letter, I agree that we have achieved a suitable basis upon which to modify Title IV by incorporating within it a provision that would enable the President to waive subsections designated (a) and (b) in Sec. 402 of Title IV as passed by the House in circumstances that would substantially promote the objectives of Title IV.

It is our understanding that the punitive actions, intimidation or reprisals that will not be permitted by the government of the U.S.S.R. include the use of punitive conscription against persons seeking to emigrate, or members of their families; and the bringing of criminal actions against persons in circumstances that suggest a relationship between their desire to emigrate and the criminal prosecution against them.

Second, we understand that among the unreasonable impediments that will no longer be placed in the way of persons seeking to emigrate is the requirement that adult applicants receive the permission of their parents or other relatives.

Third, we understand that the special regulations to be applied to persons who have had access to genuinely sensitive classified information will not constitute an unreasonable impediment to emigration. In this connection we would expect such persons to become eligible for emigration within three years of the date on which they last were exposed to sensitive and classified information.

Fourth, we understand that the actual number of emigrants would rise promptly from the 1973 level and would continue to rise to correspond to the number of applicants, and may therefore exceed 60,000 per annum. We would consider a benchmark—a minimum standard of initial compliance—to be the issuance of visas at the rate of 60,000 per annum; and we understand that the President proposes to use the same benchmark as the minimum standard of initial compliance. Until such time as the actual number of emigrants corre-

¹ Statutory language authorizing the President to waive the restrictions in Title IV of the Trade Bill under certain conditions will be added as a new (and as yet undesignated) subsection.

sponds to the number of applicants the benchmark figure will not include categories of persons whose emigration has been the subject of discussion between Soviet officials and other European governments.

In agreeing to provide discretionary authority to waive the provisions of subsections designated (a) and (b) in Sec. 402 of Title IV as passed by the House, we share your anticipation of good faith in the implementation of the assurances contained in your letter of Oct. 18 and the understandings conveyed by this letter. In particular, with respect to paragraphs three and four of your letter we wish it to be understood that the enumeration of types of punitive action and unreasonable impediments is not and cannot be considered comprehensive or complete, and that nothing in this exchange of correspondence shall be construed as permitting types of punitive action or unreasonable impediments not enumerated therein.

Finally, in order adequately to verify compliance with the standard set forth in these letters, we understand that communication by telephone, telegraph and post will be permitted.

Sincerely yours,

HENRY M. JACKSON.

It is the Committee's understanding that the "Freedom of Emigration" amendment in the bill is intended to encourage free emigration of all peoples from all communist countries (and not be restricted to any particular ethnic, racial, or religious group from any one country). Accordingly, each communist country which enters into a bilateral commercial agreement with the United States will be expected to provide reasonable assurances that freedom of emigration will be a realizable goal.

The Committee hopes that this section will provide an incentive to the Soviet Union and other countries to discontinue restrictive emigration practices in the interest of developing economic relations with the United States. The Committee recognizes that segments of the private sector wish the U.S. Government to provide credits, investment guarantees, protection of private property rights, and other conditions before private capital investments are ventured. The Committee believes that it is equally reasonable to establish conditions on all basic human rights, including the right to emigrate as well as basic property rights, before extending broad concessions to communist countries.

U.S. PERSONNEL MISSING IN ACTION IN SOUTHEAST ASIA

(Section 403)

The purpose of the section is to insure that the communist countries, to which nondiscriminatory treatment and U.S. credit, credit guarantee and investment guarantee programs may be extended, appreciate the importance which the United States attaches to the accounting of U.S. personnel missing in action in Southeast Asia and to secure their cooperation to that end.

Subsection (a) would prohibit the President from extending or continuing nondiscriminatory treatment, government credits, credit

guarantees or investment guarantees, or from entering into bilateral commercial agreements with any affected communist country during any period in which he determined that such country was refusing to cooperate with the United States in its efforts to account for U.S. personnel missing in Southeast Asia, to repatriate such personnel who are alive and to obtain the remains of such personnel who are dead. The inclusion of this subsection should enhance the negotiating leverage of the President not only before, but after nondiscriminatory treatment is extended, to insure continued cooperation from the affected communist countries.

The requirement of periodic reports adopted by the Committee is designed to serve as a reminder of our continuing concern in this regard until the statutory objective has been achieved. In the case of countries now participating in credit, credit guarantee or investment guarantee programs, it is contemplated that, after enactment of this Title, no new credit or guarantee commitments would be made without the requisite report. Existing commitments, on the other hand, could continue to be honored. As under the Freedom of Emigration section, either House of Congress could, by a majority vote, terminate the nondiscriminatory treatment and the bilateral commercial agreement, following receipt of the December report under this section.

The section does not apply to communist countries now eligible for nondiscriminatory treatment (i.e., Poland and Yugoslavia) and, accordingly, is limited to the list of countries referred to in the discussion of Section 401.

EXTENSION OF NONDISCRIMINATORY TREATMENT

(Section 404)

Section 404 would authorize the President to extend nondiscriminatory treatment to the products of a country with which he has concluded a bilateral commercial agreement meeting the requirements of Section 405, subject to the Congressional approval procedure under Section 405(c). Such treatment could be continued only as long as the period of effectiveness of U.S. obligations to the other country under the commercial agreement. Furthermore, the President would be required to suspend or withdraw such treatment for such period of time as the country is in arrears under an agreement to settle its lend-lease debts to the United States. (Such an agreement, concluded with the USSR in 1972, conditions the Soviet Union's fourth and all subsequent lend-lease settlement payments upon the extension of nondiscriminatory treatment by the U.S.) In addition, the President would be provided general authority under section 404(c) to suspend or withdraw nondiscriminatory treatment accorded any country under this section.

The Committee deleted from the House bill a provision that would have permitted the extension of nondiscriminatory treatment to products of any nonmarket economy country not now receiving such treatment if such country was a member of an appropriate multilateral agreement (the GATT). Deletion of the provision is intended to assure that the United States obtains appropriate benefits for itself, along with adequate safeguards in conjunction with a grant of nondiscrim-

inatory treatment. The requirement of a bilateral commercial agreement, together with the new requirements in Section 405(b), would assure such benefits and safeguards.

AUTHORITY TO ENTER INTO COMMERCIAL AGREEMENTS

(Section 405)

Subject to the procedures set forth in subsection (c), Section 405 would authorize the President, whenever he determines that it would serve the purposes of the bill and would be in the national interest, to enter into legally-binding bilateral commercial agreements providing for nondiscriminatory treatment to the products of communist countries heretofore denied such treatment and providing, among other things, for balanced concessions with respect to trade and services. In negotiating bilateral commercial agreements contemplated by this section, the Committee recommends that priority be given to certain GATT members, particularly Romania and Hungary.

The Committee believes that it is of the utmost importance that the United States receive, on a continuing basis, mutual advantages for both U.S. goods and services. Services would include nondiscriminatory treatment for U.S. transportation, insurance, banking, and U.S. tourist agencies, among other U.S. service industries.

Subsection 405(b) sets forth certain mandatory requirements for such agreements. Under the provision of subparagraph (1), these agreements could not have an initial term of more than 3 years, but could be renewed by whatever mechanism the parties agree upon for an indefinite number of additional periods (not to exceed 3 years each), if a satisfactory balance of concessions in trade and services has been maintained during the life of the agreement, and if actual or foreseeable U.S. concessions are being satisfactorily reciprocated. The Committee expects, for example, that the benefits of trade concessions extended by the United States in the forthcoming negotiations would be reciprocated, and that no country receiving nondiscriminatory treatment in a bilateral agreement could be given a "free ride". The purpose of the 3-year limit is to provide an opportunity for periodic review of the experience of the parties under the commercial agreement. Such review would include an examination of the balance of concessions, on an overall basis covering the life of the agreement (including all extensions), before the agreement is permitted to be re-extended. If that balance is not satisfactory, it is expected that the agreement would not be extended (or further extended). Such limitations are imposed to assure that the United States would obtain benefits from such country reasonably comparable, although not necessarily of a similar nature, to those it accords.

Subparagraph (2) of section 405(a) would require that the agreement be subject to suspension or termination for national security reasons or that it not limit the right to take any action for the protection of security interests (see, for example, Article 8 of the 1972 U.S.-U.S.S.R. Trade Agreement). Either type formulation is permissible. It is the view of the Committee that this type of provision is especially important in agreements with communist countries.

If any communist country is responsible, directly or indirectly,

for cutting off supplies of vital materials needed for the U.S. economy or encourages aggression against allies or friends of the United States, those actions would clearly be grounds for terminating trade concessions and credits to such country.

Drawing on the consultation procedure and rules of Article 3 and Annex I of the U.S.-U.S.S.R. Trade Agreement as a model, the Committee expanded and made more effective the provision in this paragraph of the House bill dealing with market safeguard arrangements in bilateral commercial agreements.

Paragraph (3) of section 405(b) stipulates that such arrangements must provide for prompt consultations whenever actual or prospective imports cause, threaten to cause, or significantly contribute to market disruption. The agreement must also authorize the imposition of such import restrictions as may be appropriate to prevent such market disruption.

Paragraphs (4) and (5) would require that if the other country is not a party to the Paris Convention for the Protection of Industrial Property, or the Universal Copyright Convention, the agreement must provide U.S. nationals with equivalent rights with respect to patents, trademarks and copyrights. The purpose of these provisions is to assure to American nationals at least the fundamental protections assured by those documents. Paragraph (6) would require that bilateral commercial agreements entered into or renewed after the date of enactment of the bill provide arrangements for protecting industrial property rights and processes (i.e. knowhow as distinguished from patents). This paragraph would not apply to the initial U.S.-U.S.S.R. agreement (see paragraph (8) below).

Paragraph (7) would require the bilateral commercial agreement to provide arrangements for settling commercial differences and disputes. Since commercial transactions themselves will normally be entered into by U.S. nationals (rather than the Government), it would not be appropriate to require a specific, time-consuming form of arbitration or other dispute-settlement procedure. Rather it is intended that the bilateral commercial agreement contain an endorsement by both governments of the principle of independent dispute-settlement mechanisms and the inclusion of undertakings to facilitate such mechanisms.

Paragraph (8) would provide that new bilateral trade agreements contain provisions for the facilitation of trade between the two countries. Such agreements may include provisions dealing with the establishment or expansion of trade and tourist promotion offices; the facilitation of activities of governmental commercial officers; participation in trade fairs and exhibits; the sending of trade missions; and the facilitation of entry, establishment and travel of commercial representatives. Because the 1972 U.S.-U.S.S.R. Trade Agreement does not contain provisions specifically dealing with industrial rights and processes or trade promotion, it was considered desirable to exclude the operation of paragraphs 6 and 8 from that Agreement during its initial period. Otherwise this agreement complies with the requirements of subsection (b) and need not therefore be renegotiated.

Paragraph (9) would require that the bilateral commercial agreement provide for consultations to review the operation of the agreement and relevant aspects of relations between the United States and the other party.

Paragraph (10) makes it clear that a bilateral commercial agreement under Section 405 could contain any other appropriate provision which promotes the purposes of the bill.

The Committee believes that Section 405 would insure that commercial arrangements with communist countries provide benefits to the U.S. private sector and the opportunity to monitor the agreement to make certain it operates in a favorable manner, and that such agreements afford the opportunity to secure any adjustment needed to protect our interests.

In general, a bilateral commercial agreement contemplated by Section 405, and the accompanying proclamations of nondiscriminatory treatment referred to in Section 404(a), would come into effect only if approved by the Congress by the adoption of a concurrent resolution of approval referred to in Section 151. However, clause (2) of subsection (c) of section 405 specifically provides that the 1972 U.S.-U.S.S.R. Trade Agreement and the accompanying proclamation of nondiscriminatory treatment could automatically go into effect if a resolution of disapproval referred to in Section 152 is not adopted during the 90-day period specified in Section 407(c). This latter provision retains the application of the one-House negative veto contained in the House bill to the Soviet agreement.

MARKET DISRUPTION

(Section 406)

The purpose of Section 406 is to provide an effective remedy against market disruption caused by imports from communist countries.

The Committee recognizes that a communist country, through control of the distribution process and the price at which articles are sold, could disrupt the domestic markets of its trading partners and thereby injure producers in those countries. In particular, exports from communist countries could be directed so as to flood domestic markets within a shorter time period than could occur under free market condition. In this regard, the Committee has taken into account the problems which East-West trade poses for certain sectors of the American economy. For example, the U.S. watch and clock industry is in a particularly vulnerable position because of East European countries' capacity for penetrating markets with under-priced clocks and watches. When Canada provided most-favored-nation status to communist-bloc countries in the 1960's, low-priced East European clock imports increased dramatically, to the point where sales of such imports surpassed those of domestic Canadian producers. In the face of such imports, traditional unfair trade remedies, such as under the Antidumping Act, have proved inappropriate or ineffective because of the difficulty of their application to products from State-controlled economies.

The Committee is also particularly concerned that the U.S. could become dependent upon Communist countries for vital raw materials such as oil, gas, nickel, chromium, manganese and others. If traditional, dependable suppliers of such materials, whether they are domestic or foreign, are suddenly forced out of business by substantial imports of

such materials from communist countries, it could result in market disruption, or the threat thereof, for the domestic industry either producing or utilizing such articles. For example, the United States has traditionally received the bulk of its imported nickel from Canada. Nickel, like many other materials, is essential to the national defense and economic security of the United States. However, the Soviet Union is the world's second largest producer of nickel (after Canada) and Cuba is now the fourth largest producer. Obviously, the United States cannot afford to become overdependent on the Soviet Union or Cuba for vital materials. Our traditional, dependable suppliers of such materials should be given reasonable assurances that they will be able to compete in our market under fair trade conditions without facing the threat of periodic dumping or other disruptive sales practices. A reasonable quantity of such materials could be imported from communist countries without causing market disruption; and, if the traditional suppliers utilize monopolistic pricing policies, a substantial quantity could be imported without market disruption. The Committee expects the Commission and the President to monitor carefully import trends and to view each case with the goal of preventing imprudent dependence on a nonmarket economy for a vital material.

Section 406, unlike the rest of Title IV, would apply to all communist countries—whether or not they currently receive nondiscriminatory treatment and whether or not they ever receive nondiscriminatory treatment under this Title. The criteria to be applied by the International Trade Commission in determining whether market disruption exists would be liberalized and broadened, beyond the criteria in the House bill, so as to assure that effective action against market disruption or its likelihood will be taken at the earliest possible time. The Committee believes that this section would provide prompt and effective relief in those cases in which imports from communist countries are threatening to cause or are causing material injury to domestic industries.

Section 406, as amended by the Committee, would require the Commission—upon a petition by a trade association, firm, union, or group of workers, upon request by the President or the Special Representative for Trade Negotiations, upon resolution of either the House Committee on Ways and Means or the Senate Committee on Finance, or on its own motion—to initiate an investigation to determine whether market disruption exists in a domestic industry with respect to imports of an article from any communist country, including Poland and Yugoslavia. The Committee believes a traditional supplier of materials to the United States market, even if it be a foreign-owned corporation, should be able to petition the Commission on a market disruption situation. The Commission must reach its determination and publicly report it to the President within three months rather than six months for normal escape clause actions under Title II. If the Commission finds that market disruption or its likelihood exists, it would also report the amount of increase in, or imposition of, any duty or other import restriction on the article that it considers necessary to prevent or remedy the market disruption. The Commission could not, under this provision, recommend adjustment assistance, as it could do under title II of this bill. The Commission would, to the

maximum extent feasible, seek to provide a clear decision, avoiding tie votes and many individual views, on both the market disruption determination and the remedy suggested. Under section 406(b)(1), after an affirmative finding by the Commission, the President must take positive action to remedy the market disruption condition, but could only take action with respect to imports from the country or countries which are found to cause such market disruption.

To assure domestic producers adequate protection against such an event, the Committee, for the purposes of relief action under this section, has amended the House version of the bill to provide that "market disruption exists within a domestic industry whenever an article is being or likely to be imported into the United States in such increased quantities as to be a significant cause of material injury or threat thereof, to such domestic industry." This market disruption definition contained in the Committee bill is formulated along lines similar to the criteria for import relief under section 201 of this bill. However, the market disruption test is intended to be more easily met than the serious injury tests in section 201. While section 201(b) would require that increased imports of the article be a "substantial cause" of the requisite injury, or the threat thereof, to a domestic industry, section 406 would require that the article is being, or is likely to be, imported in such increased quantities as to be a "significant cause" of material injury, or the threat thereof. The term "significant cause" is intended to be an easier standard to satisfy than that of "substantial cause". On the other hand, "significant cause" is meant to require a more direct causal relationship between increased imports and injury than the standard used in the case of worker, firm and community adjustment assistance, i.e., "contribute importantly." In addition, the term "material injury" in section 406 is intended to represent a lesser degree of injury than the term "serious injury" standard employed in section 201.

The increase in imports required by the market disruption criteria must have occurred during a recent period of time, as determined by the Commission taking into account any historical trade levels which may have existed.

In order to make section 406 a more effective instrument for relief from disruptive imports from communist countries, the Committee bill would also authorize the President to take immediate emergency action, without having to wait for an investigation and affirmative finding by the Commission. Specifically, section 406(c) of the bill would direct the President to request the Commission to initiate an investigation, whenever he has reasonable grounds to believe that market disruption exists with respect to imports from a communist country. If the President further finds that emergency action is necessary, he could take action to impose import restrictions under sections 202 and 203, as if an affirmative determination had been made by the Commission under this section. If, after such emergency action, the Commission makes a negative determination, the emergency relief is to cease upon receipt by the President of the Commission report. If the Commission makes an affirmative finding, the emergency measures would continue until the President acts pursuant to such report under the applicable procedures in sections 202 and 203 of the bill.

The bill would also provide for petition by a trade association, firm, union, or group of workers to the Special Trade Representative to initiate consultations in the manner provided for under the safeguard arrangements of any bilateral commercial agreement under this Title. The Office of the Special Trade Representative would be authorized to propose rules governing such petitions and, after receipt of a properly filed petition, the Special Representative would be directed to initiate such consultations if he determines there is a reasonable probability that market disruption (arising from imports of a product from any party to a bilateral agreement under this title) exists in a domestic industry producing a like or directly competitive article.

The Committee expects that the President and the Special Trade Representative will take such action as may be necessary to prevent the United States from becoming overdependent on communist countries for materials essential to our national defense or our domestic economy.

For the purposes of section 406 (not including the consultation procedures), "communist country" means any country dominated or controlled by communism. As indicated earlier, this would apply to communist countries even if they were not listed in headnote 3(e) to the Tariff Schedules of the United States, such as Poland and Yugoslavia.

PROCEDURE FOR CONGRESSIONAL APPROVAL OF EXTENSION OR CONTINUANCE OF NONDISCRIMINATION TREATMENT

(Section 407)

In the case of an initial extension of nondiscriminatory tariff treatment to the products of a country covered by this Title, the President must submit to Congress a copy of his proclamation extending nondiscriminatory treatment, a copy of the bilateral agreement pursuant to which such treatment is to be extended, and a statement of his reasons for extending such treatment to the country concerned. The proclamation would become effective and the agreement would enter into force only if Congress adopts a concurrent resolution of approval. Special expediting rules governing procedures for dealing with resolutions under Section 407 are contained in Section 151 of the bill.

In the case of reports required by Sections 402(b) (freedom of emigration) and 403(b) (cooperation in locating missing in action), and in the case of the 1972 U.S.-U.S.S.R. Trade Agreement and a proclamation implementing said Agreement, if either House adopts a resolution of disapproval (under the procedures set forth in Section 152) of the continuation, or extension, of nondiscriminatory treatment with respect to products of the country involved, or of government credits, and of government credit and investment guarantees, such treatment, credits, or guarantees would cease (or, in the case of the approval of the U.S.-U.S.S.R. agreement and implementing proclamation, would not go into effect) on the day after the date such resolution is adopted by a majority of those voting of either House of Congress. Nondiscriminatory treatment could not thereafter be extended to the products of such country except in accordance with the provisions of this title.

Under the House bill, nondiscriminatory (MFN) treatment, U.S. Government credits and credit and investment guarantees could not be extended nor could the bilateral agreement go into effect, with respect to a non-market country, during the period in which the President determined that the country was not permitting the free immigration of its citizens. In addition, the House bill provided that the extension of nondiscriminatory treatment and the commercial agreement could not go into effect until submitted to Congress and made subject to the 90 day period for Congressional veto. However, the House bill did not make the extension of Government credits or guarantees subject to a veto by the Congress. The Committee believes that this was an oversight given the fact that the report to the Congress under section 402 required a submission of information relating to the emigration policy of the country concerned. Nondiscriminatory treatment would also be subject to a Congressional veto on an annual basis following the initial extension of such treatment. However, again the House bill did not provide that the extension of Government credits or guarantees should also be made subject to the annual veto procedure. The Committee has amended Section 407 to require that a disapproval of either the original report or the continuation of nondiscriminatory treatment would apply to the extension of credits or guarantees. In the case of credits and guarantees, the veto would cover the extension of any such credits or guarantees after the date of such veto, and not affect those already approved and in effect.

The reports required to be submitted to the Congress under sections 402(b) and 403(b), would be submitted on a semiannual basis. However, the one-House veto procedure described in the preceding paragraph would apply only in the case of the December reports. After receipt of such reports, either House would have 90 days (in which that House was in session) in which to adopt a resolution of disapproval.

These congressional provisions would assure continuing congressional oversight with regard to commercial relations with communist countries.

Section 407 of the House bill directed the President to amend headnote 3(e) of the Tariff Schedules of the United States (TSUS) to reflect changes in the status of tariff treatment to communist countries made pursuant to Title IV. The Committee deleted this provision as being unnecessary, given the general authority provided the President under section 604 of the bill to modify the TSUS in accordance with actions taken under the bill.

NONDISCRIMINATORY TREATMENT FOR CZECHOSLOVAKIA CONDITIONED UPON THAT COUNTRY'S PAYMENT OF THE PRINCIPAL BALANCE DUE ON ITS DEBT TO U.S. CITIZENS

(Section 408)

A basic policy of title IV is that, wherever proper and feasible, the United States should strive to obtain fair, beneficial, economic treatment for its citizens in exchange for the granting of nondiscriminatory tariff treatment and other valuable benefits to communist nations. Accordingly section 408 of the bill would provide that Czechoslovakia, which owes U.S. citizens a balance of \$105 million for expro-

priation of their properties in the late 1940's, would not become eligible for most-favored-nation treatment, or for U.S. loans or credits, or for the release of certain gold the U.S. Government has been holding as security for the payment of that expropriation debt, until that country first pays at least the principal amount it owes U.S. citizens (\$64 million).

The Committee conducted two hearings on this section of the legislation during which the Deputy-Secretary of State and several other representatives of his department were heard at length. The testimony presented reinforced the Committee's belief that, under title IV, Congress must have the right to review actions the Executive Branch proposes to take to grant valuable new trade and other economic benefits to communist nations, especially when those actions also involve the surrender or settlement of important interests of the United States or its citizens.

In this particular case, the facts developed by the Committee show that when Czechoslovakia became a communist nation shortly after World War II, it expropriated all properties in that country owned by U.S. citizens. No compensation of any kind was provided.

In turn, as a means of ultimately securing payment for these expropriated properties, the U.S. Government -

(i) seized and blocked all assets belonging to Czechoslovakia in this country; and

(ii) announced that, as a member of the Tripartite Commission for the Restitution of Monetary Gold established under the Paris Reparations Agreement of 1946, it would insist that 18.4 metric tons of gold belonging to Czechoslovakia and controlled by that Commission be withheld from Czechoslovakia until the latter compensated our citizens for their expropriated properties.¹

In 1958, when Czechoslovakia continued to fail to provide compensation, Congress passed Public Law 85-604 which directed the Foreign Claims Settlement Commission to adjudicate the U.S. claims against Czechoslovakia. In addition, Congress created a Czechoslovakian Claims Fund in the Treasury to consist of the net proceeds of sale of certain Czechoslovakian steel mill components the Secretary of the Treasury had previously blocked and sold pursuant to an Executive order issued by the President. Public Law 85-604 provided further that if Czechoslovakia failed voluntarily to pay the outstanding U.S. expropriation claims within a year, the \$9 million fund so established would be used by our Government to provide partial compensation of the U.S. claimants.

Czechoslovakia failed to make any voluntary payments, and the \$9 million fund was utilized by our Government to provide partial compensation. Approximately \$500,000 was consumed in the administration of the fund and the adjudication of the claims, so the net amount finally distributed in 1962 to the U.S. award holders was only \$8.5 million. However, the awards rendered by the Foreign Claims Settle-

¹ Under the terms of the 1946 agreements which created the Tripartite Commission, the Commission's actions must be taken by "unanimous consent of its members." Hence, as one of three members, the U.S. Government's action effectively blocked release of the 18.4 tons of gold to Czechoslovakia. In fact, a major portion of that gold is physically held by our Government here in the United States.

ment Commission totaled \$113.64 million, so after distribution of the \$8.5 million fund, Czechoslovakia was still indebted to our citizens in the sum of \$105 million. That indebtedness remains outstanding today, 25 years after the U.S. properties were originally expropriated.

In the meantime, of course, international conditions have changed. Czechoslovakia, like the Soviet Union and other Communist bloc nations, seeks most-favored-nation treatment under U.S. tariff laws. Title IV of this bill would authorize the granting of that treatment if a bilateral commercial agreement was approved by Congress. It is estimated that this could result in new trade for Czechoslovakia worth hundreds of millions of dollars a year.

Also like the Soviet Union, Czechoslovakia is interested in U.S. loans, grants, credits and guarantees. During the two-year period from 1946 to 1948, before Czechoslovakia became a communist country the United States extended grants and long-term credits to that country totaling \$191 million. No U.S. assistance of any kind has been received by Czechoslovakia since the expropriation of U.S. properties. In the interim, Czechoslovakia's neighbor, Yugoslavia, has received U.S. economic assistance totaling \$2.7 billion, and just last year, the Soviet Union enjoyed favorable U.S. loans and credits in the sum of \$851.2 million.

Moreover, Czechoslovakia wishes to recover the 18.4 metric tons of gold the United States has been holding as security for the payment of its citizens' expropriation awards. That gold has increased in market value from \$20 million in 1946 to approximately \$100 million in 1974.

It was not surprising, therefore, that late last year, with Congress well along the way to passing trade legislation which opens the door to vast new economic benefits, Czechoslovakia suddenly indicated its willingness to negotiate a settlement of the 25-year-old \$105 million expropriation debt it owes citizens of the United States. Plainly, the U.S. negotiating position could not have been more favorable. The blocked gold alone was worth far more than the principal balance owed by Czechoslovakia (\$64 million), and as indicated above, the hundreds of millions of dollars of new annual trade and economic benefits sought by Czechoslovakia were vitally important to that nation.

Unfortunately, however, a proposed draft settlement agreement was initialed in Prague in July 1974 which is completely unacceptable and contrary to the valid interests of the 2,600 citizens of the United States whose properties were expropriated by Czechoslovakia. Essentially, these are the terms of that proposed agreement:

1. The United States should immediately release to Czechoslovakia the 18.4 tons of gold and all other blocked assets it has been holding as security for Czechoslovakia's payment of the \$105 million expropriation debt.

2. Czechoslovakia's \$105 million expropriation debt to citizens of the United States should be fully and finally settled for only \$20.5 million, such sum to be paid in installments over the next 12 years.

3. Upon passage of this legislation, Czechoslovakia would be eligible to apply for most-favored-nation treatment under our tariff laws and for extension of the other important economic benefits described above.

During its presentation to the Committee, the State Department repeatedly contended that this proposed agreement is "the most favorable one we have concluded with the Eastern European countries in the post-war years." That representation is simply not true. Far better settlements were made with Yugoslavia and Bulgaria, the former, for example, having paid 100 cents on the dollar of the amount it owed U.S. citizens for the expropriation of their properties after World War II. Similarly, far more advantageous settlements were made of our citizens' war damage claims against Germany and Italy. And, of course, none of these arrangements involved a long installment payment plan whereby our citizens would finally be paid, without interest of any kind, in 1987 for the properties they lost in 1947—or a plan whereby installment payments are to be made by the debtor nation long after the United States releases all security it presently holds for ultimate payment of the debt.

One-sided agreements of this nature are especially dangerous to the United States and its citizens at this particular time in history when nations in various parts of the world are threatening to expropriate or nationalize U.S. properties worth billions of dollars, while other nations have already taken valuable U.S. holdings without the payment of just compensation. The United States simply cannot afford to proclaim in the face of this trend that expropriations of U.S. properties will quickly be forgotten if the taking nation ultimately offers a relative pittance in return.

Section 408 of the bill therefore seeks to resolve a difficult problem as fairly as possible to both our own citizens and Czechoslovakia as well. It does not prohibit the granting of most-favored-nation status or other economic benefits to the latter. Rather, it provides that those benefits may be extended, but only after Czechoslovakia first pays at least the principal amount (\$64 million) owed on its outstanding \$105 million expropriation debt.

EFFECTS ON OTHER LAWS

It is the Committee's intent that nothing in this title should be construed as authorizing sales or transfers which are proscribed under other provisions of the law (for example, the Mutual Defense Assistance Control Act or the Trading With the Enemy Act).

The CHAIRMAN. If you have a prepared statement, we will be happy to hear it. I will call on Senators.

STATEMENT OF HON. HENRY A. KISSINGER, SECRETARY OF STATE, ACCOMPANIED BY THOMAS O. ENDERS, ASSISTANT SECRETARY OF STATE FOR ECONOMIC AND BUSINESS AFFAIRS, AND AMBASSADOR WILLIAM D. EBERLE, SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

Secretary KISSINGER. I thank you, Mr. Chairman, for this opportunity to appear before your committee, and particularly for your patience while scheduling difficulties were being worked out.

Let me first address the question of why the administration places such a high priority on passage of the Trade Reform Act—a priority which has increased since the bill was first introduced. At a time when the economic stability of the world has been severely shaken and difficult times still lie ahead, it is of critical importance to demonstrate that the nations of the world can resolve critical economic problems and conduct their trading relationships in a spirit of compromise and a recognition of interdependence.

There are many causes of the current worldwide economic crisis. But one of the principal problems is the unwillingness of too many nations to face the facts of interdependence. The application of ever more restrictive trade practices, the insistence on the unfettered exploitation of the national advantage, threatens the world with a return to the beggar-thy-neighbor policies of the thirties.

The United States has repeatedly urged the nations of the world to raise their sights and to avoid ruinous confrontation. In the fields of food and energy we have made far-reaching and detailed proposals to give effect to the principles of interdependence for the common benefit. The trade negotiations which will be made possible by the bill before you are part of this overall design.

The major trading nations stand today uneasily poised between liberalized trade and unilateral restrictive actions leading towards autarky. If they choose the second course, global economic difficulties will be magnified and an international economic crisis will be upon us. This in turn will make all other international problems more difficult to solve. For such a catastrophe to result from our failure to act would be a blow to international stability of potentially historic proportions.

In my testimony before this committee of March 7, 1974, I stated the objectives of the Trade Act to be as follows:

A mutual reduction of trade barriers among industrialized countries.

A joint response by industrialized countries to the aspirations of developing countries which require the expansion of exports to sustain their development programs.

A normalization of trade relations between the United States and the countries of Eastern Europe and the Soviet Union.

A new start on emerging trade issues that are not covered under the present trade rules and procedures.

The preservation and enhancement of a global, multilateral economic relationship, and the dampening of tendencies toward discriminatory arrangements among selected groups of countries.

Mr. Chairman, the importance of these objectives has been emphasized by events since. I am confident that current economic problems can be solved.

We should bear in mind that the foreign policy implications of the Trade Reform Act are not limited to those provisions on which I wish at your request to direct my main comments—our trade relations with Communist countries, and generalized preferences for developing countries.

The bill in its entirety is an absolutely essential tool if the United States is to be in a position effectively to manage its overall relations—political and economic—at a time when the world economy is at a critical point.

Mr. Chairman, you have asked me to return to your committee to comment specifically on the emigration issue as it relates to title IV of the trade bill; a problem dealt with in the Jackson-Vanik amendment to title IV.

Let me state at the outset that I deal with this matter with considerable misgiving because what is said on this occasion could, if not handled with utmost care, deal a serious setback both to the cause of freer emigration from the U.S.S.R. and to the more hopeful trend in United States-Soviet relations that has been maintained for the last few years and which was recently strengthened in the President's meeting with Mr. Brezhnev in Vladivostok.

As you are well aware, the administration since the beginning of détente had been making quiet representations on the issue of emigration. We were never indifferent to nor did we condone restrictions placed on emigration. We understood the concerns of those private American groups that expressed their views on this troubling subject.

We believed, based on repeated Soviet statements and experience that making this issue a subject of state-to-state relations might have an adverse effect on emigration from the U.S.S.R. as well as jeopardize the basic relationship which had made the steadily rising emigration possible in the first place. We were convinced that our most effective means for exerting beneficial influence was by working for a broad improvement in relations and dealing with emigration by informal means.

It is difficult, of course, to know the precise causes for changes in emigration rates. We know that during the period of improving relations and quiet representations, emigration rose from 400 in 1968 to about 33,500 in 1973. We believe that increase, as well as recent favorable actions on longstanding hardship cases, was due at least in part to what we had done privately and unobtrusively.

We are also convinced that these methods led to the suspension of the emigration tax in 1973. We can only speculate whether the decline by about 40 percent in 1974 was the result of decisions of potential applicants or whether it was also affected by the administration's inability to live up to the terms of the trade agreement we had negotiated with the Soviet Union in 1972.

Nevertheless, we were aware that substantial opinion in the Congress favored a different approach. We recognized that if our Gov-

ernment was to be equipped with the necessary means for conducting an effective foreign policy, it would be necessary to deal with the emigration issue in the trade bill.

As I stated in my previous testimony before this committee, we regard mutually beneficial economic contact with the U.S.S.R. as an important element in our overall effort to develop incentives for responsible and restrained international conduct.

I, therefore, remained in close contact with leaders of the Congress in an effort to find a means of reconciling the different points of view. I remember that I was urged to do so by several members of this committee when I testified before you on March 7 of this year. Shortly afterwards, I began meeting regularly with Senators Jackson, Ribicoff, and Javits to see whether a compromise was possible on the basis of assurances that did not reflect formal governmental commitments but, nevertheless, met widespread humanitarian concerns.

We had, as you know, been told repeatedly that the Soviet Union considered the issue of emigration as a matter of its own domestic legislation and practices not subject to international negotiation. With this as a background, I must state flatly that if I were to assert here that a formal agreement on emigration from the U.S.S.R. exists between our governments, that statement would immediately be repudiated by the Soviet Government.

In early April, the three Senators agreed to an approach in which I would attempt to obtain clarifications of Soviet domestic practices from Soviet leaders. These explanations could then be transmitted to them in the form of a letter behind which our Government would stand.

My point of departure was statements by General Secretary Brezhnev during his visit to the United States in 1973 to both our Executive and Members of Congress to the effect that Soviet domestic law and practice placed on obstacles in the way of emigration.

In conversations with Foreign Minister Gromyko in Geneva in April, in Cyprus in May, and in Moscow in July we sought to clarify Soviet emigration practices and Soviet intentions with respect to them. It was in these discussions that information was obtained which subsequently formed the basis of the correspondence with Senator Jackson, with which you are familiar.

In particular, we were assured that Soviet law and practice placed no unreasonable impediments in the way of persons wishing to apply for emigration; that all who wished to emigrate would be permitted to do so except for those holding security clearances; that there would be no harassment or punishment of those who applied for emigration; that there would be no discriminatory criteria applied to applicants for emigration, and that the so-called emigration tax which was suspended in 1973 would remain suspended.

It was consistently made clear to us that Soviet explanations applied to the definition of criteria and did not represent a commitment as to numbers. If any number was used in regard to Soviet emigration, this would be wholly our responsibility; that is, the Soviet Government could not be held accountable for or bound by any such figure. This point has been consistently made clear to Members of Congress with whom we have dealt.

Finally, the discussions with Soviet leaders indicated that we would have an opportunity to raise informally with Soviet authorities any indication we might have that emigration was, in fact, being interfered with or that applicants for emigration were being subjected to harassment or punitive action in contradiction to these assurances.

The points I have just cited have always been the basis for my contacts with Senators Jackson, Javits, and Ribicoff.

I may add that these points have been reiterated to us by Soviet leaders on several occasions, including in President Ford's initial contacts with Soviet representatives after he took office, and in August again recently at Vladivostok.

All these clarifications were conveyed to the three Senators, and eventually led to the drafting of the exchange of correspondence published by Senator Jackson on October 18. The process took much time, however, because of the administration's concern that there be no misleading inference—specifically, that there be no claim to commitments, either in form or substance, which, in fact, had not been made.

Within a week of being sworn in, President Ford took a direct and personal interest in settling the issues yet outstanding. He met or had direct contact with the three Senators—as well as with you, Mr. Chairman—on several occasions. He discussed the subject with leading Soviet officials.

These contacts and conversations eventually resulted in the drafting of two letters, one from me to Senator Jackson and one from the Senator to me.

The first of these letters contains the sum total of the assurances which the administration felt in a position to make on the basis of discussions with Soviet representatives.

The second letter contained certain interpretations and elaborations by Senator Jackson which were never stated to us by Soviet officials. They will, however, as my letter to Senator Jackson indicated, be among the considerations which the President will apply in judging Soviet performance when he makes his determination on whether to continue the measures provided for in the trade bill, that is, extension of governmental credit facilities and of most-favored-nation treatment.

We recognize of course that these same points may be applied by the Congress in reaching its own decisions under the procedures to be provided in the trade bill.

With the exchange of correspondence agreed, it became possible to work out a set of principles—which, I understand, has now been offered as Senate Amendment 2000—whereby the President will be authorized to waive the provisions of the original Jackson-Vanik amendment and to proceed with the granting of MFN and Eximbank facilities for at least an initial period of 18 months.

These procedures will also provide for means whereby the initial grants can be continued for additional 1-year periods.

Thus, Mr. Chairman, I believe a satisfactory compromise was achieved on an unprecedented and extraordinarily sensitive set of issues. I cannot give you any assurance concerning the precise emigration rate that may result, assuming that the trade bill is passed and MFN is extended to the USSR.

As I noted earlier, it is difficult to know fully the causes of past changes in Soviet emigration rates. However, I do believe that we have every right to expect, as my letter to Senator Jackson said, that the emigration rate will correspond to the number of applicants and that there will be no interference with applications. If some of the current estimates about potential applicants are correct, this should lead to an increase in emigration.

I believe it is now essential to let the provisions and understandings of the compromise proceed in practice. I am convinced that additional public commentary, or continued claims that this or that protagonist has won can only jeopardize the results we all seek.

We should not delude ourselves that the commercial measures to be authorized by the trade bill will lead a powerful state like the Soviet Union to be indifferent to constant and demonstrative efforts to picture it as yielding in the face of external pressure, nor can we expect extended debates of domestic Soviet practices by responsible U.S. public figures and officials to remain indefinitely without reaction.

We should keep in mind that the ultimate victims of such claims will be those whom all of us are trying to help.

Therefore, I respectfully ask that your questions take account of the sensitivity of the issues. There will be ample opportunity to test in practice what has been set down on paper and to debate these matters again when the time for stocktaking foreseen in the legislation has come. With this caveat, I shall of course answer your questions to the best of my ability.

As I indicated to this committee in March, we seek improved relations with the Soviet Union because in the nuclear age we and the Soviets have an overriding obligation to reduce the likelihood of confrontation. We have profound differences with the Soviet Union, and it is these very differences which compel any responsible administration to make a major effort to create a more constructive relationship. In pursuing this policy, we are mindful that the benefits must be mutual, and that our national security must be protected.

With respect to title IV of the trade reform bill, we believe we are now in a position to meet these vital concerns adequately, while at the same time bringing important economic and political benefits to the United States.

III. I would be remiss if I did not also take this opportunity to comment briefly on another part of the trade bill which has important foreign policy implications.

You will recall, Mr. Chairman, that I wrote to you in September to express my strong support for title V of the Trade Reform Act because I consider the prompt implementation of a meaningful system of generalized preferences important to U.S. relations with developing countries. I am gratified that this committee has agreed to endorse the concept of generalized tariff preferences.

I have, however, serious questions about the decision of your committee to exclude automatically certain categories of developing countries from the benefits of these preferences.

The concerns which these amendments reflect are, I believe, shared by all in both the executive and legislative branches of our Government. I am not opposed to having these concerns put on the record.

However, these amendments, as we understand them, would result in the automatic denial of preferences to a number of important developing countries. Such automaticity could work to our disadvantage.

For example, would it be in our interest to exclude all members of the Organization of Petroleum Exporting Countries, including those which did not participate in last year's oil embargo?

Moreover, many of the countries affected—including those who can play a role in helping prevent renewed conflict in the Middle East—are just those with which we are now actively engaged in efforts to strengthen our relations and to work out mutually acceptable solutions to difficult economic and political problems.

With respect to the automatic denial of preferences to countries expropriating U.S. property, the Congress recognized last year that inflexible sanctions are not effective in promoting the interests of American citizens or businesses abroad, and therefore modified the Hickenlooper amendment to authorize the President to waive its sanctions when required for our national interest. The same discretionary authority should be provided in the trade bill.

This committee has made several changes in title V which we consider to be distinct improvements. At the same time, I believe that title V, as passed by the House, contains ample authority to provide or to deny generalized preferences to any country whenever it is in the overall interest of the United States to do so.

I can assure you that the administration will keep Congress fully informed in advance of the basis for any decisions on beneficiary status. I am confident that you and your committee will give serious consideration to the problems that I have raised.

The trade bill is one of the most important measures to come before the Congress in many years. It is essential to our hopes for a more stable, more prosperous world. This Congress, in the time remaining to it, thus has an opportunity to contribute to the construction of a safer and more peaceful world.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Byrd asked that these hearings be held and has insisted that we should understand this subject before the Senate takes the bill up. I, therefore, yield my time to Senator Harry Byrd.

I would suggest that the first round of questions would be limited to 10 minutes for each Senator and thereafter perhaps we can have a longer time for those who care to participate further.

Senator BYRD. Thank you, Mr. Chairman.

Mr. Secretary, the trade reform bill as approved by the House Ways and Means Committee and by the House of Representatives and by the Committee on Finance includes the Jackson-Vanik amendment, of which I am a cosponsor, which requires certain concessions from Russia in return for being granted most-favored-nation treatment and long-term low-interest rate loans.

You told this committee on March 7 that you would recommend a veto of the trade reform bill if the Jackson-Vanik amendment remains in the bill, because it would be interfering in the internal affairs of the Soviet Union.

My question, Mr. Secretary, is this: In return for the United States granting most-favored-nation tariff treatment, U.S. technology

and long-term credits at taxpayer-subsidized interest rates to Russia, do you think the United States should demand concessions from Russia?

Secretary KISSINGER. Senator, to complete the record of what I said on March 7, I also pointed out to Senator Nelson and others that I was prepared to work with members of this committee or other interested Senators on a compromise between their concerns and the concerns that I expressed here, and I did not flatly say that we would veto any bill that included the Jackson-Vanik amendment.

To answer your question, Senator, I believe that the United States has a right, indeed it has a duty, to ask for reciprocity from the Soviet Union in return for any concessions that we make to the Soviet Union.

Senator BYRD. What firm commitments do you have from Russia?

Secretary KISSINGER. As I pointed out in my testimony, we have to separate two problems. We have to separate the problem of state-to-state relationships, and we have the problems that do not lend themselves to international negotiations as they are commonly practiced.

As I pointed out in my testimony on March 7, the United States did not begin commercial discussions with the Soviet Union in the face of considerable pressure that we do not do so until the Soviet Union had satisfied certain international standards of conduct which we thought were necessary before a more normal trading relationship could be established.

It was only after the Soviet Union began to practice greater restraint in certain important areas that we began these commercial negotiations.

Now with respect to the Soviet emigration practices, we face the dilemma that it is highly unusual, in fact, I know of very few precedents in international relations, where the domestic relations of another country becomes the subject of an international quid pro quo. We, therefore, had to find a formula which would satisfy the concerns of those who were concerned with the emigration issue and at the same time the Soviet's refusal to make this the subject of a state-to-state negotiation.

I would also like to point out that even prior to this we had made repeated presentations to the Soviet Union, which we did not publicize, on the issue of emigration, and these presentations were clearly not without effect because Jewish emigration from the Soviet Union rose between 1969 and 1973 from a rate of 400 a year to a rate of 33,500.

Now, what I have attempted to set down before this committee, Senator, is a formula by which the Soviet leaders explain their domestic practices and legislation to us in the form of certain clarifications, assurances, and information.

This is not a formal commitment. Nevertheless, the President in his conversations with the three Senators, and I in my letter to Senator Jackson, summed up these clarifications and indicated that the U.S. Government would stand behind them as having been received from the Soviet Government as a means of clarifying the issue. We thought that this formula would satisfy the concerns of all interested parties, and we proposed that the Congress permit us to see whether this can

operate. In 18 months we can all see whether this system of indirect assurances will in fact operate as we hope it will.

Senator BYRD. You say the Jackson-Vanik amendment interferes with the internal affairs of Russia.

Does or does not the Kissinger-Jackson compromise interfere in Russia's internal affairs?

Secretary KISSINGER. The compromise which I have put before the committee takes great care to maintain the distinctions that we have tried to elaborate while hopefully producing a positive outcome on what we are attempting to achieve, namely, increased Jewish emigration.

Senator BYRD. In replying to my second question, you stated it was very unusual for one nation to attempt to interfere in the emigration matters of another nation, and I certainly agree with that statement.

Then you point out that you have made great progress in this regard. What continually comes to my mind is why would the second most powerful nation in the world bow to the demands of the Congress for concessions on Soviet emigration?

Does this not suggest just how badly Russia needs and wants American technology, long-term loans, and taxpayer-subsidized interest rates?

Secretary KISSINGER. Well, Senator Byrd, again I would like to point out that we had made these presentations before there had been any congressional pressures.

I believe that what has been achieved through a variety of means does indicate that the Soviet Union places considerable importance on improved relations with the United States, including the acquisition of the benefits which you have described.

However, there is a point beyond which this cannot be pressed. It is a question of judgment where that point is.

Senator BYRD. The Soviet Union has turned to the United States for economic assistance, for our capital, our agricultural produce, and our advanced technology, all the while improving and expanding its nuclear and conventional military power.

My question is this: Whatever its intended purpose, does not the extending of long-term credit to the Soviets get them out of an economic bind while permitting them to continue their high rate of defense spending?

Are we not actually subsidizing the Soviet military buildup?

Secretary KISSINGER. Soviet history, Senator, tends to indicate that the Soviet Union will maintain a high rate of defense spending regardless of its trading relationship with other countries. It maintained a high rate of defense spending during the period of complete ostracism by other countries. It maintained a high rate of defense spending during the period of a substantial cutoff of economic relations with the United States.

The judgment that has to be made is whether to engage the Soviet Union in more normal economic practices and in this way improve the position of its population, and whether this in turn will not create further incentives for more responsible international conduct.

This consideration, if I may so say, is all the more important if one keeps in mind that there are many other nations that are eager to step in where we withdraw, especially Western Europe and Japan.

Senator BYRD. Mr. Secretary, neither the Congress nor the taxpayers have been told the extent of the obligation to extend subsidized credit to the U.S.S.R., would you tell the committee what commitments have been made in this regard?

Secretary KISSINGER. I am not aware of any commitments that have been made to the Soviet Union. All commitments have been held in abeyance subject to the passage by the Congress of the Trade Reform Act and the associated Eximbank authorization.

Senator BYRD. What brings me to that question is the record which shows that the Russian Government has received from the Eximbank in loans \$469 million plus \$118 million in guarantees for a total of \$587 million.

Secretary KISSINGER. Over a 3-year period.

Senator BYRD. Over less than a 3-year period, about a 14-month period.

The Senate last month put a ceiling on additional loans and guarantees to Russia of \$300 million. The Senate-House conferees removed the ceiling.

Do you oppose a ceiling on additional loans and guarantees to Russia?

Secretary KISSINGER. Senator, from the point of view of flexibility in the conduct of foreign policy, I would prefer that no ceiling be placed on these loans. But I would favor congressional consultation so that this committee is informed in a timely fashion of what is contemplated. But I believe it would increase the flexibility of our foreign policy if no ceilings were placed on—

Senator BYRD. What you are asking for is a blank check.

Secretary KISSINGER. No, Senator. You asked what will support our foreign policy most effectively. I would have to say that I do believe that we would be better off without a ceiling.

I do not think that this would necessarily constitute a blank check if there are adequate consultation provisions because this will give the Congress sufficient opportunity to present its opposition and presumably the administration would not grant loans unless, in its judgment, it supported the objectives of our foreign policy. And I can assure you we will grant such loans with considerable restraint.

Senator BYRD. I will get to the 18-month period a little bit later. But to clarify one point, the information given to the Senate by the Manager of the Eximbank was that these credits had been extended over a period of 13 to 14 months.

Secretary KISSINGER. Senator, I believe that the difference in perspective arises from the fact that the discussions may well have started 3 years ago and did not result in the granting of credits until about 15 months ago. So my perception of it is that the discussions from a foreign policy point of view started shortly after the visit to Moscow by Secretary Lynn and myself in 1972, though it is quite possible that the first loan was not approved until some time afterward.

I think this is where the difference between your perception and mine arises.

Senator BYRD. Thank you.

Thank you, Mr. Chairman.

(The Department of State subsequently submitted the following information:)

DEPARTMENT OF STATE,
Washington, D.C., December 9, 1974.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: During the course of Secretary Kissinger's appearance before your committee on December 3 there were several questions about the extent of Export-Import Bank lending to the Union of Soviet Socialist Republics. The following information may help satisfy these questions.

Although informal discussions began considerably earlier, the Export-Import Bank has been empowered to extend credits in support of United States export sales to the Soviet Union since October 18, 1972. On that date President Nixon issued a determination, in accordance with Section 2(b) (2) of the Export-Import Bank Act of 1945, as amended, that it was in the national interest for the Export-Import Bank to extend financing in connection with trade between the United States and the Union of Soviet Socialist Republics. This determination was made only when we felt that the broad normalization of relations with the USSR across the whole spectrum of political, security and bilateral relations had shown sufficient progress to enable us to move ahead with normalization of economic relations as well. Following this Presidential determination, the Bank began to accept financing requests for various sales proposals, some of which had already been under discussion between private American firms and Soviet authorities for some time.

The Board of Directors of the Export-Import Bank has subsequently approved sixteen loans to the USSR with a total value of \$468,956,000. A list of these loans is appended to this letter. In addition, the Export-Import Bank has issued pre-shipment guarantees against certain political risks. These guarantees, with a total value of \$118 million, were in all cases issued to American firms to cover products sold to the Soviet Union under Export-Import Bank direct credits, and should not be considered as an addition to the \$469 million in direct credits. Thus this \$118 million is insurance, and has no impact on any credit market.

All of these loans have been extended to the Bank for Foreign Trade of the USSR, with the guarantee of the Government of the USSR, and on terms and conditions consistent with Export-Import Bank's standard operating procedures. In considering these loans, the Board of Directors of the Export-Import Bank has, as a matter of normal practice, consulted with the Department of State and the National Advisory Council on International Monetary and Financial Policies. The terms and conditions, including the interest rate, of the credits extended to the Soviet Union were the standard Export-Import Bank terms and conditions prevailing at the time. In each case, the Soviet Union has been required to make a ten percent cash down payment and has borrowed 45 percent of the contract value from private American commercial banks, at rates negotiated directly with the private banks. The Export-Import Bank has extended credits for the remaining 45 percent of the contract value.

In response to Congressional concern regarding credits to the Soviet Union, the Bank has approved no loans since mid-1974, pending Congressional action on the extension of the Export-Import Bank Act of 1945, as amended. The only pending applications for credits to the Soviet Union at this time consist of one final credit application for \$18.45 million and three preliminary commitment applications totaling \$76.5 million.

I hope you will call on me if you believe we can be of further assistance.

Cordially,

LINWOOD HOLTON,
Assistant Secretary for Congressional Relations.

Enclosure:

Approved Export-Import Bank Credits to the Soviet Union.

Approved Export-Import Bank Credits to the Soviet Union

[In thousands of dollars]

Project: Submersible electric pumps.

U.S. Export Value of Contract: \$25,937----- Credit: \$11,672.

Preliminary Commitment Application Received:

12/8/72.

Preliminary Commitment Approved : 1/5/73.
 Credit Application Received : 2/16/73-----
 Loan Agreement Signed : 3/22/73-----
 Repayment Starting Date : 8/5/74.
 Project : Plant to produce tableware and dishware.
 U.S. Export Value of Contract : \$8,893-----
 Preliminary Commitment Application Received :
 10/18/72.

Preliminary Commitment Approved : 10/24/72.
 Credit Application Received : 2/27/73-----
 Loan Agreement Signed : 3/21/73-----
 Repayment Starting Date : 3/10/76.
 Project : Kama River truck plant.
 U.S. Export Value of Contract : \$342,120¹-----
 Preliminary Commitment Application Received :
 10/8/72.

Preliminary Commitment Approved : 11/10/72.
 Credit Application Received : 2/28/73-----
 Loan Agreement Signed : 3/21/73-----
 Repayment Starting Date : 10/10/77.
 Project : Circular knitting machines.
 U.S. Export Value of Contract : \$5,620-----
 Preliminary Commitment Application Received :
 3/7/73.

Preliminary Commitment Approved : 3/15/73.
 Credit Application Received : 8/29/73-----
 Loan Agreement Signed : 1/11/74-----
 Repayment Starting Date : 2/10/75.
 Project : Second tableware plant.
 U.S. Export Value of Contract : \$21,833-----
 Preliminary Commitment Application Received :
 3/30/73.

Preliminary Commitment Approved : 4/9/73.
 Credit Application Received : 10/9/73-----
 Loan Agreement Signed : 2/8/74-----
 Repayment Starting Date : 11/15/75.
 Project : Assembly plant for piston manufacture.
 U.S. Export Value of Contract : \$12,902-----
 Preliminary Commitment Application Received :
 3/19/73.

Preliminary Commitment Approved : 3/26/73.
 Credit Application Received : 10/9/73-----
 Loan Agreement Signed : 2/8/74-----
 Repayment Starting Date : 11/5/75.
 Project : 38 gas reinjection compressors.
 U.S. Export Value of Contract : \$26,252-----
 Preliminary Commitment Application Received :
 5/25/73.

Preliminary Commitment Approved : 7/10/73.
 Credit Application Received : 10/31/73-----
 Loan Agreement Signed : 2/8/74-----
 Repayment Starting Date : 11/5/76.
 Project : Iron ore pellet plant.
 U.S. Export Value of Contract : \$36,000-----
 Preliminary Commitment Application Received :
 7/16/73.

Preliminary Commitment Approved : 9/12/73.
 Credit Application Received : 11/23/73-----
 Loan Agreement Signed : 2/8/74-----
 Repayment Starting Date : 5/20/77.
 Project : Transfer line for machining friction
 drums.
 U.S. Export Value of Contract : \$5,580-----
 Preliminary Commitment Application Received :
 6/22/73.

Credit Approved : 2/21/73.
 Repayment Period : 7 yrs.
 Credit : \$3,102.

Credit Approved : 3/5/73.
 Repayment Period : 10 yrs.
 Credit : \$153,950.

Credit Approved : 3/5/73.
 Repayment Period : 12 yrs.
 Credit : \$2,529.

Credit Approved : 9/6/73.
 Repayment Period : 7 yrs.
 Credit : \$9,825.

Credit Approved : 11/26/73.
 Repayment Period : 10 yrs.
 Credit : \$5,806.

Credit Approved : 11/26/73.
 Repayment Period : 8 yrs.
 Credit : \$11,813.

Credit Approved : 12/20/73.
 Repayment Period : 7 yrs.
 Credit : \$16,200.

Credit Approved : 12/20/73.
 Repayment Period : 8 yrs.
 Credit : \$2,511.

¹ Including \$67.5 million credit increase approved 2/21/74.

Preliminary Commitment Approved : 7/9/73.
Credit Application Received : 11/28/73-----
Loan Agreement Signed : 2/8/74-----
Repayment Starting Date : 11/5/75.
Project : Transfer lines for piston plant.
U.S. Export Value of Contract : \$15,722-----
Preliminary Commitment Application Received : 7/16/73.
Preliminary Commitment Approved : 9/12/73.
Credit Application Received : 11/28/73-----
Loan Agreement Signed : 2/8/74-----
Repayment Starting Date : 5/5/76.
Project : Acetic Acid Plant.
U.S. Export Value of Contract : \$44,515-----
Preliminary Commitment Application Received : 10/18/73.
Preliminary Commitment Approved : 1/3/74.
Credit Application Received : 1/25/74-----
Loan Agreement Signed : 4/12/74-----
Repayment Starting Date : 2/10/79.
Project : Transfer line for machine flywheels.
U.S. Export Value of Contract : \$7,458-----
Preliminary Commitment Application Received : 10/17/73.
Preliminary Commitment Approved : 1/3/74.
Credit Application Received : 1/25/74-----
Loan Agreement Signed : 5/23/74-----
Repayment Starting Date : 8/20/76.
Project : Moscow Trade Center.
U.S. Export Value of Contract : \$80,000-----
Preliminary Commitment Application Received : 9/12/73.
Preliminary Commitment Approved : 12/3/73.
Credit Application Received : 1/29/74-----
Loan Agreement Signed : 5/23/74-----
Repayment Starting Date : 7/10/79.
Project : Canal building machinery.
U.S. Export Value of Contract : \$6,600-----
Preliminary Commitment Application Received : 11/12/73.
Preliminary Commitment Approved : 1/3/74.
Credit Application Received : 2/22/74-----
Loan Agreement Signed : 5/23/74-----
Repayment Starting Date : 12/15/75.
Project : Valve-making machinery.
U.S. Export Value of Contract : \$4,700-----
Preliminary Commitment Application Received : 11/12/73.
Preliminary Commitment Approved : 1/3/74.
Credit Application Received : 2/22/74-----
Loan Agreement Signed : 5/1/74-----
Repayment Starting Date : 12/15/76.
Project : Chemical fertilizer products manufacturing equipment and storage and distribution facilities.
U.S. Export Value of Contract : \$400,000-----
Preliminary Commitment Application Received : 5/14/73.
Preliminary Commitment Approved : 6/4/73.
Credit Application Received : 1/18/74-----
Loan Agreement Signed : 5/31/74-----
Repayment Starting Date : 5/20/79.

Credit Approved : 12/20/73.
Repayment Period : 8 yrs.

Credit : \$7,075.

Credit Approved : 12/20/73.
Repayment Period : 8 yrs.

Credit : \$20,032.

Credit Approved : 2/21/74.
Repayment Period : 10 yrs.

Credit : \$3,356.

Credit Approved : 2/28/74.
Repayment Period : 7 yrs.

Credit : \$36,000.

Credit Approved : 3/22/74.
Repayment Period : 10 yrs.

Credit : \$2,970.

Credit Approved : 3/22/74.
Repayment Period : 5 yrs.

Credit : \$2,115.

Credit Approved : 3/22/74.
Repayment Period : 5 yrs.

Credit : \$180,000.

Credit Approved : 5/21/74.
Repayment Period : 12 yrs.

The CHAIRMAN. Mr. Curtis.

Senator CURTIS. Mr. Chairman, if it would expedite matters to have the Senator from Virginia to continue his line of thought, I would be happy to yield half of my time for that purpose.

Senator BYRD. I thank the Senator very much.

Senator CURTIS. I would like 2½ minutes.

Senator BYRD. Why do you not take what you need and yield me back what you do not need.

Senator CURTIS. Mr. Secretary, I favor the early enactment of this trade bill. I favor the bill substantially as it came from the President of the United States.

Those of us who represent States having considerable agriculture are aware of the importance of foreign trade to agriculture. There has been a marked change in the price received, particularly by our grain farmers, since certain avenues of trade have been opened up.

We are dealing with a segment of our population that, over the years, has only enjoyed about 80 percent of the income standard of living as the rest of the economy.

I mention that not for the purpose of asking any specific question but to assure you of our interest in such trade negotiations as can be carried on that will continue to expand our agricultural exports. We are interested on the import side of our foreign trade, I believe that we should impose quotas on the importation of meat, but I will not go into that with a specific question at this time.

I do wish to call your attention to a matter that you are aware of. It is not very often that the entire Senate Finance Committee will take up an individual case in behalf of somebody, but a letter was sent to you dated April 5, 1974, signed by Chairman Long, which reads as follows:

On April 5 Mr. Szabolcs Mesterhazy appeared before the Committee on Finance and presented us with a courageous and stirring statement concerning his efforts to be reunited with his son currently living in Hungary. Mr. Mesterhazy and his family, except for his then 12-year-old son, escaped from Hungary in 1956. Since that time, the Government of Hungary has refused to permit the remaining son to emigrate from Hungary in order that he may be reunited with his family here in the United States.

Mr. Mesterhazy has apparently asked the State Department to intercede with the Hungarian Government on behalf of his son. Such efforts have as yet been unsuccessful. I am writing you today on behalf of the Senate Finance Committee to ask you to take any steps feasible to intercede with the Government of Hungary in an attempt to obtain the right to emigrate for his son. Any efforts that you can undertake on behalf of Mr. Mesterhazy's son would be greatly appreciated.

I would like to be informed on the attitude of the Hungarian Government on this matter before we go into executive session on the Trade Reform Act legislation.

With every good wish, I am
Sincerely,

RUSSELL B. LONG, *Chairman.*

Now, since that time information has been presented which might indicate that the son was not anxious to come here, or that he was suggesting a delay for certain appeal procedures over there.

I have information direct from the son, through the father, that that is not the case, that those facts are in dispute, and briefly, could you give us a report on this case?

Secretary KISSINGER. Senator, after the presentation from the committee, we addressed urgent inquiries to the Hungarian Government both in Washington and in Budapest. All I can tell you now is that

we have been informed that this case is under urgent, high level review in Budapest by the authorities there.

We will continue to use all the influence at our disposal and I believe that the expressions of concern by this committee will be of powerful assistance in pressing that case.

Senator CURTIS. It will have the support on the secretarial level?

Secretary KISSINGER. Full support on the secretarial level, and it has had full support.

Senator CURTIS. Now, is there anything in the exchange of correspondence between Senator Jackson and yourself that relates to an emigration matter for a country such as Hungary?

Secretary KISSINGER. No; there is nothing in that exchange of correspondence. Of course, if title IV as it now stands becomes law, then, before MFN can be granted, some set of assurances will have to be worked out applicable to the specific conditions of the nonmarket economy country concerned. This would allow the President to give the Congress the same assurance with respect to that country that it has with respect to the Soviet Union.

Senator CURTIS. Is Hungary a market economy?

Secretary KISSINGER. No; Hungary would fall under the provisions of this amendment. We have not had any discussions with Hungary on this subject. We have had some preliminary discussions with Romania.

Senator CURTIS. I yield back the balance of my time, or yield it to the Senator from Virginia.

Senator BYRD. I thank the Senator from Nebraska very much.

Mr. Secretary, is it not correct what the Soviet Union really wants and really needs from the United States are technology, know-how, long-term credits, and low interest rates? That is really what it needs.

Secretary KISSINGER. What was the last thing?

Senator BYRD. Subsidized low interest rates.

Secretary KISSINGER. Well, I think it is correct that the Soviet Union has indicated an interest in all of these items and that the decision that we have to make is to balance the relative strengthening of the Soviet economy this could represent against the advantages of drawing the Soviet Union into more normal international relations.

I think it is also important to point out that these credits which you have mentioned represent a very small sum to an economy that has a several hundred billion GNP.

Senator BYRD. Thank you, Mr. Secretary.

Now, in your statement today, you mentioned Senate amendment No. 2000. I have not seen the amendment so I cannot comment categorically on it. But your statement says that Senate amendment No. 2000 would authorize the President to waive the provisions of the original Jackson-Vanik amendment and to proceed with the granting of most-favored-nation treatment and Export-Import Bank facilities for at least an initial period of 18 months.

Now the reason that I would have difficulty supporting that amendment is that if there is no ceiling on Eximbank loans to Russia, then during that next 18 months hundreds of millions or billions of dollars can be made in loans and guarantees to Russia, and then 18 months later, when the Congress reviews it, all of the money has left the country and what do we do then?

Secretary **KISSINGER**. Well, first of all, the reason Eximbank facilities are mentioned is because the granting of Exim facilities has been tied to the passage of the Trade Reform Act. We recognize that the Eximbank facilities are subject to separate legislation. Whatever you adopt here in the trade reform bill only removes the impediment that has been created by making Export-Import loans subject to the passage of the trade reform bill. It does not prevent the Congress from passing whatever legislation it wishes with respect to the Eximbank.

Senator **BYRD**. Yes, but if I may interrupt here, Mr. Secretary, the State Department has lobbied against the ceiling—

Secretary **KISSINGER**. That is correct.

Senator **BYRD** [continuing]. On loans to Russia.

Secretary **KISSINGER**. That is correct.

Senator **BYRD**. You yourself say you do not favor a ceiling?

Secretary **KISSINGER**. That is correct.

Senator **BYRD**. Yet you want the Jackson-Vanik provision waived for 18 months, which certainly clearly makes possible the granting of hundreds of millions of dollars or billions of dollars of Export-Import credits.

Secretary **KISSINGER**. You proceed from the premise that there is an unquenchable desire to pour money into the Soviet Union.

Senator **BYRD**. Yes, I do proceed from that. I will be frank with you, I do proceed from that premise.

Secretary **KISSINGER**. I would suggest to you, Senator, that for the first 3 years of our dealings with the Soviet Union the criticism that was made against us in the Senate, to be sure not from you, was that we were too reluctant to extend commercial benefits to the Soviet Union. The argument then was that commercial benefits would have a tendency to bring about a more moderate Soviet policy. So I can assure you that our policy has always been to relate the economic benefits to progress in international affairs so that the danger you describe, even in the absence of any other congressional restraints, would be minimum.

Secondly, while we do not want a legislated ceiling we are prepared to work out consultative arrangements by which the Congress would be fully informed about the rate of contemplated loans. The Congress would in this way have an opportunity to express its objections while these loans were being considered.

So I am opposed to a legislated ceiling because it would deprive us of flexibility but I do not object to congressional review in such a manner that we would have to take very seriously into account the congressional views before major loans were made.

Senator **BYRD**. Major loans have been made. The Senate has evidence of it. It wishes a ceiling of \$300 million be established on additional loans, at the end of which time the administration could come back and make additional requests if it wishes.

Secretary **KISSINGER**. Of course the Senate is a coequal branch of the Government and has a right to legislate what it wishes. When the Senate asks us for our opinion we have to state that we think it would be better if this were not done. After that, it is up to the judgment of the Senate.

Senator **BYRD**. Thank you, sir.

The **CHAIRMAN**. Senator Hartke.

Senator HARTKE. Mr. Secretary, let me ask you first, would the application of this amendment, in its totality, affect other nations as well? For example, would it affect the nonmarket European countries of East Germany, Czechoslovakia, Poland, Hungary, Estonia, Latvia, Lithuania, Albania, Rumania, and Bulgaria?

Secretary KISSINGER. It would apply to all these countries except Poland and Yugoslavia which already have most-favored-nation status.

Senator HARTKE. I understand. There are other conditions in the legislation. What I am asking you is whether this would in effect extend most-favored-nation treatment to those countries which I just numerated.

Secretary KISSINGER. This legislation does not extend most-favored-nation treatment, it gives us the authority to negotiate a most-favored-nation treaty and it would apply to all of the countries which you have mentioned with the exception of the three Baltic countries.

Senator HARTKE. Would it apply to China?

Secretary KISSINGER. As the law is written it would apply to China.

Senator HARTKE. Let me ask you—

Secretary KISSINGER. It would, however, present massive difficulties if we attempted to apply it to China.

Senator HARTKE. I am not talking about the difficulties.

Secretary KISSINGER. It would apply to China.

Senator HARTKE. It would apply to China; would it not? Isn't that fair?

Secretary KISSINGER. Of course.

Senator HARTKE. Another question, I think this is the real question, and maybe the crux of what presents such a great concern to so many Americans. It is the very simple fact that if trading with Russia is such a good business, why do we have to stand as a guarantor of the business deal that is made with them? This really means that the middle American who is paying the taxes in America is ultimately the guarantor of the trading proposition made by the American businessman with the Russians.

Secretary KISSINGER. You are talking now about the Exim Bank loans?

Senator HARTKE. Right.

Secretary KISSINGER. Of course MFN only gives to the Soviet Union what over a hundred other nations already have. The phrase "most favored nation" is a misnomer—it confers no special benefit. The question of why guaranteed loans should be made is a problem of the relative position of the Soviet economy as it now stands. Secondly, it is a question of opening up new markets. These loans have, for example, been extended even to healthy industrialized countries like Japan and to Great Britain. In fact, I think Japan is the largest has been the largest in the past.

Senator HARTKE. But why should the American taxpayer, the middle-income American, why should he be the guarantor in effect of a business proposition made to Russia under such circumstances as we have enumerated in this bill?

Secretary KISSINGER. As I pointed out earlier, Senator, there are two reasons. One is that the European Community and Japan are both extending similar types of credits. Secondly, I would judge that

the foreign policy benefits of engaging in these loans justifies granting them. So I would do it not purely on commercial grounds but also on foreign policy grounds.

Senator HARTKE. But in effect, the guarantee and the subsidized interest rate is really borne by the American taxpayer; isn't that true?

Secretary KISSINGER. That is to a considerable extent true.

Senator HARTKE. What we have done here is provide for a benefit to these countries which have an ideology which is foreign to our ideology, a benefit which frankly we don't extend to our own citizens here at home.

Secretary KISSINGER. That is perfectly correct. What one has to judge is whether the benefits which we derive from this—

Senator HARTKE. You do say that is a correct statement of the situation?

Secretary KISSINGER. That is a correct statement.

Senator HARTKE. In view of the limited time let me ask you just for some amplification of this exchange of letters and, I don't think these are ambiguities which are difficult.

On page 204 of the Trade Reform Act report by the Finance Committee to the Congress, in the letter from you to Senator Jackson you make the statement that we have been assured that the following criteria and practice will henceforth govern emigration from the U.S.S.R.

Who is the "we"? "We have been assured", by whom? Who is the "we" on one side and who is the assurer on the other side?

Secretary KISSINGER. As I pointed out before, this is a rather delicate matter. I have had many conferences on this subject with Ambassador Dobrynin and conferences with Foreign Minister Gromyko as I have enumerated in my testimony today. In addition, when President Ford took office he had some conferences in which the statements that I have made here were reconfirmed by the same individuals. Finally, Secretary General Brezhnev has made analogous statements to President Nixon, to myself and recently to President Ford.

This is the structure of the assurances that we have.

Senator HARTKE. Are the assurances then made from Mr. Brezhnev, Mr. Gromyko, and Mr. Dobrynin?

Secretary KISSINGER. That is correct.

Senator HARTKE. Is Mr. Potolochev involved in those?

Secretary KISSINGER. Who?

Senator HARTKE. Mr. Potolochev.

Secretary KISSINGER. No.

Senator HARTKE. He is not. In other words, it is from these three people that the assurances have been made.

Have they been made from Mr. Kosygin?

Secretary KISSINGER. No.

Senator HARTKE. From the President?

Secretary KISSINGER. Podgorny?

Senator HARTKE. Podgorny. It is hard to keep up.

Secretary KISSINGER. Not to my office, not to the President. But let me point out, in order to be precise, what it is that the Soviet leaders have described to us. The Soviet leaders have not made an assurance, have not made a commitment to the Government of the United States. The Soviet leaders have described to us what they consider to be the

Soviet practice with respect to emigration, and we have in turn conveyed this understanding of the Soviet practice to the three Senators.

Senator HARTKE. Yes. But the implication from the letter is that you have assurances from somebody.

Secretary KISSINGER. Well, I described—

Senator HARTKE. You said these assurances have not been specifically made by anybody. Is that a correct statement?

Secretary KISSINGER. No, that is an incorrect statement.

Senator HARTKE. Please correct me.

Secretary KISSINGER. I have pointed out, Senator, that the statements that I have summed up in my letter—

Senator HARTKE. Yes.

Secretary KISSINGER [continuing]. Are statements that were made to me or to the President.

Senator HARTKE. Or to the President?

Secretary KISSINGER. By Foreign Minister Gromyko and General Secretary Brezhnev. That these were described to us as descriptions of Soviet domestic practice, not as commitments by the Soviet Government to the U.S. Government.

Senator HARTKE. So, when we say here that we have been assured that the following criteria and practices will henceforth govern emigration from the U.S.S.R., you mean that they, in general, are a description of the basic background upon which the emigration will be allowed.

Is that a fair statement?

Secretary KISSINGER. That is a fair statement.

Senator HARTKE. In other words, this letter then should really be modified to that extent and it should not say that henceforth will govern but that there will be general guidelines; is that correct?

Secretary KISSINGER. No, that this will in effect be a practice that will be followed.

Senator HARTKE. All right.

For example, in the third specification it says:

Applications for emigration will be processed in order of receipt, including those previously filed, on a nondiscriminatory basis as regards place of residence, race, religion, national origin and professional status of applicant.

You have specific assurances that that general practice will be applied?

Secretary KISSINGER. Senator, as I pointed out in my statement, any attempt now publicly to nail this thing down in the form of a legal obligation is likely to backfire. What I have expressed in this letter are specific statements that were made to us which we have been given to understand represent the Soviet practices and therefore will be followed. To this extent, yes, we have specific assurances.

Senator HARTKE. Then the statement in the latter part of your letter really applies to that, when you make the statement in your letter to Senator Jackson, on page 205 of the report, "You have submitted this letter to me, and I wish to advise you on behalf of the President," and here are the words I want to refer to, "that the understanding in your letter will be," and here is the key word, "among the considerations to be applied by the President in exercising the authority provided for in section 402 of title VI of the trade bill."

In other words, it is only among the items to be considered and does not necessarily mean it will or will not be considered. Is that a fair statement?

Secretary KISSINGER. That is a fair statement but, of course we will take it seriously.

Senator HARTKE. My time is up. I will come back.

The CHAIRMAN. Senator Hansen.

Senator HANSEN. Mr. Secretary, according to recent news dispatches, word is that the U.S.S.R. now is one of the major, if not the major, oil producing country in the world. The figures I have show its production is estimated to be in the neighborhood of around 9 million barrels per day. By way of contrast, the United States, I think, has about 8½ million barrels a day.

If one of the purposes of the Export-Import Bank loan is to develop the resources of a country, under the most favored nations treatment, such as we are talking about, would you consider it in the interests of the United States to invest money that comes in directly from the United States in the Soviet Union to develop the oil and gas resources in order that some of that could come to the United States?

Secretary KISSINGER. Well, Senator, as you know, there have been discussions with the Soviet Union about the development of sources of energy, primarily natural gas, and there are two schools of thought on that subject. There is a school of thought that argues that we should not make ourselves dependent on the Soviet Union for delivery of such a critical commodity because the Soviet Union could cut this off at a critical moment.

There is another school of thought that argues that it is relatively easier for countries in the Persian Gulf, with which we have no substantial political relationships, to cut off oil to the United States without any effective response by the United States, than it would be for the Soviet Union with which we have a whole network of relations and where the cutoff could occur only at the price of all of these other relations and therefore only at moments of extraordinary emergency.

We frankly have not yet resolved this issue and we understand the concern of the Congress with respect to energy related loans. We would be prepared to consult closely with the Congress before any energy related loans would be made.

There is no loan now under consideration except a small loan for the exploration of the Yakutsk field, which I think amounts to about \$49 million, and that is being held in abeyance. But that is the only energy related loan with which I am familiar.

Senator HANSEN. Having in mind the fact that the Arab countries certainly don't need much financial help, as a matter of fact, I suspect a few of them are getting very rich, much from us, relatively speaking, and having that fact in mind as we ponder the Soviet concern for developmental funds, on the one hand, and the broader issue of detente and progress in the SALT talks on the other, would you care to speculate as to which potential source of supply in your judgment, might be the most precarious in so far as the United States is concerned, the Soviet or the Arab countries?

Secretary KISSINGER. Well, of course, right now we don't get any supplies from the Soviet Union.

Senator HANSEN. I agree.

Secretary KISSINGER. I would say in the immediate future the most precarious source of supply is from the Arab countries because of the unsettled conditions in the Middle East.

If there were now supplies obtainable from both the Soviet Union and the Middle East I would think, frankly, that as of this moment the Middle East is the most precarious area.

As you know, I have recently at the request of the President put forward our energy goals in the international field. We would like to make ourselves substantially independent of imports of energy during the next 10 years. We think that this is an essential goal of American foreign policy and important also for cohesion of the whole advanced industrial world. The major thrust of our efforts will not be to find new sources of energy abroad but to replace sources of energy abroad, wherever they may be. This policy should reassure anyone concerned over large-scale energy projects with the Soviet Union.

Senator HANSEN. I certainly recognize the desirability of developing additional sources of domestic supply in order to minimize our dependency upon foreign sources.

Would you agree that to the extent practicable in the short term, and until we are able to develop additional and other sources of energy within the United States, or in those areas where we feel as nearly secure as we can, that it makes good sense to reduce our relative dependency upon any one nation or any one group of nations by getting less percentagewise from that particular area or part of the world and getting our supplies from as best we can other areas around the world?

Secretary KISSINGER. As a general rule the more additional energy sources that can be bought on the market from different countries the greater will be the pressure on price.

Senator HANSEN. I didn't catch the last of your statement.

Secretary KISSINGER. I said, the more additional energy sources that can be bought on the market from other countries in addition to the present OPEC countries, or the more additional energy sources that can be bought on the market from other countries in addition to the present OPEC countries, or the more additional energy sources that can be developed within the OPEC countries, the more difficult it will be for these countries to maintain artificially high prices. They will face the problem that the only way the price can be maintained is by greater and greater cuts in their own production. At some point this is going to be counterproductive and it is going to create massive difficulties of allocating the cuts among the various members of OPEC. So as a theoretical proposition, leaving aside political obstacles, I believe that it is in our interest to encourage the bringing on to the market of more and more additional energy sources from other countries.

Senator HANSEN. I yield back the balance on my time.

Senator HARTKE [presiding]. Senator Ribicoff.

Senator RIBICOFF. The whole problem surrounding title IV has been most sensitive. I do want to take this opportunity to strongly commend President Ford and Senator Jackson and the Secretary for their

patient, thoughtful, broad gaged and humanitarian approach to this problem.

The Secretary has related to the committee very accurately not only the conversations but the implications of his conversations between the Secretary, the President, and Senator Jackson and Senator Javits and myself.

We are going to have to take much of this on faith. Personally, I do have faith in the assurances of President Ford and Secretary Kissinger that they will do everything possible to open up emigration.

May I assure Senator Hartke that it has always been the understanding of Senator Jackson and myself and Senator Javits as well as the Secretary that the problem of emigration does not only apply in title IV to the Soviet Union, but for all countries throughout the world.

We have been involved face to face basically now with the problems of the Soviet Union but the other countries mentioned by Senator Hartke certainly come within the purview of the type of forum this addresses itself to.

It should be kept in mind that during the entire negotiations it never was the intention, of course, of Senator Jackson and Senator Javits and myself that what we were talking about with Secretary Kissinger and President Ford would bind the Congress of the United States. It was just an approach that, having taken the leadership, we were patiently trying to work out to achieve the broad objective.

It should be kept in mind, too, that while we have great faith in the President and the Secretary, the Congress has retained a whole bundle of powers in the Jackson amendment to assure that the Soviet Union does comply and the President carries out the understanding as explained by the Secretary.

One question, Mr. Secretary.

What do you see as the consequences for this country and the world if Congress fails to pass a trade bill by December 20 when we are scheduled to adjourn?

Secretary KISSINGER. I think the consequences will be very serious. The leaders of every industrialized country that I have visited on my recent trips, including the closest friends of the United States, have literally implored me to assert whatever leadership I could to bring about the passage of the bill. They consider it essential to their hopes for dealing with the current economic crisis through a freer international trading system. Our leadership among the advanced industrialized nations would be drawn into the sharpest question if the Congress failed to pass this legislation.

The efforts we are making in the fields of energy and food and other areas would be dealt a very severe setback.

Second, with respect to the developing countries, the long-term hope is not in the field of aid, but in opening up markets for their products and putting them on a more self-sustaining basis.

The system of generalized tariff preferences to which I allude in my statement has been eagerly awaited by all of the developing countries, particularly the least developed among them.

In addition, the ability of the United States to contribute to their development depends on our participation in the so-called Tokyo

Round of negotiations, which is being held up pending congressional action on the trade bill.

Third, of course, we have attached importance to the degree of flexibility that is provided us in the bill with respect to the Communist nations. We consider this an important tool.

So for all of these reasons I consider the Trade Reform Act one of the most important pieces of legislation that has come before the Congress in years and I believe it is urgently necessary for the Congress to pass this act before the recess.

Senator RIBICOFF. Do you realize the complications and the difficulties? As I understand, this bill comes up on the floor on December 9. You have got 11 days not only to pass the bill, but to go to conference to reconcile the differences between the House and the Senate.

What does the administration intend to do with the legislative leaders in the Congress to see this takes place?

Secretary KISSINGER. We will do whatever we can to assist the legislative leaders in meeting that deadline.

We will cooperate with the Congress with the maximum effort of conciliation in order to consider particular congressional concerns. You really should feel free to call on any of the senior officials of the administration that can be in any way helpful to the Congress in expediting the considerations.

We do not consider this an executive-legislative confrontation but a partnership in order to get this bill passed.

Senator RIBICOFF. You realize, of course, Ambassador Eberle was in the executive sessions of the Finance Committee, that in the Finance Committee bill we have retained considerable power in accordance with our constitutional prerogatives in all trade matters.

Of course, it would be helpful, it seems to me, if the administration would realize that Congress does intend to play a very important role in the future carrying out of the trade bill.

Does the Executive understand the role that has been retained by the Senate for the Congress in the Senate bill?

Secretary KISSINGER. I think that this bill can only work on the basis of the closest consultation between the Congress and the Executive. We welcome the Congress retaining a supervisory function because there are going to be some very major decisions that have to be taken and they can only be carried with public support.

Senator RIBICOFF. Much of the skepticism and difficulties the trade bill has had is that past experience has shown a great indifference by the executive branch, all the administrations not just this administration, to the consequences for this Nation, labor, and industry, and agriculture, of many agreements that had been entered into in the past where we had felt that the United States was being short-changed. That is why we have retained so much supervisory power in the present trade bill.

Secretary KISSINGER. I think, Senator Ribicoff, that in the whole conduct of our foreign policy in the immediate postwar period, when we had enormous margins of superiority, we could afford to be somewhat more generous in our approach. Right now our margins have become much narrower in many fields, including the economic field, and therefore, I believe the concerns you express are well-taken and will be taken very seriously by us.

Senator RIBICOFF. Do I have any more time left?

May I yield, without objection, my 2 minutes to Senator Byrd?

Senator HARTKE. Yes.

Senator BYRD. I thank you.

Mr. Secretary, your letter to Senator Jackson says, and I quote, punitive actions against individuals seeking to emigrate from the U.S.S.R. would be violations of Soviet laws and regulations and will, therefore, not be permitted by the Government of the U.S.S.R. I emphasize the word "therefore" because the same laws to which you referred did not stop punitive actions in the past and they are not stopping punitive actions today.

Would you comment?

Secretary KISSINGER. Well, Senator Byrd, I believe that what Senator Ribicoff has said is essentially correct. This understanding which is reflected in these letters can operate only on the basis of good faith by all of the parties concerned and good will among the Senators and ourselves.

My candid view is that there is no document we can draft which would have an enforceable status in case of controversy. What will make this understanding operate is the general state of United States-Soviet relations, and the interest the Soviet Union will have in maintaining it. This is a specific assurance which has been extended on a number of occasions, the violation of which would certainly be one that the administration would take very seriously.

The President, on a number of occasions, has told the three Senators that with respect to what is contained in our letter he believes that, he can stand behind it.

If such actions were to be taken, we would be ourselves obligated to tell the Congress that this is the case and the Congress would undoubtedly take this into account when the time to extend the waiver authority occurred in 8 months.

We would certainly feel obliged to bring this to the attention of the Congress.

Senator BYRD. Thank you, sir.

Senator HARTKE. Senator Dole.

Senator CURTIS. Could we have an understanding that questions might be submitted in writing?

Senator HARTKE. Yes, without objection it is hereby ordered. Questions can be submitted in writing to be answered by the Secretary.

Senator Dole.

Senator DOLE. I will be very brief.

I don't want to massage title IV much further, but it has occurred to me with the increased emigration to Israel, has the question been raised whether or not they will have a problem accepting all of these people?

Has that been raised in any discussions with the Israeli Government?

Secretary KISSINGER. The Israeli Government has expressed the view that it can deal with any foreseeable number of emigrants.

Senator DOLE. And that can be done without further U.S. assistance?

Secretary KISSINGER. At least without U.S. assistance for that purpose, but it may show up in some other account.

Senator DOLE. I understand that.

I want to pursue a very important point raised by Senator Ribicoff, and that is how do we assure passage of this bill and is it really all that important that the bill be passed this year?

What is going to happen to the U.S. trade position if the Congress doesn't pass a trade bill?

Secretary KISSINGER. I think both the U.S. trade position and the U.S. position internationally would be most severely jeopardized if this bill did not pass. I cannot stress often enough the frequency with which responsible leaders from allied countries have implored me to use whatever influence I have to bring about the passage of the bill this year.

When I was in Japan this was a specific request made to me by the highest officials of the Japanese Government. I have had letters from all of our European allies.

I am certain, without having consulted with him, that the German Chancellor when he is here will feel very strongly on this question. So both with respect to the trading position of the United States as well as the international position of the United States, with respect to what we are attempting to do in vindicating the concept of interdependence, the failure to pass this bill would be a disastrous blow.

Senator DOLE. Well, I think I would be less than candid when I state I do not detect any great enthusiasm on the Senate side of the Capitol.

I don't know precisely what the administration has in mind, the executive branch, but as Senator Ribicoff pointed out, we have got about 10 or 11 days at most and I understand Senator Hartke has 1 amendment, or 100, I am not certain which, but there will be others who have a great number of amendments, and this could literally be a Christmas tree bill, or even a New Year bill, or none at all.

So I just don't think I need give any advice to the Secretary, if there is any way that you can encourage the administration as well as those in Congress who have a deep interest in this legislation to move forward, it would be very helpful.

I would say in a question, some of us come from rural States, some of us just barely come from rural States. [Laughter.]

But what assurance can I give the farmers in Kansas that we are not going to trade agriculture off for some other sector of our economy. I think I could cite the difficulties now in the dairy industry, but there is great concern about increased imports. Go back to the Flanigan report and other things that would indicate at least at one time there was maybe a tradeoff in mind, that we would trade off the dairy industry for concessions in another industry.

It is hard to really generate much interest in the farm community for trade legislation because I think they sometimes feel that they will be shortchanged.

I wonder if the Secretary might give any assurance on that.

Secretary KISSINGER. In the execution of the trade bill we will consult fully all the sectors of the American economy including, of course, the agricultural sector.

Second, in the food program which we put before the World Food Conference, it is clear that what we are attempting to bring about is greater production. We are dealing with a tremendous shortage of food around the world and, in addition to trying to bring about greater production, we are trying to solve the problem of distributing food into the areas where it is most needed.

I would think that it is almost inconceivable that there are inadequate markets for agriculture, there can only be inadequate planning and inadequate international systems.

In any event, the agricultural sector would be carefully consulted before any major agreements are made.

Senator DOLE. I think a primary concern of farmers is imports, and I believe they recognize. I hope they recognize, trade must be a two-way street, it cannot be all exports and no imports.

There is a feeling in the dairy industry or the livestock industry in this country, in great distress as they are now, that our first obligation should be to these industries and that we should have some effective way to reduce imports or at least let the domestic industry work itself out of any difficulty it had.

Ambassador Eberle addressed himself to that in our executive sessions, and I assume the Secretary had the same view.

Secretary KISSINGER. You know that recently in the case of Canada we took steps—

Senator DOLE. Right.

Secretary KISSINGER [continuing]. To protect our interests and we would expect to be vigilant in other cases as they arose.

Senator DOLE. I think, finally, you suggested in Rome at the World Food Conference that there ought to be a meeting of major grain exporters and importers.

Has there been anything further happening in that regard, Mr. Secretary?

Secretary KISSINGER. It was agreed that a meeting would take place in January to attempt to implement those recommendations.

Senator DOLE. Has there been any indication from the oil producing countries that they might be willing to put up a substantial amount of cash to help assist in the purchase of grain for relief around the world?

Secretary KISSINGER. Well, the countries as a group have agreed to participate in the food aid effort but they have not yet pledged any specific sum.

When I was in the Middle East, I had an extended conversation with the Shah of Iran who agreed to participate in regional projects of fertilizer production and also said he would be sympathetic to the possibility which you mentioned.

Senator DOLE. What about any indication from the Soviet Union that they might be willing to have some meaningful input into the food relief program, the world food relief program.

Secretary KISSINGER. So far the Soviet Union has not shown any readiness to participate.

Senator HARTKE. Gentlemen of the committee, it has reached the hour of 12 and I want to alert everyone to the fact that there is a roll call which is scheduled at noon, and very appropriately it is a question of the invoking of cloture on the question of the Export-Import Bank.

We will proceed until such time as the actual bell signals the time of the roll call at which time we shall adjourn immediately and reconvene within 10 minutes and give the Secretary a chance to use the executive quarters of the Senate Finance Committee at that time.

[Short Recess.]

Senator BYRD. The committee will come to order.

In order to save time, I will start the questioning and then yield my position to whomever comes in first.

Mr. Secretary, does the Kissinger-Jackson agreement, or rather the agreement you have reached with the Soviet Union, apply to all citizens of Russia or just to the Jewish citizenry.

Secretary KISSINGER. Well, we were talking about Jewish emigration.

Now, again, these documents do not specifically refer to those of the Jewish faith but I think it is a reasonable extrapolation from the record that was the predominant concern.

Senator BYRD. I won't do it at the moment because I don't know what the time element at the moment will be, but a little later I want to present to you 6,000 signatures from 6,000 Volga German families representing some 25,000 to 30,000 individuals.

It occurs to me that the question is broader than just one minority group.

As you know, Senator Buckley has recently been in the Soviet Union and he met with the dissident physicist Sakarov and at this meeting it was recommended that the United States press for freer emigration of all peoples, not just the Jews, but Ukrainians, Armenians, Germans, Estonians, Latvians, Lithuanians, and other Soviet nationalities, and Volga Germans, in return for U.S. trade concessions.

Did your assurances from Mr. Brezhnev cover those categories?

Secretary KISSINGER. I somehow have the impression, but I would have to check to see whether it is correct, that there is some understanding between the German Government and the Soviet Government on the Volga Germans. I am not absolutely sure that is correct, but I seem to have that at the back of my mind.

If you consider these letters legal documents—which, as I pointed out, they are not in the strict sense of the term—then strictly speaking they would apply to all nationalities.

There is no specific reference I believe to Jewish emigration but I think after reviewing the legislative history of this matter, one would have to say that this has been the primary focus of the conversations.

Senator BYRD. Is it not correct that since 1972, in a period of so-called détente, there has been a methodical improvement and expansion of nuclear and conventional power in the Soviet Union and in eastern Europe?

Secretary KISSINGER. Yes, that is correct.

Senator BYRD. Would it not be wise for the United States to insist on a genuine and secure peace in the Middle East as a condition of its subsidized long term credit and technology which Moscow desperately needs?

Secretary KISSINGER. Well, first of all, I think we should clarify to some extent what the Export-Import Bank loans are, which I am sure you know better than I do.

Their basic purpose is to help American industry to be competitive. They are spent for American goods and they are, therefore, a means of assuring jobs for American workers.

Senator BYRD. Also it is a loan directly to the Russian Government.

Secretary KISSINGER. That is true. I just wanted to mention what the basic purpose of that legislation has been.

With respect to peace in the Middle East, that is an extraordinarily complicated problem in which our relations with the Soviet Union are both competitive and cooperative and in which the point of direct influence of all of the parties has certain limits. [but] We do look for Soviet restraint in the Middle East, since we consider Soviet restraint in the Middle East an integral part of détente policy.

Senator BYRD. Mr. Chairman, I merely started the meeting.

Senator HARTKE. I think that is fine. Go right ahead.

Senator BYRD. I yield my time.

Senator HARTKE. Go right ahead. Senator Ribicoff?

Senator Byrd may proceed.

Senator BYRD. Mr. Secretary, is it not correct that there has been a significant buildup of Soviet tactical nuclear weapons in Central Europe?

Secretary KISSINGER. Over what period of time are you talking about?

Well, at any rate, there has been an increase of Soviet nuclear weapons in Central Europe.

Senator BYRD. Would you comment on the following paragraph written by Mr. James Reston in the New York Times on November 22, 1974. This is the paragraph:

The Soviets cannot be unhappy with the present drift of world events, particularly the political and economic disarray in Europe. They have established a rule that all Communists or socialist governments are off limits for the U.S. but that the rest of the world from Southeast Asia to Cuba is an open hunting ground for them.

Secretary KISSINGER. Well, the disarray to which Mr. Reston refers is not, to a considerable extent, the product of Soviet actions. There is a major crisis in the industrialized nations of the world produced by inflationary pressures, by complicated domestic situations, and by the failure up to now to adjust their relationships to a rapidly altered international environment.

The biggest challenge we face is that most of our difficulties are within our power to solve. These have not been produced by the Soviet Union but could nevertheless be of enormous benefit to our adversaries if we do not solve them.

The energy crisis, the whole problem of the inflationary pressures, the weakening of governmental authorities, are not the direct result of Soviet action. But they are very real problems and undoubtedly are not looked at unhappily from their standpoint.

Senator BYRD. Mr. Secretary, does the Department of State have or plan to have a monitoring system to check on the Soviet performance under the Kissinger-Jackson compromise?

Secretary KISSINGER. Yes.

Senator BYRD. You plan to have a monitoring system?

Secretary KISSINGER. Well, we plan to have a monitoring system, and I have the impression that Senator Jackson is a pretty good monitoring system, too.

Senator BYRD. How do you monitor a Nation of nine million square miles and 240 million people?

Secretary KISSINGER. Let us analyze what the essence of the understanding is.

The essence of the understanding is that there will be no interference with submission of applications, that there will be no harassment of applicants and that there will be no obstacles to emigration visas except for national security considerations.

Now, I have the impression that the various organizations that are concerned with emigration are in sufficiently close contact with those who want to emigrate for us to be able to obtain a judgment whether in fact there is an interference with applications and whether the rate of emigration is in the historic proportion to the number of applicants. It is a matter that I will have an official in the Department responsible for and to whom interested groups can turn on this matter.

I have talked to the various groups that are interested in this emigration question, and they seem to be convinced, not that they can catch every individual case, but that they would know about any substantial violations of this understanding.

Senator BYRD. Thank you, Sir.

Mr. Chairman, I yield.

The CHAIRMAN. I would like to ask about one matter, Mr. Secretary, that to my knowledge has not yet been discussed. It is very important for the future of this bill. We have thus far elected to try to keep off of this bill any amendments to the Internal Revenue Code. Now, with a very strict germane rule it could be contended that this bill should be limited strictly to trade matters. However, I could understand how those in the labor movement would particularly feel resentful about the consequences of a rule on germaneness.

For example, there was an article in the Evening Star a couple of days ago—I will put it in the record if you haven't seen it—indicating that Liberian merchant marine has actually operated out of a building across the street from the White House, and that here these people are handling billions of dollars of American money. They buy ships built in foreign shipyards, they operate the ships out of Liberia, which has no income tax and only a tax on tonnage, as I understand it, 10 cents per ton of cargo capacity.

You probably didn't see the article.

Secretary KISSINGER. No, I did not, Mr. Chairman.

(The article referred to follows:)

[From the Washington Star-News Friday, Nov. 29, 1974]

LOOPHOLES BENEFIT U.S. SHIPPING—BANK HERE RUNS LIBERIAN TAX HAVEN

(By James R. Polk)

A Washington-based bank has a little-known, long-term concession to operate a major tax haven for American-owned shipping in the African coastal nation of Liberia.

The giants of the U.S. oil industry sail many of their tankers under the flag of Liberia in escaping income taxes through loopholes on both sides of the Atlantic.

The maritime administration of that African country is run, in effect, from an 11th floor office looking down on the White House from the International Bank's building at 1701 Pennsylvania Ave. NW.

The International Bank, Ltd., a parent of the First National Bank of Washington, is a financial chain owning most of the stock of The International Trust Co. of Liberia, which not only handles the ship registration in that nation, but also acts as the tax collector.

Fred T. Lininger, a polite, white-haired American financier who is a senior vice president of International Bank, carries a dual title: he is also, by long-term appointment, the senior deputy maritime commissioner for Liberia.

The International Bank subsidiary's contract to serve as the Maritime Administration in the African tax shelter is apparently lucrative. Its income depends on the level of ship registrations—in effect, the bank gets a cut of the tonnage tax payments—and accounts for a substantial piece of all the bank's foreign earnings.

The tax haven in Liberia exists because U.S. law doesn't cover overseas earnings in the shipping industry by foreign-based subsidiaries of American firms. As a result, a dozen or more oil companies have created foreign offshoots to own tankers registered in Liberia to carry their crude on the high seas.

At last count by the U.S. Maritime Administration, American-controlled firms had 161 tankers flying the flag of Liberia, with another 79 such tankers under construction.

The tanker "Statue of Liberty" is actually a Liberian vessel, owned by an American oil company. So is the "J. Paul Getty" and the "Phillips Oklahoma" and the "Esso Berlin."

Two proposals now pending on Capitol Hill, however, threaten this tax shelter.

One change in the tax reform bill would repeal the exemption for overseas shipping profits and require that the earnings be reinvested in the same foreign operations to elude taxation.

The effect of the repeal, if passed, is still rather foggy. One staff expert on Capitol Hill said, "I don't think most of the members fully grasped it."

The second proposal poses a more serious peril to the tax shelter. A cargo bill, backed by shipping unions and American shipyards, would require that 30 percent of the oil imported into this country be carried on U.S. tankers.

That bill, bitterly fought by American oil companies, already has passed both houses, and only Senate approval of a conference committee report is needed next week before the measure goes to the White House.

Asked about the bill's impact on tanker registrations in Liberia, Lininger said, "That's just hard to foresee. I don't see how it could help. But how much it will hurt eventually, I don't know."

The Liberian tax operation has been profitable for International Bank for a number of years. Lininger declined to say how profitable, but he did say, "Frankly, it's been an extremely satisfactory and worthwhile investment."

A financial filing by International Bank with the Securities and Exchange Commission includes this statement:

"The International Trust Company of Liberia acts as the Maritime Administrator of Liberia, which activity is the major source of its income. . . . The total income of The International Trust Company constitutes a substantial portion of the total income of all of the foreign subsidiary banks."

How much is a substantial portion? That isn't answered. But the total foreign income and earnings for International Bank's overseas properties last year was listed at just under \$2 million.

However, this is still not a big cut of all of International Bank's profits. The company is a major owner of Financial General Bankshares, a local banking chain which controls the First National Bank of Washington, Union Trust Company, Arlington Trust Company, and Clarendon Bank & Trust, as well as the Bank of Buffalo and the National Bank of Georgia.

Because of the tax advantages, Liberia, which is located on the western curve of Africa, has the largest merchant fleet in the World. Steel, sugar and aluminum companies, as well as private shipping tycoons, join the oil giants in registering vessels under that country's flag.

The International Bank operation provides the services for firms to set up foreign corporations in Liberia, administers the maritime law there, and handles the annual ship taxes and other assessments.

"They collect it as the governments' agent," Lininger said.

In addition to the initial registration fee, Liberia has an annual tax of a dime per ton on a ship's cargo capacity. However, a tanker bringing oil from the Middle East a half-dozen times a year would pay three times that amount in American port fees alone.

The big advantage is found in income taxes Liberia doesn't tax the earnings of its ships. And there is a large loophole in the U.S. income tax.

It works this way: If the profits which the American oil companies pay their own foreign shipping subsidiaries are left overseas, they avoid U.S. taxes because of a specific 1962 exemption for such shipping operations.

Even if the profits are brought back into this country, they can be sheltered by the foreign tax credit. Most of the royalties which American firms pay the Middle East oil nations are labeled as taxes by those countries.

This means an oil company can subtract—not deduct—from its U.S. income taxes the dollar amount it has paid in foreign taxes. The result leaves the oil industry at practically the bottom of American business in the U.S. taxes it pays.

Liberia got involved in shipping taxes after World War II with the help of a former U.S. secretary of state, encouraged by an American president.

After the Yalta Conference, President Franklin D. Roosevelt suggested that Secretary of State Edward R. Stettinius Jr. stop off in Liberia for a friendship visit on the way home. After the war, Stettinius went back as a private citizen to help Liberia in economic development.

With his ideas, Liberia set up its ship registration system in 1948 and The International Trust Co. of Liberia was formed to run it at the same time. International Bank here bought the trust company in 1956.

Although he is an International Bank official, Lininger has been registered with the Department of Justice as an agent of a foreign government for 16 years, ever since he became Liberia's deputy maritime commissioner.

The maritime commissioner above him is a Liberian, but the International Bank subsidiary functions as the nation's maritime administration through a contract which runs through 1979 and which is being renegotiated to extend it.

The International Trust Co. of Liberia also holds other foreign properties for International Bank. It controls Europabank, N.V., in Rotterdam; owns pieces of Transorient Bank in Beirut and Credit European in Luxembourg, and embraces a finance corporation in Panama.

The tax reform bill now pending in the House is not expected to have any immediate effect on the Liberian shelter for shipping, primarily because it is given virtually no chance of passage in the Senate in the late stage of this year. But the issues will come up again next year.

A number of efforts are written into the bill to try to put an American tax bite on the money that U.S. firms earn overseas. The major change for the oil companies could be a proposed 52.8 percent ceiling on the use of the foreign tax credit to offset the profits from foreign drilling operations.

For shipping, the repeal and reinvestment requirement would prevent firms from moving their tanker profits into diversification in other industries. That alone would probably not be enough to start reclaiming tax money from the profits on the high seas.

Lininger pointed out that American firms would probably continue to register their ships in nations like Liberia because of shipyard construction costs. A vessel must be built in America to fly the U.S. flag, but overseas construction costs are cheaper.

For instance, American shipping billionaire D. K. Ludwig had 34 vessels registered in Liberia at the start of last year, and was building 7 more tankers in Japanese shipyards to sail under the Liberian flag.

Esso Tankers, Inc., was building 28 oil carriers overseas, Gulf Oil 13, Standard Oil of California 10, and Mobil Oil 9—all to be registered in Liberia.

The American oil giants set up foreign subsidiaries to own the tankers they use under the flag of Liberia. Gulf Oil controls the Afran Transport Co. which is the actual owner of most of its Liberian tankers.

A bigger change might be engineered if the Senate approves and President Ford signs the pending oil cargo bill. Most of the oil imports brought into this country are carried on vessels under a foreign flag. In fact, the actual U.S. tanker fleet is too small to carry any significant share now.

By requiring that 30 percent of the imports be shipped in the future in U.S. tankers, the bill would mean core jobs for American unions and more construction for American shipyards. The bill also carries a tax break—an exemption from import duties at the taxpayer's expense—to offset any higher shipping costs.

Neither Lininger nor International Bank has taken any visible position on the cargo bill on Capitol Hill, but Lininger obviously does not favor it. He called the bill inflationary and said it could invite retaliation by the exporting nations.

The CHAIRMAN. I think you know something about the subject matter.

Now those ships make a lot of money. As a matter of fact, I am told that shipping is how some of the major oil corporations are sheltering a great deal of their profits, profits which are being criticized these days for both the failure of equitable taxation and oversight of this Government.

Now, it becomes a hard thing for a working man to accept, when he is paying his taxes to support this Government and his son goes out to defend those investments, fight wars, if need be, in Vietnam and elsewhere, to protect that type of security, when although those shipping companies meanwhile are determined that under no circumstance would they hire his son or give him a job. Implicit in this bill is the fact that a great number of American working men are going to be told they are being subsidized if we do anything to keep them at their jobs as these major investments are moved overseas.

Now, just on the merits and to be fair, I think anybody would agree that Senator Hartke is right to say that if we are not going to prevent the outflow of our capital into other countries, that multinational companies should at least pay some tax to somebody. Frankly, I don't know whether we can in good conscience resist amending tax laws which are at the least tailored very closely to those companies who are really not paying any taxes to anybody, this government or anybody else. They are using this American government to help them be the most privileged people on Earth, paying no taxes to this government, no taxes to a foreign government, and opting out of the United States in the name of foreign government.

Can you explain to me what argument we should use if we are to resist amending the law so that they pay some tax to somebody somewhere?

Secretary KISSINGER. Well, Mr. Chairman, I can sympathize with the points you are making. I frankly haven't studied them but they sound reasonable to me. The question we have before us now is whether this particular tax reform should be attached as an amendment to the trade reform bill. I am certain that we need tax reform in many areas. I am afraid if we start using the trade reform bill to reform the tax structure, it will make it impossible to complete the bill in the very limited time that is available, as Senator Ribicoff pointed out to me.

I would think that the administration would be prepared to cooperate with you on the reform measures that you have indicated early in the next Congress. This is not my field of expertise. As you described it, it sounds reasonable to me. I would simply question whether this act, with the very limited number of legislative days available is the appropriate vehicle for such an amendment.

The CHAIRMAN. Well, it is harmful for a working man to be told that his job will no longer exist anyway. Is there really any country that permits its capital to go abroad as this one does without any limitation at all, with American money going abroad to displace existing American industries and American payrolls, where companies actually get a tax advantage by taking the payrolls away from this country, compared to what it would be if they stayed here, not to mention the comparative advantage they have because of the very cheap labor in these famine stricken countries?

Secretary KISSINGER. I am not familiar with all of the legislation. I have the impression that the Federal Republic of Germany, for example, would permit this. Japan I think does. But I am not familiar with all of the legislation. Nevertheless, it is a problem.

The CHAIRMAN. Would you give us a memorandum to tell us how long this has been permitted by West Germany and Japan? I know

they haven't done it indefinitely. Please tell me when they started permitting their capital to flow freely into other nations, and particularly the effect that it will have; that is, if it will cause them to lose jobs in their countries.

Secretary KISSINGER. It could not possibly have been indefinitely, and I will give you a memo to that effect. I don't know the exact figures.

(The Department of State subsequently submitted the following response:)

HON. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate.

DEAR MR. CHAIRMAN: The Secretary has asked me to follow up on one aspect of his December 3 testimony before your committee. You raised the question of the [type of treatment which other industrial nations give to direct investments abroad by their residents.] You asked especially how long other countries, particularly Germany and Japan, have permitted the free outflow of domestic investment capital. The Secretary promised to send you a memorandum on the subject.

According to the information available to us, there is wide variation in practice toward overseas direct investment.

The industrial countries which substantially limit direct investment outflows are: Australia, Finland, Iceland, Ireland, New Zealand, Norway, Sweden and the United Kingdom. They do so for a number of reasons related to domestic economic development and the balance of payments.

Another group of countries, however, follow the practice of generally providing liberal treatment for such investment and have done so at least since the early 1960's. Included in this category are: Austria (only since early 1964), Belgium, Canada, Germany, Luxembourg, the Netherlands (although general capital controls exist), and Switzerland.

Three other nations place relatively minor restriction on outward direct investment. Japan restricts overseas investment in only a few areas: banking, the securities industry, fishing and pearl cultivation. Denmark has exchange controls on capital transactions, but requires no special permission for direct investment abroad within certain limits which we understand by Danish standards are considered liberal. France has a system of prior declaration for investment, but at least in recent years has not been restrictive.

Germany has permitted the free flow of direct investment abroad since September 1957. Japan only began to liberalize outward capital flows in 1970. By July 1971, however, Japan permitted outward direct investment in any amount on an automatic basis.

I hope that the foregoing meets the concern that you expressed. Should you, however, have additional questions, particularly about the actual tax systems of Germany and Japan, we would have to pursue that information with the help of the Treasury Department.

I hope you will call on me if you believe we can be of further assistance.

Cordially,

LINWOOD HOLTON,
Assistant Secretary for Congressional Relations.

The CHAIRMAN. I would be surprised to find that there is any enlightened country on earth that has done that over a long period of time. There may be one doing it now but I am just not aware that there is. I would like to know what is the case, because it may be my burden to defend against a foreign tax amendment, unless I want to vote for it, which I may very well want to do.

Now, we also have a problem with regard to these American assets that were seized by the Government of Czechoslovakia. Are you familiar with that?

Secretary KISSINGER. Yes, I am.

The CHAIRMAN. Now, can you tell me if France has been permitted to withdraw her share of the gold and to distribute it according to

France's own desires, or did France simply waive any rights she had in that gold?

Secretary KISSINGER. My associates tell me they didn't, but I understand you have a letter that says that they did. We will just have to look into that. There seems to be conflicting information and I have no independent information.

The CHAIRMAN. I should think we will have to debate that matter on the Senate floor. We have had great difficulty getting information we want on that gold.

Secretary KISSINGER. This information must be determinable.

The CHAIRMAN. Frankly, it ought to be declassified, too, so that everybody can judge for himself what the facts are.

Secretary KISSINGER. We will let you know by tomorrow morning.

(The Department of State subsequently submitted the following response:)

DECEMBER 4, 1974.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: During yesterday's hearings questions were raised about the Czechoslovak claims issue and the emigration of ethnic Germans from the Soviet Union. Secretary Kissinger has asked me by way of this letter to respond to those questions.

With respect to the Czechoslovak claims question, there are two points:

(A) DISPOSITION OF GOLD HELD BY FRANCE

All gold recaptured from Germany after World War II was put in a pool under the Agreement of Paris of 1946. Countries then allied (including the United States, Britain, France, and Czechoslovakia) agreed to share in the gold in proportion to the amounts of gold looted from them by the Nazis. Pooled gold was physically deposited in three places (New York, London, Paris). Some of the gold (including all of that physically deposited in Paris) was released to government claimants (Belgium, Netherlands, etc.) as indemnity for gold looted from them by the Nazis.

To the best of our knowledge, none of the gold, whether that still held under the pool, or that distributed to claimant government, has been used for the payment of private claims against the Czechoslovak Government. This statement applies to gold that formerly was physically held in Paris.

(B) CZECHOSLOVAK STEEL MILL

The distinction between this case and the Czechoslovak gold case is as follows:

- The steel mill was always subject to the exclusive control of the United States Government.
- The gold, however, is subject to the control of the Tripartite Gold Commission in accordance with the provisions of an international agreement and thus not in our exclusive control.
- The steel mill was sold and the proceeds realized from the sale distributed to private claimants under a special public law (P. 85-604).
- In the case of the Czechoslovak gold, the United States, the United Kingdom, and France, are obligated, under the Paris Agreement of 1946, to pay to Czechoslovakia her just portion of the gold held in the pool.

Thus to seize the gold would violate a specific international obligation of the United States. We do not believe that we should reciprocate an illegal act of expropriation by Czechoslovakia with an illegal act of our own.

The question of the emigration of ethnic Germans living in the U.S.S.R. has been placed by the Federal Republic of Germany on the agenda of official Federal Republic-U.S.S.R. meetings. In past years, prior to 1972, there was relatively little emigration. As relations between the Federal Republic and the U.S.S.R. improved in the 1972-73 period there was a considerable increase in that emigration. The actual figures, however, are considered sensitive and are closely held by the governments concerned.

The subject was raised during Chancellor Schmidt's recent visit to the U.S.S.R. The communique issued following that visit stated that both sides noted that solutions to questions of a humanitarian character had developed favorably and expressed the wish that these questions should be dealt with in a positive manner in the future.

I hope the above will answer the Committee's questions. Please feel free, however, to call upon me if I can be of any further assistance to you in this matter.

Cordially,

LINWOOD HOLTON,

Assistant Secretary for Congressional Relations.

The CHAIRMAN. Here is my understanding of that situation.

A Communist government takes over in Czechoslovakia. The U.S. Government seizes any assets of the previous Czechoslovakia Government that it can find to try to compensate Americans whose property had been taken by that Government. Now, my whole experience with Communist governments is that when the Communist takeover occurs, anything of theirs that is over here we just take and use to help compensate our people for the loss of their property which has been taken. Those people do not recognize private ownership of property. We do. And the only way I have ever seen to effectively negotiate with a Communist government is not to negotiate at all. When they seize our property, anything they have we should take and distribute among our people.

We made a settlement with the Germans in which we obtained some gold that Nazis had seized when they invaded Czechoslovakia.

My whole experience in international law dictates that we would simply take that gold and distribute it to these people whose property was seized over there in Czechoslovakia.

Some of your people in the State Department have been trying to give that gold back to them while the majority of us on the committee feel the war gold that we got from the Germans is ours and that we should simply distribute it to these people whose property was seized.

Now, the French have a right to be consulted about the matter because we had a three-power commission at one point. The British have a right to be consulted. My last information is that this Government agreed to let the French have their part back to do whatever they wanted to do with it. If that is the case, I don't understand how anybody can contend any longer that this Government should not be privy to do whatever we want to do with our share of that gold.

Secretary KISSINGER. Mr. Chairman, as I understand it, this is essentially a legal question. My two associates here claim that the money was not returned to France, but we will find that out this afternoon. I am not prepared to debate it, I just don't know.

The CHAIRMAN. In the first place, you are a busy man and I am not complaining about the fact that you have been busy on other work, but it just seems to me we on this committee has a right to complain that, (1) your Department has not made the information available to us; (2), when they did make it available it was wrong.

Secretary KISSINGER. I am often in that position, too, Mr. Chairman.

The CHAIRMAN. Well, I hope you can help enlighten us on this matter. That is one of the many subjects on which we need to know the facts, I suppose, in order to get the right information so we can arrive at what would appear to be the right conclusion.

Secretary KISSINGER. You should have the information and we will get it this afternoon.*

On the major question, whether we can just distribute the gold—and whether or not France got its share—it is my understanding that legally we do not have the right to do this. In all cases where we have blocked assets, we have not simply distributed the assets but have used them as a means of obtaining a settlement with the country whose assets we blocked. In return for those assets the country concerned would settle its debts. It seems that we do not have the legal authority to seize assets and then simply distribute those assets to claimants. We do have the authority to block these assets and use them as a form of negotiating pressure on the country concerned. This is the way the gold has been used. This is at least my understanding of the legal situation.

The CHAIRMAN. Are you aware of what we did with the steel mill that those people had on order at the time the Communists took the government over?

Secretary KISSINGER. I have a vague recollection but I am not—

The CHAIRMAN. They had a steel mill on order here. They put up the money to pay for it under the previous government. When they confiscated our investments, at that point it was not confiscation in their view. I understand that they have one legal system and we have another. Under their legal system the people own nothing, the Government owns all, including their eyeballs and corpses. Under our system of government there is such a thing as private ownership of property. And what we did with the steel mill was what I thought your Department had been doing, the only thing that made any sense to me. When they seize everything over there that belongs to our citizens we seize everything over here that belongs to them, and if they don't care to make a settlement we seize it and sell it. So we sold the steel mill and distributed the proceeds among the American citizens who had property over in Czechoslovakia.

What is the difference between that and the gold?

Secretary KISSINGER. I don't understand what the difference is and I will have to look into the legal position. In my experience we have always used these assets as a bargaining counter, and I am not familiar with a case where we have distributed blocked assets and if so, why we did it. I honestly do not know.

The CHAIRMAN. Mr. Secretary, you are going to find, if you haven't that when they take over our property the best thing you can do is to seize whatever they have over here and use it to pay off the claims you have available to you.

If you are thinking that you are going to get them to pay a claim, and from their point of view it is evil to pay off a private property claim; that attitude is wrong to begin with because they don't think the people should own anything anyway. And the only way that you are going to get the Czechs, if you turn that gold back over to them, the only way you are going to get any money out of them to pay the claims is by some deal where you loan them \$200 million and they will pay off \$10 million of claims or some arrangement like that. So on each negotiation they always owe us more than the time before. When they refuse to pay they lose that much more. That is the only way

*The State Department response is printed elsewhere in these hearings.

I have seen those people do business. That is about how they are doing business on this one.

What is their argument, Senator Byrd, about paying off the World War II debt; they will pay something provided we will lend them twice that much?

Senator BYRD. They will pay 3 cents on the dollar, plus another 24 cents, provided we give them most favored nation treatment and long term tax credit.

The CHAIRMAN. It sounds to me like saying I will pay you the money I owe you, \$100 provided you will lend me \$1,000, which I don't intend to pay. And that is about the way that you would find yourself trying to negotiate with the Czechs on behalf of the American claimants in a case like this. It seems to me the only way to do it is to say, take any assets that we are holding that that government can claim, and to simply pay the claim.

Secretary KISSINGER. My understanding is that the Czech settlement compares favorably with similar settlements that have been arrived at with Hungary and other countries.

Now, Senator Byrd's description of the lend lease settlement has certain aspects to it which strikes me as slightly one sided, but I don't want to debate that at this particular moment.

The CHAIRMAN. Mr. Secretary, if they are trying to tell you that that settlement compares favorably to what they have done elsewhere, they have misinformed you. I would be ashamed to claim that that is the best I could do on behalf of my Government if I had all those tools to work with including that gold sitting there, and proceeded to give those people most favored nation treatment to give them subsidized loans, and to give them all that gold while your own citizens have had their property seized and taken away from them, and you had it completely within your power to make them pay those claims as a condition of doing any of those things. In other words, if you have made a worse settlement than that, and I assume the State Department can say that there is one that you made that was worse, I am sure you can find your department did a worse job somewhere, but you will work hard to find a situation where you had so much going for them and did a worse job than that one.

Secretary KISSINGER. I think you ran together Senator Byrd's version of the lend-lease settlement with the Czech settlement. We weren't talking about Exim credits and the Czech case is a different settlement. But, nevertheless, I take your point. My understanding is that the terms of the settlement are better than those that were achieved with Hungary, that is to say, they are paying off 42 cents on the dollar rather than 37 cents. But of course, whether you consider that a satisfactory settlement is another question.

The CHAIRMAN. Mr. Secretary, you started out by admitting you don't know anything about this matter, so I would suggest that you familiarize yourself with it. But meanwhile, why don't we get the facts. You tell us on what condition you released or whether you gave France one-third of that gold, and if so, and under what conditions you gave it to them.

Secretary KISSINGER. That I will do.*

The CHAIRMAN. Thank you.

* The State Department response is printed elsewhere in these hearings.

Senator **PACKWOOD**. Let me run back to title IV and make sure I understand what you are saying to us.

First there are differences on the committee and Senator Byrd and I are debating some of those on the Eximbank credits to the Soviet Union. I think what you are stuck with on the committee and Congress is a reluctance of Congress to trust any administration because of consistent deceptions over the past 10 years about things we have been told on occasions and so we are afraid if we delegate too much authority, views may change, positions may change.

What you are saying to us, if we write title 4 into the bill, Russia is going to take this as a matter of personal insult to their personal pride, they could and they would tell us to take our credit and take our most-favored-nation and do whatever we want with them and they will stop emigration altogether. Is that a fair statement?

Secretary **KISSINGER**. I think that is a good point.

Senator **PACKWOOD**. So, what we are left with then is trying to decide merely in our own minds, assuming we want to encourage Jewish emigration, whether we are better off to write a tough provision into the trade bill and say the Russians are really bluffing and they will accept it because they want the credit very badly, and that is a club, or really say we will leave it to the discretion of the administration with their carrot, we know the administration or hope the administration will be faithful with the cause of Jewish emigrants and that the Russians will respond more gracefully to a subtle carrot than a very unsuitable club.

Secretary **KISSINGER**. I think that is essentially correct.

Senator **PACKWOOD**. I have no other questions, Mr. Chairman.

The **CHAIRMAN**. Mr. Secretary, I won't belabor this bill any further because I know the burden on your time. There are some other members who want to ask additional questions.

What is your pleasure? What is your schedule for the rest of the day?

Secretary **KISSINGER**. Well, frankly I have an appointment at the State Department right now, but if it's a question of going another 15 minutes—

Senator **BYRD**. I don't have too many but I do have perhaps more than 15 minutes.

The **CHAIRMAN**. Could we arrange to resume this hearing sometime later on in the day, Mr. Secretary? As far as I am concerned, I have asked all the questions I care to ask, but I do want to give the rest of the committee a chance to have the information that they would like.

Secretary **KISSINGER**. I will leave it to the pleasure of the committee. I would have to cancel a number of things today. I suppose I could do it. There is one group coming that I have already canceled three times that is coming in from out of town. But I suppose we could adjust things.

But would it be possible to answer some questions orally now and perhaps answer the remainder in writing? Would that be a possibility?

The **CHAIRMAN**. To the extent that the Senators are willing to submit their questions, but I should think that they want to ask you questions that would exceed that.

Senator **BYRD**. It's never been my policy to submit questions in writing to departments.

In other words, I prefer to take just a little time. This is the first time the Secretary has been before this committee in 9 months, March of 1974, 9 months ago. I don't have many questions but I do have a few questions I am anxious to get answers to.

The CHAIRMAN. Do you want to answer them now or come back later? Whatever you want to do is all right with me.

Secretary KISSINGER. Well, could you get some idea of how long you would think it would take now?

Senator BYRD. Some of these questions I think you can answer in one word, yes or no.

Secretary KISSINGER. That is impossible for me. [Laughter.]

Why don't we go 15 minutes and see what is left.

Senator HARTKE. I have some questions. With all due deference I do feel that we have to make a decision. I am personally willing to continue straight on through but I am not prepared at this time to be forced to a time limitation. I would be glad to try to accommodate you, but as Senator Byrd has indicated and you have indicated, this is the most important piece of legislation in the Congress, and I do not know what else could take preference over it.

If there is something that takes preference I would be willing to come back this afternoon, tonight, tomorrow morning.

I do think that there are some things which this committee is entitled to know before we start to debate this matter on the floor of the Senate.

The CHAIRMAN. It sounds to be like there will be an hour of questioning. Do you want to finish now or come back?

Secretary KISSINGER. Could we meet at 5:30 today?

The CHAIRMAN. Certainly.

Senator BYRD. Sure.

The CHAIRMAN. If that is alright with you.

Secretary KISSINGER. I will arrange my schedule.

The CHAIRMAN. We will stand in recess until 5:30 p.m.

[Whereupon, at 1:05 p.m. the committee recessed to reconvene at 5:30 p.m.]

AFTERNOON SESSION

The CHAIRMAN. Mr. Secretary, we will resume our hearings; Senator Byrd was asking you questions at the recess, and so I will call on Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

Mr. Secretary, as you possibly gather, I am a little skeptical about détente and not 100 percent sold on it.

This section of the trade bill ties in precisely with that matter.

Would you tell the committee what commitment or commitments have been made in regard to long-term subsidized credits to Russia?

Secretary KISSINGER. No commitments have been made to the Soviet Union about any long-term credits, to the best of my knowledge.

Senator BYRD. On the question of harassment, which is one of the key points of the Jackson amendment, is not the entire system of Government in Russia based on harassment and terror, as a practical matter?

Secretary KISSINGER. Well, I think the Government is more obtrusive than in our country.

Senator BYRD. I will not press the issue.

Mr. Secretary, there is some evidence that Moscow cooperated up to a point, but is it not true that when the Soviet Union actively urged other Arab nations to join in the Yom Kippur War, they violated the basic principles of relations between the United States of America and the U.S.S.R. signed in May of 1972?

Secretary KISSINGER. You mean in some of the exhortations that were made after the war had started?

Senator BYRD. Yes.

Secretary KISSINGER. Of course, I would say basically that when the Soviet Union urges other countries to participate in a war any place, that it would be violating the basic principles of the 1972 agreement.

Now then, one has to analyze why the Soviet Union may have done this. But to answer your question, yes, I would say this was a violation.

Senator BYRD. Thank you for that clear-cut answer, Mr. Secretary.

Now what will be the criteria for Soviet fidelity to the Kissinger-Jackson compromise?

Secretary KISSINGER. As I pointed out this morning, Senator Byrd, there are at least three basic questions. Is there any interference with applications? Is there any harassment of applicants? Is there any denial of applications for any ground other than national security, reasonably defined?

It is my impression—and I have consulted the groups in this country that have the greatest interest in promoting emigration—that we should be able to get substantially accurate answers to those questions. If it should turn out that these questions cannot be answered satisfactorily, I would believe that the administration has an obligation to point this out to the Congress, in addition to the fact that the Congress has a review authority at the end of 18 months.

Senator BYRD. At this point I want for the record to point out and commend the Senator from New York, Mr. Buckley, for his trip to the Soviet Union. I am particularly impressed with the fact that Senator Buckley did not spend his time with high government officials, but instead got out among the people. The Senator from New York visited with the people, among the Jewish community there, among the German minority there, among dissident groups, and I think he brought back a lot of information.

In an Associated Press dispatch from Moscow noted Nov. 11, 1974, Senator Buckley quoted leading Jewish activists as telling him that the Kremlin has increased its harassment of Jewish dissidents since the announcement in Washington of the Kissinger-Jackson agreement.

Would you comment on that?

Secretary KISSINGER. Well, may I indirectly say, as flattered as I am in being bracketed with Senator Jackson, the ultimate agreement was reached between President Ford and Senator Jackson. Nevertheless, I will be delighted to answer the question.

This exchange of letters or the implications of this exchange of letters cannot be expected to go into force until the subject to which it refers comes into being. So I would think that if the claims that are made were still valid after the passage of the Trade Reform bill and the granting of the MFN, this would be a subject of considerable con-

cern which we will bring to the attention of the appropriate authorities.

Senator BYRD. Well, the problem with that, as I see it, the way the compromise amendment is worked out, the waiver can take place, the waiver of the original Jackson-Vanik amendment will take place at the President's option for a period of 18 months and during that period of time vast amounts of credits and guarantees could be extended to the Soviet Union before the Congress would have an opportunity to review it.

Secretary KISSINGER. Vast amounts of credits have not been extended to the Soviet Union in the past and vast amounts of credits would certainly not be extended if we felt that there had been bad faith in any of our understandings.

Senator BYRD. Well, the point I am suggesting is that there may not be evidence of bad faith until after the credits are extended. Once the credits are extended, I assume there is no way to retrieve the credits.

Secretary KISSINGER. I believe what will insure Soviet performance is not the credits but their general interest in the relationships with the United States. If for any reason that should flatten, if détente should be substantially jeopardized, then I believe the overall performance of what we are discussing here will also be in jeopardy.

As long as this interest is maintained, I think this is our primary point of pressure or attack.

Senator BYRD. I visualize something like what happened with Japan when the United States gave in to the demand of Japan and gave Okinawa back to Japan, which we had by treaty, then we lost all leverage over Japan.

I am glad to say I opposed that treaty giving Okinawa back to Japan, and we have lost all leverage over Japan. Once we give these credits, my fear is we will lose all leverage over the Soviet Union.

Secretary KISSINGER. Well, of course, Senator, I do not agree with you at all about Okinawa. One could argue that without the reversion of Okinawa to Japan, our relationship with Japan would have been so mortgaged we would have lost a lot more leverage than we have.

With respect to the credits, this is not immediately affected by this exchange of correspondence. It is, of course, true that, if huge credits are extended all at once in one decision that, then that will create one situation.

On the other hand, this has not been our past history and this will not be our history in the future.

Senator BYRD. It has been the history in the 13-month period to extend \$587 million in credits and guarantees to the Soviet Union.

Secretary KISSINGER. Senator, I would like to review that figure because what sticks in my mind is that we began the examination of these credits in 1972. It is quite possible that the paperwork may not have produced the first credit until 1973 or 1974. What sticks in my mind is that the credits were extended in the sense with which I am concerned—that is, in their relationship to foreign policy—over a period of 2½ to 3 years, regardless of when the ultimate decision by the Exim Bank took place.

This is the manner in which we would expect to proceed in the future.

Senator BYRD. Under the amendment, as I read your statement to the committee this morning, under the amendment, with no ceiling on credits, that would mean under the law the administration could, if it wishes, and you say it probably will not wish, but it could, if it wishes, under the law extend unlimited credit to the Soviet Union.

Secretary KISSINGER. Well, not exactly, because there is a total limitation, of course, on the amount of Exim credits that can be given.

Senator BYRD. My goodness, that is \$25 billion.

Secretary KISSINGER. Even allowing for our normal exuberance, we would not earmark them all for the Soviet Union. But we have agreed that there should be very significant consultive provisions with the committee or with the Congress so that the Congress would have an idea of what is earmarked.

At any rate, it is not our intention to earmark unlimited amounts or huge amounts, but we would like to have the ability to be flexible in order to have some incentives in a situation that is likely to be rather complicated over the next 2 years.

Senator BYRD. The Jewish leaders told Senator Buckley that the telephone lines over which the dissidents communicated with the West had been cut since Senator Jackson announced on October 18 that the Soviet Government was liberalizing Jewish emigration policies to obtain trade concessions from the Congress.

Would the Jackson compromise propose to deal with a matter of that type?

Secretary KISSINGER. I do not believe that any exchange of correspondence between two Americans could possibly account for all the forms of harassment that an authoritarian state can impose on its subjects.

I believe that to the extent one assumes this will work depends on there being good faith on the part of all the parties.

There are no specific assurances with respect to each form of harassment, but there has been a general assurance with respect to harassment. I believe that we should make an effort to see whether it can be made to work.

I have pointed out in my statement that I did not know how this would in fact work in practice. But we have now reached the point, as Senator Packwood pointed out this morning, where we simply have to make the choice on what gamble we want to take.

Senator BYRD. Mr. Secretary, Sakarov provided Senator Buckley with a list of German origin residents in the Soviet Republic. These Germans were originally residents in the former Soviet Volga German Republic in Eastern Russia. They were deported en masse by Stalin in the forties. The list was collected by a number of Germans during 1974. Twenty to thirty of these individuals, I am informed, who were involved in the collection efforts were arrested and are now in jail.

All of the families on the list, the signed list, have applied for permission to leave, but were refused.

Sakarov reported to Senator Buckley that the Soviet regime is unwilling to allow them to emigrate because they are more efficient workers in the farms and mines of the region than the local residents.

The list represents about 25,000 to 30,000 individuals.

This is the first of several attempts to collect lists of Volga Germans who will be transmitted to the West when it is available. I have this list which was given to me by Senator Buckley, with these signatures gathered at great cost, personal cost by the way of damage to the individuals who collected the list. Twenty to thirty of them are now in prison.

With your permission, I would like to turn this list over to the State Department for whatever help it might be able to give.

Secretary KISSINGER. I will check on that.

Senator BYRD. Thank you.

Now, is it correct that the Russian Government does not expect to pay for products obtained from the United States by hard currency but, rather, from Russian products in a barter deal?

Secretary KISSINGER. My impression is they will pay for it by currency.

Senator BYRD. Does the waiver in the Jackson compromise apply to all Communist nations or only to Russia?

Secretary KISSINGER. It applies to all nonmarket economy countries, in other words, to all Communist nations.

I mean the right to waiver applies to all of them, but it will have to be exercised in each individual case separately.

Senator BYRD. But the right to waiver in the compromise applies to all Communist nations?

Secretary KISSINGER. That is right.

Senator BYRD. Including, I think you said this morning, China?

Secretary KISSINGER. That is right.

Senator BYRD. Senator Buckley has recently suggested that an ad hoc congressional committee be formed to monitor Soviet behavior to see if the agreement is breached.

Would you favor or oppose such an ad hoc congressional committee?

Secretary KISSINGER. Will you repeat the question, please?

Senator BYRD. Yes.

Senator Buckley has suggested that an ad hoc congressional committee be formed to monitor Soviet behavior to see if the agreement is breached. Would you favor or oppose an ad hoc congressional committee?

Secretary KISSINGER. I have not thought this through, but my inclination would be to oppose it because I am very much afraid that systematic intrusion in what is defined by the Soviet Union as a matter of domestic jurisdiction is likely to have a counterproductive consequence.

If I change my mind on this, I will let you know.

Senator BYRD. Thank you.

Mr. Secretary, I am very much concerned about the status of our POW's and MIA's in Southeast Asia.

What efforts are being undertaken by the administration in this area?

Secretary KISSINGER. At every opportunity we have to meet Soviet leaders, we make this point. It was raised on the recent trip, and I raised it when I was in Peking. We are always told that it would be brought to the attention of Hanoi.

Senator BYRD. That leads me to a part of the language that is in the trade bill as reported by the Finance Committee. The Finance Committee has accepted the language of amendments offered by Senator Chiles and Senator Gurney pertaining to MIA's and POW's in Southeast Asia.

This amendment states that in order for Communist block nations to receive most-favored-nation status two positive steps must be taken. These nations must express the official outrage at the failure of the governments of all Indochina to live up to section 8(b) of the Paris peace accords.

In addition, they must report twice annually to the President of the United States on the status of all actions these nations are taking with respect to the repatriation of POW's and MIA's.

My question is, what is the administration's position on this amendment?

Secretary KISSINGER. I have not actually seen the text of this statement. I would say the possibility of evoking an expression of outrage on the part of a Communist country about a fellow Communist country is extremely low.

Second, if we had this reporting requirement in addition to the reporting requirements under the Jackson-Vanik amendment, we will be creating so many additional obstacles that the grants of MFN would be deprived, I believe, of all significance and would probably be refused.

Senator BYRD. Well—

Secretary KISSINGER. I think the judgment we have to make is how much the traffic will bear here.

Senator BYRD. Well, the committee has approved the amendment as far as I know, unanimously. The staff could correct me if I am wrong.

Secretary KISSINGER. With all respect to the committee, I believe it was a mistake.

Senator BYRD. I understand the language of the amendment has been mellowed to some extent, but—

Secretary KISSINGER. I think the Gurney-Chiles amendment—and I do not have the text of it before me with its periodic reporting requirement—would make additional progress very difficult to obtain I would, therefore, respectfully recommend that this amendment be deleted.*

Senator BYRD. Mr. Secretary, in my own State of Virginia, as you may know, Prof. Woodford McClellan, of the University of Virginia, went to Russia in late 1973 on a cultural exchange program. In May of 1974 he was married in Russia to a Soviet citizen by an agency of the Soviet Government. However, in August of this year the Soviets informed Mr. and Mrs. McClellan that her passport application to come to the United States with her husband was being denied and that she could not reapply for at least a year.

Repeated attempts to reverse the Soviet decision have met with failure.

Professor McClellan had to leave Russia in late August and had to leave his wife behind in Moscow. In addition, just this past week the Russians have refused Professor McClellan a visa to go to Moscow to visit his wife over the holidays.

*See also, State Department letter at p. 114.

Does that indicate any real spirit of détente?

Secretary KISSINGER. Well, let me separate two things, Senator.

The domestic practices of the Soviet Union are not necessarily related to détente which we primarily relate to the conduct of foreign policy.

Second, I am familiar with the case of Professor McClellan. I think it is very moving. I received a very moving letter from him, and I have been in correspondence with Professor McClellan. I pointed out to him my own attitude as to the matters which you have also called to my attention. I promised him I would take a personal interest in this case, which seems to me inhumane, and I am doing so. Until I have received a formal answer I would prefer not to comment in public session, but it is a very moving case.

Senator BYRD. No one could ask for more than you taking a personal interest, which you are doing.

Secretary KISSINGER. I have, and I have been in touch with the professor personally.

Senator BYRD. Yes; it is a moving case.

Just one additional question at the moment, Mr. Secretary.

Two years ago, not quite 2 years ago, the administration recommended that large sums, I cannot remember the exact figure, but I think it was \$3 billion to \$4 billion, be given to North Vietnam. The Senate passed a resolution in opposition to that, and no more has been heard from it since.

I assume that the administration no longer is pursuing that matter?

Secretary KISSINGER. We are not pursuing that matter actively and we do not expect to pursue it in any future that I can foresee.

Senator BYRD. That is very good news and I think the Senate deserves a great deal of credit for the legislation which it enacted expressing opposition to that.

Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, I would like to ask you about one matter. Have your people since this morning's session provided you with the information I asked about the Czech gold?

Secretary KISSINGER. I have been in session all day. Quite honestly they handed me a statement which was incomprehensible to me which I would like to refine and send to you tomorrow.

The CHAIRMAN. Could I look at it between now and then, because if it provides the information I think that we are looking for, I will not have to ask you about that any further? I will not interrogate you any further if I can see it.

Secretary KISSINGER. From a quick reading between appointments of a rather complex document. I think there is some merit in what you said this morning, but I will give you a formal statement tomorrow.

The CHAIRMAN. I was trying to save you the trouble of coming back.

Senator Bentsen?

Senator BENTSEN. I have no questions.

The CHAIRMAN. Senator Roth?

Senator ROTH. I will be very brief, Mr. Secretary; the hour is growing late. But I do have two or three questions I would like to ask you.

I am a supported of the legislation, but one is receiving a lot of criticism about the bill.

First of all, there are those who say, how can we really have meaningful negotiations now when the economy is in a time of growing unemployment and inflation?

I wonder how you would answer those critics of this legislation?

Secretary KISSINGER. I believe, Senator, that the worldwide economic crisis cannot be dealt with until each nation solves its own problems. In fact, I do not believe it is possible to solve the national problem without international cooperation. I would look at these trade negotiations, then, as part of an overall attempt including all of the industrial nations to get the inflationary pressures under control and to defeat recession. We believe that the trade legislation will be an important tool in this effort.

Senator ROTH. Many people say, of course, that the most critical international economic problem is the energy problem, and they contend that nothing can be accomplished in the trade area so long as we are faced by the oil cartel and high oil price as well as the economic uncertainties they have caused.

You really believe that if we adopt the legislation now that meaningful negotiations can be held during current conditions?

Secretary KISSINGER. I believe—

Senator ROTH. Could I finish the question?

Secretary KISSINGER. Excuse me.

Senator ROTH. For example, do you think that the passage of this bill might put the Soviet Union in a framework to be more cooperative in working with us on the oil-energy crisis?

Secretary KISSINGER. Well, I have to tell you quite frankly, Senator, that I do not expect that the Soviet Union will help us solve the energy crisis. I think the way to deal with the energy crisis is for the industrial nations, the major consuming nations, to work together so that they are no longer subject to pressures, have alternative sources of supply, reduce their consumption and create financial institutions that enable them to deal with the dislocations caused by high oil prices.

This requires a high degree of cooperation among the advanced industrial countries. The trade bill can be a very useful tool in helping us create this spirit of cooperation and vindicating the interdependence, which is the only way by which this energy crisis can be defeated.

Senator ROTH. But you do not see the Soviet Union, if we extend most favored nation tariff treatment and credit assistance, as being willing to help us try to work out some kind of a satisfactory solution with the problem of oil.

Secretary KISSINGER. I do not exclude that the Soviet Union might be of some marginal help, but I really do not believe that the Soviet Union is the key to the solution of the energy problem.

Senator ROTH. Senator Byrd in his questions raised a number of times the problem of the 18-month delay in which you could end the most favored nation treatment.

Under our legislation the President is given the power to terminate or suspend MFN treatment to the Soviet Union. —

Secretary KISSINGER. That is correct.

Senator ROTH. And I wonder under what kind of conditions you think this tariff-treatment should be suspended or terminated, and I

would further ask, do you believe the Congress should have the same right of suspension or termination as the President, say, by concurrent resolution?

Secretary Kissinger. I believe that a congressional right of termination by concurrent resolution would really make the grant of MFN almost too precarious to be meaningful.

With respect to Presidential intentions, I have heard President Ford say to Senators Jackson, Ribicoff, and Javits that if he found the grant in bad faith, he himself would bring this matter to the attention of the Congress and take appropriate measures.

Senator Rortz. One last question. Let me ask you this, Mr. Secretary.

In advising the President at the end of the 18-month period, or annually thereafter, would you only advise him to request extension only on the basis of emigration or would you look at such other matters as to what use they are making of our credits, whether or not they are using it for defense build up, and progress on arms control? Would you take into consideration these other factors?

Secretary Kissinger. Well, we would have to take into account the totality of the foreign policy performance of the Soviet Union in addition to the criteria that I outlined in my letter.

Senator Rortz. Thank you, Mr. Secretary.

The Chairman. Senator Hartke?

Senator Hartke. I think Senator Bentsen has not been heard from.

Senator Bentsen. Thank you, Mr. Chairman.

Can you tell me what the rate of exit visas is now in the Soviet Union?

Secretary Kissinger. My understanding it is at the rate of 15,000 to 20,000.

Senator Bentsen. As compared to last year?

Secretary Kissinger. That would be 1973. Last year it was about 33,200.

Senator Bentsen. It would be substantially less this year?

Secretary Kissinger. Substantially below, about 40 percent below.

Senator Bentsen. To what would you attribute that?

Secretary Kissinger. Well, in my statement I pointed out that it is difficult to know whether it is caused by a falloff in the rate of applications as the Soviet authorities claim, whether it is the result of Soviet disappointment that the agreements made in 1972 with respect to trade have not yet been implemented, or whether it is due to other factors. It is very difficult to say.

Senator Bentsen. Would you say, Mr. Secretary, that trade with a non-market country is not as valuable to us as trade with a country that has a free economy, and is much more difficult and subject to disruption?

Secretary Kissinger. If you are talking about trade as a pure economic matter, then I would say that with a non-market economy country it is much more complicated and much more precarious than it is with a market country.

On the other hand, our justification for increased trade with the Soviet Union has never been based primarily on economic grounds. In fact, for many years we resisted the primarily economic arguments that were made. We see it as a tool to bring about or to reinforce a more moderate orientation of foreign policy and to provide incentives

for responsible international behavior and, therefore, it has to be seen in this context.

Senator BENTSEN. Would you enumerate some of the quid pro quos we have received from the Soviet Union in our grain deal and the other things that we have tried to do in building trade with them?

Secretary Kissinger. Well, as I pointed out, I think before this committee, Senator Bentsen, I do not consider the grain deal as part of the overall strategy. The grain deal was the result of a series of bureaucratic mixups and mistakes and was not intended to be part of the overall context.

As long as I had been in Washington, from 1969 onward and for a substantial period before, it had been considered axiomatic that it was in the American interest to induce the Soviet Union to buy American grain. Successive American administrations had attempted to organize Soviet grain purchases, and on one or two occasions had been defeated by the refusal of unions to load the grain on ships.

So what we faced in 1972 was a mistaken perception of the nature of the problem, and I would not put the grain deal with the Soviet Union into this overall strategy of détente. Rather this was considered at that time by many as a favor that the Soviet Union was doing to us until it was realized that the purchases exceeded any estimates that anyone had made of the scale that these purchases could take.

Senator BENTSEN. Mr. Secretary, I share your concern with the transfers of the vast sums of money from this country into the Western European countries, and to the Middle East, but I would appreciate your giving me a comment or two concerning your approach to a delayed transfer of these funds in trying to help some of the other nations who might be in a worse economic condition than our own.

As I have understood the tenor of some of your remarks, we would be, in effect, the ender of some of these obligations of some of these weaker nations in buying the petroleum that they would buy from OPEC countries, is that correct?

Secretary Kissinger. Well, there are two separate proposals that are being studied at this moment. One is a facility for helping the advanced industrial countries to meet their oil bills by recycling some of the dollars that are deposited in the West after having become part of the balance-of-payments problem.

The second one is how to enable the poorest nations to pay for their oil imports.

Now with respect to the first issue, that of the advanced nations, we believe it is of the first importance that the advanced industrialized nations among themselves work out some facility by which they are dependent on solving their problems, whether it be inflation, which will wreck their domestic structure, or constant borrowing from the oil producers, which would make them politically dependent on decisions taken in countries whose interests would not necessarily coincide with the best interests of the West or of Japan.

It is for this reason that we are exploring with them a system of recycling petrol-dollars—that would in any event be deposited in the West—so as to provide some ability to deal with chronic deficits.

With respect to the least developed countries, no firm proposal has yet emerged, but we would expect that the oil producing countries

should play a large role in enabling the countries concerned to finance their deficits.

Senator BENTSEN. I would say, Mr. Secretary, I do not see how this Nation can become the endorser of the obligations of many of the other nations of the world. It seems to me that is a credit risk that has to be run by the producing nations and we have enough economic problems of our own without taking on that additional credit risk responsibility.

Secretary KISSINGER. With that I would substantially agree. We are talking about one facility, about the recycling of dollars that are in any event deposited in the Western countries.

Senator BENTSEN. Mr. Secretary, I can see where we might stand some transfer of goods and services over a period of time, but the real problem, of course, is transfer of a great amount of currency in a relatively short period of time that can wreck the international monetary system.

Secretary KISSINGER. That is right.

Senator BENTSEN. Have we made any progress at all in trying to get preferred deliveries of goods and services on some of the deliveries of oil?

Secretary KISSINGER. Well, it depends on the countries—

Senator BENTSEN. I understand some of the nations could not really utilize them unless they have a population like Iran and Iraq.

Secretary KISSINGER. In the case of Iran, for example, I think there is a substantial ability to pay in goods and services. We have now set up an economic commission between Iran and the United States, which we hope will have worked out a program by March or April of this year. This will involve very substantial purchases by Iran in the United States of goods and services and much of that of a nonmilitary nature.

Senator BENTSEN. Would not the population of Nigeria perhaps provide absorption of goods and services?

Secretary KISSINGER. Nigeria would be another case. Other countries like the Gulf shiekdoms, and to some extent even Saudi Arabia, really have no capacity to absorb the enormous transfers that are now involved, and that presents a massive problem.

Senator BENTSEN. Now, are we approaching these, in part, in a bilateral way with these nations?

Secretary KISSINGER. We are approaching all of these nations in a bilateral way, and we are setting up economic commissions in order to bring about the maximum degree of transfer of goods and services that can be achieved.

Senator BENTSEN. Have we reached an accommodation with the French concerning their triparty approach, and your trying to establish some consensus on the part of the consumer nations prior to the exchange?

Secretary KISSINGER. It is our view that a producer-consumer conference, without a consumer position arrived at before the conference and without consumer solidarity of a tangible nature, would only repeat all of the dilemmas that exist in the bilateral relationships.

We are not opposed to producer-consumer dialog. We would welcome it.

I believe that we can work out the differences that may have existed between the French approach and ours if France will agree with us to have prior consumer cooperation and then move rapidly from that basis to a producer dialog. It is my impression, on the basis of exchanges I have had with the French Foreign Minister and with others, that by the time the meeting with the German Chancellor and with the French President in Martinique is over, we will have made considerable progress.

Senator BENTSEN. I am pleased to hear that. I met with the French Foreign Minister and the President of France a couple of weeks ago on the same point, and I agree with you that certainly the consumer nations should come prepared with a plan and not with an idea of confrontation with the producer nations, but from the standpoint of negotiation in trying to resolve these; otherwise, we are going to have a totally unstructured meeting.

Secretary KISSINGER. That is exactly our view, and I think on that basis we can in fact work something out.

Senator BENTSEN. I must say the urgency of it is such that we really have to push.

Secretary KISSINGER. We are prepared to move as rapidly as the other consuming nations wish, and we will put concrete proposals before the meeting of the IEA, the International Energy Agency.

I think it is meeting December 14 or 17.

Senator BENTSEN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Dole?

Senator DOLE. I would like to submit a couple of questions on the MIA question and elaborate some on the question of Senator Byrd, because it appears to me that that amendment was adopted by the full committee without, as far as I know, any objection on the part of the administration.

If there was some, I missed it. But it does seem to me if we are so concerned about the emigrants from the Soviet Union, we ought to be just as concerned about Americans who may be somewhere in Southeast Asia and may be missing in action.

If I could, I would submit a couple of questions that you could provide for the record.*

Secretary KISSINGER. I would appreciate it. We would have no objection to this being a sense of the Senate resolution, for example.

Senator DOLE. I think the only thing it requires is a determination by the President that there has been cooperation. I do not know how you define cooperation. I assume that can be a very fuzzy definition, depending on who makes the interpretation. But certainly we could not extend any special treatment to any country who did not cooperate with us, would be my hope.

Secretary KISSINGER. I will be glad to respond to your questions, Senator.

Senator DOLE. Thank you.

Senator HARTKE. Mr. Secretary, you may recall that in your appearance here in March 1 was the individual who suggested at that time that we reverse the procedure of the Jackson amendment and give consideration to the extension with a provision for recall.

*The questions and response of the State Department are printed at the conclusion of the oral testimony, p. 113.

I do not want you to think I met this question without some understanding what you are trying to do.

First a preliminary question, how would most favored nation treatment be extended. This morning you agreed that it would be extended and could be extended to all nonmarket countries, including China. Is that correct?

Secretary KISSINGER. Yes, that is right.

I might point out that some of the newsmen who accompanied me to Peking raised the Jackson amendment with the Chinese and were told that any time we want 12 million Chinese they will be glad to make them available to us.

Senator HARTKE. Well, I was wondering, do you think we ought to send them over to the State of Washington? Is that what you are telling me?

[Laughter.]

Senator HARTKE. Let me ask you specifically—

Secretary KISSINGER. It was reported to me third-hand.

Senator HARTKE. Let me ask you about some of the so-called satellite countries, like Romania.

My understanding is that President Nixon, when he was in Romania in 1969, assured the Romanians that they would have most favored nation treatment.

Secretary KISSINGER. That is correct.

Senator HARTKE. Subsequent to that time they have been caught in the middle, that is, the trade bill has been here but there has never been a clearcut understanding as to whether they could receive that kind of specialized treatment which had been extended Yugoslavia and Poland.

Is it now the position of the State Department or the negotiators that there are additional requirements which would have to be met by Romania beyond those which have been met so far?

Secretary KISSINGER. Senator, as a result of the Jackson-Vanik amendment, the Congress would be putting an additional requirement before us.

However, when I was in Romania, I had an opportunity to discuss this with President Ceausecu. The primary issue on emigration between us and Romania concerns some Americans of dual citizenship, and we believe that a satisfactory outcome can be rapidly negotiated.

It would be our intention that Romania would be one of the very earliest beneficiaries of the Trade Reform Act and that it would be granted most favored nation status literally within a matter of weeks of its passage.

Senator HARTKE. Well, let me point out for the record, and I think you can verify this statement, that during the troubles in the Middle East Romania has been the one Communist nation which has maintained diplomatic relations with Israel. Is that correct?

Secretary KISSINGER. That is correct. Romania has not broken diplomatic relations with Israel and has been generally helpful.

Senator HARTKE. Would the same general overall approach apply to Czechoslovakia, Hungary, Bulgaria, East Germany?

Secretary KISSINGER. I do not see, for example, how East Germany could be brought into compliance with the Jackson-Vanik amendment under current conditions.

The general approach that I have outlined would be applied with respect to all of these other countries to the extent that we are prepared to extend most-favored-nation status to them.

Senator HARTKE. Now I want to return to the time when I was interrupted this morning by the bell, to the exchange of letters which was made between yourself and Senator Jackson.

First, before we get into that, take the letter of Senator Jackson. There is one statement I would like to clear up.

"Finally, in order to adequately verify compliance with the standards set forth in these letters, we understand that communications by telephone, telegraph, and post will be permitted."

Permitted with whom and by whom and how?

Secretary KISSINGER. Well, I think you have to ask Senator Jackson.

I stated earlier that the letter of Senator Jackson was not based on anything the Soviet authorities have told us, but that we would include it among the considerations we will apply in asking for an extension of waiver authority.

Senator HARTKE. Well, I think then it is only fair to make this assumption and come to this conclusion, that there really is no formal agreement then with the Soviet Union regarding emigration; is that correct?

Secretary KISSINGER. That is what I stated in my testimony. That is correct.

Senator HARTKE. Then it is also equally clear that the Soviet Union is not entirely predictable in how it will respect the freedom of its citizens or how it is going to react in the Middle East and other trouble spots.

Secretary KISSINGER. That is also correct.

Senator HARTKE. That being the case, why should not the Congress be in a position to deny at any time the extension of credits or most-favored-nation treatment to the Soviet Union or any Communist country whenever such country acts against the national interest of the United States?

Secretary KISSINGER. Because—

Senator HARTKE. Let me say what is at issue here and what I refer to in this case, is the question of congressional oversight and congressional review.

What it appears to me is the conclusion, which I do not deny you the right to have, that the judgment of the President and the administration is better than the judgment of the combined 535 Members of Congress.

Secretary KISSINGER. No.

Senator HARTKE. Do not admit to that, let me make that assumption and statement. That is at the heart of my question.

In other words, I am trying to pin down—

Secretary KISSINGER. That is not, Senator, at all the basis for our view. I think when you have a separation of powers between the executive and the legislative, it becomes important to determine what is the proper exercise of executive functions and what is the proper exercise of legislative functions, and obviously there are fuzzy dividing lines.

I believe if the Congress attempted on a day-by-day basis to review the conduct of another government, and on a day-by-day basis attempted to exercise supervisory authority, it would be engaged in

day-to-day conduct of foreign policy. I believe that 535 Members of the Congress, with other duties and less immediate information, are not as well equipped as those who have the day-to-day responsibility.

On the other hand, the Congress has an obligation and a duty to review the overall conduct of foreign policy and to exercise its judgment at periodic intervals that permit an adequate review. It was our judgment that the 18-month period would permit the Congress to exercise its judgment and in that case it would, of course, be conclusive.

Senator HARTKE. Let me just point out though the difficulties that I see in the approach which is being advanced by you at this time.

You asked that the Congress first not interfere with the internal matters in Russia and that Congress be mindful of the sensitivity, and I am using in both cases the quotes from your statement, and sensitivity is a quote from your statement.

In other words, you say the Congress should not interfere with the internal matters in Russia and Congress be mindful of the sensitivity of this issue.

You have also asked for authority for the executive to make the decisions as to whether or not most-favored-nation treatment and other extensions of credit should be extended to the Soviet Union.

Can you tell me at what point and in what form will congressional review really occur?

Secretary KISSINGER. Congressional review will occur after 18 months on the expiration of the first waiver. The Congress will then be able to, in its own good judgment, decide whether it wishes to extend this authority.

Senator HARTKE. Let's assume we come to the 18-month period, if the matters are so sensitive they cannot be specifically nailed down and we cannot even discover for sure who said what, on what, or who made what commitment to whom, how can Congress exercise its review of the trade negotiations system even under the Jackson amendment? How is it even possible?

Secretary KISSINGER. Senator, I don't believe that is an entirely accurate judgment.

Senator HARTKE. You tell me where I am inaccurate and we will correct the question in its inaccuracy and then we will present the question in my own form.

Secretary KISSINGER. I have described to you exactly what conversations took place which are the basis on which we have given the assurance.

Second, I have made very clear that it is our understanding that there would be no interference with applications, no harassment of applicants, and no denial of visas for any of these other than for national security. All of these are standards that are capable of clear determination.

We have asked the Senate to keep in mind that this is a rather sensitive matter, sensitive with respect not to the clarity of the criteria but to the form they have.

We have attempted to point out if you make them a matter of government-to-government agreement, this might well defeat the purposes which we are attempting to achieve.

Of course, it is perfectly open to the Senate to pass the original Jackson-Vanik amendment and then assume the responsibilities if emigration stops altogether. In all of these matters we are in an area of judgment.

I have given you our best judgment of the manner in which these assurances should be made effective and the nature of the assurances that can be given but the criteria themselves are not at all elusive and will be subject to rather clear determination when the subject of waiver comes up. Of course, there will be one other criteria which everyone will watch, which is the actual rate of emigration.

Senator HARTKE. At some place, Mr. Secretary, and I don't see where I was so inaccurate in my statement, I don't know who promised what to whom. Let me say these questions will have to be answered.

Secretary KISSINGER. Absolutely.

Senator HARTKE. And when that point comes, I cannot understand how that question can be any less sensitive after the fact than it is before the fact. It is the old, old story of a lawyer preparing a contract between two people who are getting along well at the moment. You have to make the contract in such a fashion that it will go ahead and withstand the intensity of a disagreement. Isn't that right?

Secretary KISSINGER. That is absolutely true.

Senator HARTKE. Isn't it fair to assume that if this is extended, once having gained this type of concern, that the point remains that it will be more difficult to take away the benefit and will be much more sensitive in the international arena than it is today.

Secretary KISSINGER. I'm not saying it is sensitive to discuss whether in fact applications are being interfered with, whether visas are being denied, or whether applications are unrestricted. What I have said is sensitive to discuss is the nature of the understandings and how they were arrived at and how they are expressed. Criteria at the time of renewal will be reasonably apparent and will not be too sensitive to discuss and we would expect fully to discuss them.

Senator HARTKE. Well, let me go back to our letter of understanding to Senator Jackson. I want to point out what I had this morning and the fact is that in the letter you make the one statement that we have been assured that the following criteria and practices will henceforth govern emigration from the U.S.S.R. Then you stated also in your final statement that the letter from Senator Jackson will be among the considerations, which makes this whole question of completely subjective decision based upon assurances from unknown individuals. Isn't that what you said?

Secretary KISSINGER. Senator, in my statement I have pointed out that the assurances were obtained from Foreign Minister Gromyko and Secretary General Brezhnev, and that whatever other shortcomings they may have, they do not suffer from being unknown.

What we say will be among the considerations. This seems to me to be self-evident from the letters because obviously we will also have to apply the considerations of our own letter.

Senator HARTKE. Which means in substance, if you care to, and I am not saying you would, I have a great deal of confidence in your intentions to live up to the criteria which has been set forth. But in the case that you decided not to, you could make a finding contrary to the

general conception of what is being portrayed here today and still find within the framework of this hearing—

Secretary KISSINGER. But then the Congress could overrule us.

Senator HARTKE. I understand. That is exactly the point I am making. At some place along the line, the Congress is going to have to ultimately make that judgment, too.

Secretary KISSINGER. In my statement this morning I pointed out in addition to whatever judgments we may make, the Congress will make its own judgment quite independent of ours.

Senator HARTKE. Will the information be more readily available at that time than it is now?

Secretary KISSINGER. I believe—

Senator HARTKE. Isn't it fair to assume it will be just as difficult, if not more difficult, for us to obtain? If we cannot obtain before the fact, how can we obtain after the fact?

Secretary KISSINGER. I again would like to emphasize I have not said that the information is going to be difficult to come by. It is indeed the judgment of all of the groups with whom we have consulted that have a special interest in the problem of emigration that they will be able to know whether applications will be interfered with, whether applicants will be harassed, and whether visas will be denied. Therefore, this information would be fully available to the Senate. And I know the Senate will not be solely dependent on whatever information the executive gives it.

Senator HARTKE. Will the matter be less sensitive at that period of time after 18 months than it is today, and will the information be more fully and openly examined at that time than it is today?

Secretary KISSINGER. I have pointed out that the sensitivity of the subject resides in the definition of the assurances that were given and not in the content of the emigration practices. But it may well be that a certain sensitivity could attach to it at that moment, in which case it would have to be discussed between the committee and the executive in a spirit, I am sure, of good will and cooperation.

Senator HARTKE. Mr. Secretary, I wish that I could interpret the intent of your statement in the light in which you make it, and I am not saying that it is not so when I read the statement.

I am reading from your statement, "Nor can we expect extended debates of domestic Soviet practices by responsible U.S. public figures and officials to remain indefinitely without reaction."

And another place in your statement—I don't know if I can find it.

"I am convinced that additional public commentary or continued claims that this or that protagonist has won can only jeopardize the results we all seek."

Does this imply that there is going to be a moratorium on debate of this issue, of discussion of this issue, to such an extent that we really will have sort of a closed operation for 18 months?

Secretary KISSINGER. This referred not to the whole period of 18 months, it referred to the resolution of the particular issue, and it referred to attempting to determine who or what had prevailed in the particular debate.

Senator HARTKE. Mr. Secretary, let me read your own words to you on the question of sensitivity.

"Therefore, I respectfully ask that your questions take account of the sensitivity of the issue."

You did not say at that time the sensitivity of how the issues were arrived at. You said the sensitivity of the issues. There will be ample opportunity—this is the next statement which is amplification and discussion. At that point there will be ample opportunity to test in practice what has been set down on paper and debate these matters again when the time for stock taking foreseen in the legislation comes, which we all agree is 18 months from now.

Now, that does not leave me with the idea it was a matter of how you arrived at these issues but leaves me with the sensitivity of the issue and the issue here, basically, I mean whether anyone else wants to say it, you and I know the central issue in the Jackson amendment has been the emigration of Jewish people out of Russia. Isn't that right?

Secretary KISSINGER. That is correct.

Senator HARTKE. Now, let me ask you, in light of that, with the President of Israel making the statement that he did yesterday, with all the implications that came from it, concerning them having the nuclear capability, does this have any meaning whatever in the context of the sensitivity of the issues?

Secretary KISSINGER. Well, I have only seen a newspaper report of that statement and I do not know how accurately he was quoted.

I know him to be a scientist, and I interpret it to mean he was talking about the peaceful application of nuclear energy. The nuclear issue is sensitive, but I will not prescribe to individuals the manner in which they wish to discuss it.

Senator HARTKE. Do I take that to mean you are not aware whether or not they have the capacity to deliver a nuclear weapon.

Secretary KISSINGER. I have no clear knowledge of that.

Senator HARTKE. I did not hear that.

Secretary KISSINGER. I have no clear knowledge of that subject.

Senator HARTKE. No clear knowledge.

Do you have any unclear knowledge?

Secretary KISSINGER. Well, one always reads fuzzy reports. That is all I want to say on that subject.

Senator HARTKE. Yes, but as I said a moment ago—

Secretary KISSINGER. I do not see how this is relevant to the question of emigration.

Senator HARTKE. Let me come back to the question I asked you a moment ago, to which you agreed, you said it was also clear, and I read it to you because I read it then. I said it is also clear then that the Soviet Union is not entirely predictable in how it will respect the freedom of its citizens and how it will react in the Middle East and other troubled spots, and you said that is true, and I have asked you what effect this type of statement is going to have upon this type of situation in which the central theme has not been the essence of the trade bill and all the other ramifications on the part to negotiate but the essence of the Jackson-Vanik amendment and proposed substitutes and whatever agreements there have been had been directly involved with the question really of the immigration of the Jewish people to Israel.

Now you have this statement coming. In the face of that you mean to say that will not have any effect upon this situation whatsoever.

Secretary **KISSINGER**. Well, if the President of Israel had asked my opinion about whether he should make the statement I read, I might well have advised him differently. But he rarely consults me.

Senator **HARTKE**. I understand that. You probably would have advised him not to make it but he probably would make this decision fully aware of the type of effect it would have, what I am saying to you is, I want to bring you back again, it was my original suggestion that you make, you were here, you acknowledged that that would be an approach that would be acceptable to you, and that is to extend in affirmative fashion, positive fashion, most-favored-nation treatment on the end of it and then to review the action.

Secretary **KISSINGER**. I remember that very well.

In fact, I referred to it.

Senator **HARTKE**. Yes. All I am saying to you is that I would hope that 18 months from now that we do not read this testimony and have it come back to haunt us all.

Secretary **KISSINGER**. And have—

Senator **HARTKE**. Have it come back to haunt us all. That may be a southern Indiana term.

Secretary **KISSINGER**. I agree very much and therefore I have attempted in this statement to give as fair an account of the origin and to state as honestly as I can what we can back up and where we have to operate on the basis of our best expectations.

I think this a very fair comment.

Senator **HARTKE**. Let me go to another question.

Were there any commitments made to the Soviets, directly, indirectly, or by inferences, during the Vietnam peace negotiations that if they helped us in some way to get out of Vietnam, by that I mean to end the military engagement there, that we would provide credits and most-favored-nation treatment would be extended to them?

Secretary **KISSINGER**. Let me put it his way. In the period 1970, 1971, and 1972, we made clear to the Soviet Union that if they engaged in what we considered responsible international behavior, which included some of the areas which you have mentioned, but not exclusively so, that at the end of that process some of the benefits which you have described could result.

I think it is also fair to say that when we negotiated the trade arrangement in 1972, and the MFN, that we did so based on the previous record in which no additional conditions had been attached by the Congress. I am thinking of the case of Yugoslavia and Poland. And we operated in good faith and so did they, that this was a decision which would be relatively easy to achieve. At no time in our domestic debate prior to 1972, has the issue of domestic Soviet legislation ever been raised with regard to MFN and to trade.

Senator **HARTKE**. In other words, let me see if I can correctly understand you.

What you are saying, that there was no concrete quid pro quo but there were discussions of these matters that it would be mutually beneficial for the United States and for the Soviet Union, first, to end the military confrontation in Vietnam, and second, then to proceed along the lines of some of the instances I discussed.

Secretary **KISSINGER**. It was among the criteria; it was not the only one, but it was among them.

Senator HARTKE. Let me go to another area for a moment in respect of the comments on title V.

Is it your contention that the oil-producing nations could receive preferences in our markets?

Secretary KISSINGER. We would like to have the discretionary authority, yes.

Senator HARTKE. In other words, they are not automatically denied preference, are they?

Secretary KISSINGER. Under this amendment, yes. What we would like to do is change the automaticity to discretionary authority.

Senator HARTKE. You want that changed, is that correct, and the OPEC nations are denied treatment under the bill.

Secretary KISSINGER. What we would respectfully request is that the automatic requirement be changed to a discretionary one because under present circumstances any country that is a member of OPEC, even if it is only a very marginal producer, such as Ecuador, would be excluded from preferences, and we would prefer to have the discretionary authority.

Senator HARTKE. There is this exemption which is contained in the bill, in title V, the provision that the President may exempt from the application of paragraphs 2 and 3 of the subsection any country during the period during which such country is a party to bilateral, multilateral trade agreement to which the United States is also a party, if such agreement fulfills negotiating objectives set for it in section 108, and here are the words assuring the United States fair and equitable access at reasonable prices to supplies of articles, commerce, important to the economic requirements of the United States, and (b) is not in violation of such agreement by action denying the United States such fair and equitable access.

As I understand what you are saying, you are saying that you still want further concessions beyond that in the field of discretion.

Secretary KISSINGER. Yes, we want to have the discretion for bilateral arrangements in addition to the multilateral arrangements.

Senator HARTKE. I did not understand that.

Secretary KISSINGER. They can be both bilateral or multilateral.

Senator HARTKE. You want it to be only bilateral?

Secretary KISSINGER. No, no.

Senator HARTKE. It is bilateral and multilateral. I do not know how we can make it any different than that.

Let me say to you, it is very difficult for me, as a matter of fact, it is incredible that the United States would leave its markets wide open for developing nations to exploit while at the same time creating a world economic crisis by having monolithic prices for oil.

Secretary KISSINGER. But it is obvious that it is our basic policy to attempt to reduce the price of oil.

Senator HARTKE. And therefore, we would attempt to achieve this by those methods which seem to us most effective. We are concerned not with countries like Saudi Arabia which obviously does not need preferential access and which will not even be considered. But, for a variety of reasons we are concerned with countries such as Ecuador which is heavily dependent on the system of preferences and also happens to be a member of OPEC.

They would be automatically excluded because they probably could not make a special arrangement with us for access to their oil under the terms of OPEC.

Senator HARTKE. Mr. Secretary, you leave me confused, I have to admit, because I do not see what you are asking for. What is not in this bill?

That is very simply that the statement of purpose in section 108 of the bill, page 27, is the principal U.S. negotiating—

Secretary KISSINGER. We would have to ask that they break the price, which means leaving OPEC, because otherwise we do have access at the OPEC price.

Senator HARTKE. No, I am talking to assure the United States fair and equitable access at reasonable prices.

Secretary KISSINGER. But a reasonable price would have to be something other than the OPEC price because otherwise all OPEC countries would be eligible, or all OPEC countries would be ineligible.

Senator HARTKE. Well, I am not sure that we are going to change that.

Anyway, let me come to another question, and I know that you are anxious to get out of here, Mr. Secretary. I am just as anxious to get out as you are, to tell you the truth, and I am passing appointments as well as you.

I appreciate the request made of me to try to shorten the hearing, but let me tell you, if this is the most important piece of legislation before the Congress, I do not know who else you have to meet. I will not take but a minute anyway.

In the October 26 issue, 1974, of "The Economist," is an article which is the cover article—

Secretary KISSINGER. Yes, I think I know what you are talking about.

Senator HARTKE [continuing]. Which I ask unanimous consent to put in the record.

[The article referred to follows:]

[From the The Economist, Oct. 26, 1974]

BUYING PEOPLE'S FREEDOM

Russia bargains hard. So should those opposing it. It may seem unappetising that America has just bargained Russian people against its own money and goods; but you cannot be fastidious about that kind of thing when your aim is to get a very tough regime to treat its own subjects more humanely and conform to civilised rules of international behaviour. The essence of the deal disclosed on October 18th was that, in exchange for American trade concessions, Mr. Brezhnev would allow some relaxation of the present rigorous Soviet methods of preventing emigration, particularly by Russian Jews. If he keeps his word, a few divided families will be reunited, a few stifled spirits will get a chance to breathe free, and a little more vindictive persecution will come to an end. For this, it is worth the United States' while to pay a price in grain sales and commercial credits. And Senator Jackson and his congressional allies have rightly used these inducements to bring the Soviet government to start doing something about the freer movement across frontiers which it has said it wishes to promote, but has done its damndest to prevent.

So buying people can be right. From ancient Rome to antebellum America, the practice of purchasing another man's freedom has been an unsordid act. The debate that preceded last week's announcement turned not on whether the United States would be acting morally in offering Russia an inducement to release would-be emigrants, but on whether the prospects for east-west detente would be impaired by making trade concessions conditional in this way. The

Secretary of State, Mr. Kissinger, feared that they would be impaired; but Mr. Jackson and his colleagues held their ground. The pulling and hauling was a long-drawn-out business, and it may be argued that the bargain would not have been struck yet if the Russians, who had been hoping to exploit Mr. Nixon's crumbling domestic position and his consequent need for showy international encounters, had not seen him fall from power. But nobody ever got a fair bargain out of the Soviet government without being prepared to outfit the negotiators whom it still trains in the stone-bottomed style first made famous by Vyacheslav Molotov.

How firm will the deal be? The only documents made public on October 18th were the letters exchanged that day between Mr. Kissinger and Mr. Jackson. The Secretary of State referred to "discussions that have been conducted with Soviet representatives" and stated that the Ford Administration had been assured that emigration from Russia would henceforth be governed by a set of criteria which he listed. According to this list, applicants for exit permits should no longer encounter discrimination, punitive action, extra taxation or deliberate obstruction; hardship cases should receive sympathetic consideration, as should American complaints of failure to respect the criteria listed. Mr. Kissinger added that it would be assumed that the rate of emigration "would begin to rise promptly from the 1973 level and would continue to rise to correspond to the number of applicants"; and that the President would take account of points made in Senator Jackson's letter when deciding whether to allow Russia to benefit under the terms of the pending American trade bill. The senator's letter acknowledged that there was now a basis for modifying the bill so that the President could grant Russia benefits as long as its emigration practices conformed with the listed understandings.

ON PROBATION

Included among these understandings was Mr. Jackson's mention of 600,000 exit visas a year as "a benchmark, a minimum standard of initial compliance," which, he noted, seemed to be common ground between him and the President. On October 21st Mr. Ford's spokesman emphasized that there were no numbers in either the Soviet assurances or Mr. Kissinger's letter; but a Jackson spokesman responded that this clarification was "all right with us" and that it did not detract from the agreement. The senator had already indicated that the trade bill's final wording would leave Congress free to discontinue the benefits granted to Russia after 18 months, even if the President asked for a renewal. So the Russians will be on probation. If the long delayed trade bill is now passed, they will presumably get the most-favoured-nation tariff treatment that they seek (largely, it seems, for prestige reasons, because tariffs are not much of a barrier to their limited exports to America) and some valuable commercial credits; and Mr. Ford has already agreed that they may buy 2.2m tons of grain (but not the 8.2m tons they had contracted for). The flow of American benefits to them will dry up in 1976, however, if their fulfilment of their side of the bargain does not satisfy the congressional majority that Mr. Jackson has mustered, and which is likely to be strengthened by his spectacular success.

Such a bargain could not be struck if the Soviet government had to admit its existence publicly. It was quite logical that Mr. Brezhnev felt it necessary to make a tough speech, three days before October 18th, denouncing all idea of a deal in which trade and emigration policies would be linked. But the many Russians who nowadays listen to foreign broadcasts are undoubtedly already spreading the news, and if the Soviet public sees that the persecution of Jewish and other would-be emigrants is ending and that more of them are getting out no official denials will carry conviction. An inevitable consequence, inside Russia, will be a surge of fresh demands for exit permits, not only from Jews who have hitherto been deterred from applying but also among other national groups, and particularly from people who, like many Ukrainians and Germans, want to re-join relatives abroad. Outside Russia, the consequences will affect the mood of the Conference on Security and Co-operation in Europe at Geneva. Western negotiators at Geneva have spent many months trying to get Russia to put into practice the commitment that all the 35 participating governments assumed, at the start of the conference, to "facilitate freer movement and contacts" for all Europeans; but the Soviet delegation has given them no encouragement to hope for success in this direction. Now they have before their eyes an example of success that ought to put fresh heart into their efforts.

THE RISK FOR BREZHNEV

Mr. Brezhnev's latter taking risks, and in this business he must know how many there are. The Jackson deal may stir up an alarming amount of hope among the disaffected inside Russia. It may destroy the remaining Soviet hopes of bringing the European conference to an ostensibly impressive climax without conceding any points of substance. It is bound to annoy the Arabs, who will accuse Russia of strengthening Israel by letting so many of its Jews go there. It will strengthen the position in American politics of Senator Jackson, a potential next president who has been branded in Moscow as a dangerous enemy. It will give Mr. Brezhnev's rivals among the Soviet hardliners a handle to use against him. But it must be stressed that Russia's supremely cautious ruler has calculated that these risks are worth taking. He is certainly well aware of his country's crying need for more access to American and other western advanced technology and development assistance, which it cannot obtain unless it improves its commercial relations with the west. He may also now recognize that explosive pressures are mounting inside Russia, that something has got to give, and that the best defusing technique may be to let larger numbers of malcontents leave the country. And he may also feel that, after staking so much of his own personal prestige on the claim that he knew how to woo the United States profitably, he could not afford to let his subjects see that claim explode.

Mr. Kissinger began a new round of talks on Wednesday. This may be followed by a meeting in November between Mr. Ford, who is due to visit Japan next month, and Mr. Brezhnev, who seems to have arranged to visit Mongolia mainly because he would like to be conveniently placed to offer Mr. Ford a rendezvous at or near Vladivostok, in easternmost Russia. Mr. Brezhnev's evident interest in such a meeting may be seen as confirming the Jackson argument about the best way of doing business with Russia; there is no sign that the Jackson deal had made the Soviet leader any less ready to talk to American visitors. But it is still far from clear whether any real progress can be made, either in Moscow this week or in the Far East next month, on the major issue now outstanding between the two superpowers, the curbing of their nuclear arms race.

Mr. Kissinger's departure for Moscow was accompanied by a trumpet blast from his colleague Mr. Schlesinger, the Secretary for Defense, on the familiar theme of the need to watch the continuing growth of the Soviet nuclear armory. Neither Mr. Kissinger's visit to Moscow in March nor the Nixon-Brezhnev summit held there in July had yielded any such "breakthrough" on arms control as Mr. Kissinger has declared to be his urgently necessary objective, and the word from Washington this week was that he would not be taking any particularly new proposals to Moscow this time round. The Russian-American strategic arms limitation talks at Geneva are under way again, but apparently in low gear. It is by no means evident that the Russians have yet made up their minds that the time has come to offer the United States a serious arms control bargain. Of course, if they could now be sure that the victor in the 1976 election would be Mr. Jackson, it might all be very different.

Error's Note: Since Russia began, in 1971, to let a certain number of Jews emigrate to Israel, about 90,000 have done so. Of these, some 2,000 have already moved on from Israel to other countries, and an unknown number have managed to reach other destinations without going to Israel, although they had declared they were going there in order to obtain Soviet exit permits. Those who are still in Russia but have already applied for exit permits are reckoned at between 130,000 and 140,000. In 1973 about 35,000 got out, but this year the number of permits granted has been halved. Nobody knows how many of Russia's 5m Jews would apply to leave if the mere act of applying ceased to bring various forms of punishment down on the applicant's head; the main governing factor might well prove to be the normal one of getting entry to the country one wants.

But neither the Jackson deal, nor the Jackson amendment to the American trade bill that provided the leverage for it, specified Jews as the intended beneficiaries. Others who might seek to take advantage of an easing of Soviet restrictions include fair numbers of the people of the Baltic states, the Ukraine and Armenia, many of whom have relatives now living in western Europe, north America and Australia; and of the 2m Germans who, although mostly descended from eighteenth-century settlers along the Volga, resemble the Jews in that there is a country outside the communist world in which they would not be altogether aliens.

Senator HARTKE. Buying people is right.

Then the article really is buying people's freedom, the conclusion of which is basically that if the Soviets agree to permit more of their citizens to emigrate, the United States would pay a price in grain sales and commercial credits.

Now, in other words, what they say in substance, their conclusion is that we are buying people's freedom and they say it is right. I am in favor of human liberty and it is very difficult for me to accept the concept that the taxpayers of the United States are responsible for buying the freedom of other people.

So I am going to ask you this question in light of that conclusion of mine.

Is there any connection with extending the credits and the Soviet policy of emigration?

Secretary KISSINGER. Well, by the decision of the Congress in the Jackson-Vanik amendment, this connection has been made. This was not the proposal of the administration. We had thought that the trade legislation should be geared primarily to Soviet foreign policy behavior and that we would deal with the emigration issues through informal contact.

Given the sense of the Congress, we then did our best to work out a compromise which encompasses both the concerns of the Congress and, in our judgment, our foreign policy objectives. But obviously I would think that to adopt a policy as expressed in the Economist article to the effect that the major thrust of American foreign policy should be to effect the purchase of people from various countries would be very difficult and potentially dangerous.

Senator HARTKE. But it really is in effect, is that not what we are doing, Mr. Secretary?

Secretary KISSINGER. By decision of the Congress, with which we are cooperating, we have taken steps in that direction.

On the other hand, of course, the overall trade balance, as you know, is in our favor so it is not a question exactly of buying people. There is no doubt that the effect of Jackson-Vanik plus the compromise we have been discussing today is to use American foreign policy to promote the emigration of people from the Soviet Union.

Senator HARTKE. All right.

Now, just a few short questions on something which was opened by Senator Long on the so-called question of tax amendments.

You stress maximum conciliation by the administration to get a trade bill. I wonder if the administration now would be willing to accept the amendment which would say that you would end the deferral of taxation of foreign earnings as long as they are not repatriated.

Secretary KISSINGER. Senator Hartke—

Senator HARTKE. That is a part of the Burke-Hartke bill, in case you do not know it.

Secretary KISSINGER. To be quite candid, Senator, if this question were put to the Administration, I would probably be among the last of the Cabinet officers whom the President would consult; therefore, I will respectfully suggest this is something that might be an amendment to a tax bill or might be included in a tax reform measure next year and would open too many issues if it were attached to this bill.

I cannot really pass a judgment on the merits, I do not know enough about it.

Senator HARTKE. I suppose then your answer to the question of changing the tax credit to a tax deduction with a modification of the percentage of taxation, that your answer would be the same; is that correct?

Secretary KISSINGER. I am afraid it would have to be, yes.

Senator HARTKE. Some trade agreements and some provisions of the trade bill merely open up the possibilities for trade and they offer free and equitable access to each other's markets, but other trade provisions go a step further, they actually make it advantageous for U.S. companies to invest abroad instead of at home; that is, tax provisions and general preference provision.

Why is it necessary to take this extra step in order to satisfy the needs for negotiating flexibility?

Secretary KISSINGER. I understand that we have abolished some of those we opposed. Bill Eberle had better answer this question.

Senator HARTKE. I know what his answer is.

Mr. Secretary, I am not going to try to put you on the spot.

What I am trying to say in substance, I do not believe that you really can, I say this to you sincerely, negotiate a trade bill unless you take into consideration those provisions which actually encourage financially American corporations to invest overseas and retain their profits without paying their fair share of the taxes, and that is the same question that Senator Long asked, and he found it difficult to get an answer to that question.

He has been listening to Mr. Eberle the past so many months explain to him why it is necessary to do so, and he is not convinced that I am not convinced, and since you apparently are not in a position you feel you want to answer, I will say good night.

Secretary KISSINGER. Thank you.

[Whereupon, at 7:20, the committee adjourned, subject to call.]

Written Questions Submitted to the Department of State

QUESTIONS SUBMITTED BY SENATOR WILLIAM V. ROTH, Jr.

(1) Mr. Secretary, despite the exchange of letters, I continue to hear of cases of harassment of minority groups in the Soviet Union—for example, the case of Mikhail Shtern, a Jewish doctor from Vinnitsa who will go on trial on December 10 (Human Rights Day) on fabricated charges. It certainly seems to me that this is a violation of the spirit of the agreement. Will you see that this case and similar ones are brought forcefully to the attention of the Soviet government?

(2) In your letter to Senator Jackson, you wrote that "Persons imprisoned who, prior to imprisonment, expressed an interest in emigrating, will be given prompt consideration for emigration upon their release; and sympathetic consideration may be given to the early release of such persons." There are cases where prisoners are not getting medical treatment, do not get visiting privileges, receive no mail, and have been kept in solitary confinement. Some have disappeared from sight according to my understanding. What can we do to see that these prisoners receive better attention and do receive sympathetic consideration as far as early release? Have you brought cases of this sort to the attention of Soviet officials?

(3) With regard to cases of harassment and denial of emigration rights, it seems to me that it will be essential to have close contact between your department and the private groups, including Jewish and emigree groups, which have sources of information superior in many respects to that of the government. Will the Department use every means to collect all the information you can about the treatment of Soviet Jewry and other minorities and ensure that this information is not simply discarded but brought to the Soviets' attention?

STATE DEPARTMENT RESPONSE TO SENATOR ROTH

DECEMBER 4, 1974.

Hon. WILLIAM V. ROTH, Jr.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ROTH: The Secretary has asked me to transmit to you answers to those questions on the Soviet emigration issue that you submitted on December 3 for written response and were not able to raise orally during the Finance Committee hearing that day.

One question dealt with the case of Dr. Mikhail Shtern and asked if this and similar cases would be brought to the attention of the Soviet Government. We are aware of the Shtern case and agree that Dr. Shtern's situation merits sympathy and concern. We have in the past found ways to bring such matters to the attention of Soviet authorities in a manner that has often produced results. We will certainly continue to do so.

Another question concerned assistance for persons imprisoned in the USSR who, prior to imprisonment, expressed interest in emigrating. The feelings of the American people regarding conditions of imprisonment of the "Prisoners of Conscience" to whom you referred have been made clear to Soviet authorities. In addition, we have facilitated efforts of private groups to assist these prisoners. We believe that our quiet efforts, against the backdrop of responsible private and Congressional concern, provide the best approach to this problem.

A third question dealt with our gathering and discussing with Soviet authorities information about harassment and denial of emigration rights. We plan to expand our close contacts with concerned private groups and will use that channel as well as all others available to us in order to gather relevant information. We will be in a position to bring to the attention of the Soviet leadership information about the application of the criteria and practices enumerated in the Secretary's letter to Senator Jackson.

I hope you call on me if you believe we can be of further assistance on this matter.

Cordially,

LINWOOD HOLTON,
Assistant Secretary for Congressional Relations.

QUESTIONS SUBMITTED BY SENATOR BOB DOLE

(1) Amendments to Title IV of the Trade Reform Act have been approved by the Senate Finance Committee which would condition the extension of most-favored-nation treatment in trade relations with the United States upon the President's determination that such nations have cooperated with the U.S. in accounting for the Missing-in-Action. Do you feel these amendments will help our effort to account for MIA's?

(2) Much has been and is being done to account for MIA's, but some families of MIA's question what appears to be a disproportionate concern about the fate of Soviet citizens as compared to Americans who served their country. Could you comment on this, Mr. Secretary?

STATE DEPARTMENT RESPONSE

DEPARTMENT OF STATE,
Washington, D.O., December 7, 1974.

Hon. RUSSELL B. LONG,
*Chairman, Committee on Finance,
U.S. Senate.*

DEAR MR. CHAIRMAN: This letter responds further to questions from several Members of the Committee during the Secretary's testimony December 3 concerning the Gurney-Chiles amendment (Sec. 403) to the Trade Reform Act, which calls on the Soviet Union and other nonmarket economy countries to help us achieve an accounting for Americans who are missing in action in Southeast Asia, including the repatriation of any men who may still be alive and the return of the remains of the dead.

It goes without saying that the Administration shares the concern expressed by this amendment about North Vietnam's failure to account adequately for our men lost in Southeast Asia. We have pressed the communist authorities in Indochina repeatedly on this subject, and the Secretary has raised it personally with the Soviet and Chinese leaders. We have stated that there can be no consideration of economic assistance or other forms of accommodation with Hanoi until there is satisfactory compliance with the provisions of the Paris Agreement, including its missing in action requirement. When the Secretary met at the United Nations with the Foreign Minister of Laos, who represents the Pathet Lao side in the coalition government, he made clear the importance we attach to search efforts for our men missing in that country. The U.S. took the initiative at the United Nations to sponsor a resolution on accounting for the missing and dead in armed conflicts, which was overwhelmingly approved by the General Assembly on November 6. Our actions will continue with serious determination until we have obtained the fullest possible information on our men.

Although we agree with the aim of the Gurney-Chiles amendment, we are concerned that its reporting requirements will hinder, rather than advance, achievement of that objective. As the Secretary indicated in his response to questions, it is simply unrealistic to expect progress in this important matter on the basis of efforts which are publicly disclosed. We assure the Committee we will continue our efforts to enlist Soviet cooperation on this subject, but to give this any chance of success, we hope the amendment can be stated as the Sense of the Congress, and that the reporting requirement can be removed. We of course do not wish to have the bill delayed by amendments on the floor but would hope this section could be adjusted in Conference.

If we can provide further information on this subject, I hope you will let me know.

Cordially,

LINWOOD HOLTON,
Assistant Secretary for Congressional Relations.