

**NOMINATIONS OF RICHARD C. HOLMQUIST, CLAYTON
YEUTTER, AND WILLIAM N. WALKER**

HEARINGS
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-FOURTH CONGRESS
FIRST SESSION

ON

**NOMINATIONS OF RICHARD C. HOLMQUIST, TO BE CHAIR-
MAN OF THE RENEGOTIATION BOARD, CLAYTON YEUTTER,
TO BE DEPUTY SPECIAL REPRESENTATIVE FOR TRADE NE-
GOTIATIONS, AND WILLIAM N. WALKER, TO BE DEPUTY
SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS**

MAY 14 AND 15, 1975



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NOMINATIONS OF RICHARD C. HOLMQUIST, CLAYTON YEUTTER, AND WILLIAM N. WALKER

WEDNESDAY, MAY 14, 1975

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

The committee met, pursuant to notice, at 9:55 a.m., in room 2221, Dirksen Senate Office Building. Senator Russell B. Long (chairman of the committee) presiding.

Present: Senators Long, Talmadge, Ribicoff, Byrd, Jr., of Virginia, Nelson, Mondale, Bentsen, Curtis, Fannin, Hansen, Dole, Packwood, Roth, and Brock.

The CHAIRMAN. This hearing will come to order.

Mr. Holmquist, perhaps you would like to go ahead and read your prepared statement.

STATEMENT OF RICHARD C. HOLMQUIST, SENIOR VICE PRESIDENT, LONE STAR INDUSTRIES, INC.

Mr. HOLMQUIST. Senator Long and members of the Senate Finance Committee. I would like to say at the outset that I am looking forward eagerly to this new assignment with the Renegotiation Board.

One reason it appeals to me is because it is one of those governmental components that affords an opportunity to contribute toward a positive cash flow at a time when the Government's budget is strained to the limit. This does not mean that I see the Renegotiation Board as an agency that should seek to take advantage of those who have contracts with the Federal Government. Rather, I see it as an agency that can play an evenhanded role in seeing that contractors receive a reasonable profit from Government contracts, with the taxpayer being fully protected at the same time.

At this moment, I do not pose as an expert in the field of renegotiating Government contracts, nor do I claim at this point to have a complete and thorough understanding of the Renegotiation Act and its amendments.

I do pledge to you, however, that I will apply my best business experience and judgment in a diligent manner and I shall waste no time in becoming as knowledgeable as possible with the intricacies of this important governmental activity.

To my knowledge, I will have no conflicts of interest of any kind that would interfere with my being completely objective in administering this assignment.

I would like to say that I recognize that the Renegotiation Board is currently under scrutiny by various Members of the Congress and that some variance of opinion exists as to whether or not the intent of the act is being carried out as meticulously as it should. Personally, I shall welcome any activity on the part of Congress or others, where an effort is being made to improve the efficiency and fairness of the Board's actions, either through better procedures or by legislative changes. I believe in working as cooperatively as possible with congressional committees and other agencies having a direct interest in the Board's function, and I intend to devote as much time as possible, personally, toward achieving this end.

There has been some discussion regarding the need for increasing the staff of the Renegotiation Board in order to deal with the growing backlog of unsettled cases in order to make sure that excessive profits are not being overlooked.

This whole question certainly deserves a high priority of attention and is uppermost in my mind. By nature, I might say, I am not one who seeks to expand bureaucracy. On the contrary, I shall welcome constructive ideas at any time from anyone that will result in carrying out the intent of the law in a more efficient and economical manner.

I believe that each of the members of the Finance Committee have been provided with a brief résumé of my credentials and my background. You may have additional questions which you would like to present at this time. If so, I would be happy to respond to the best of my ability.

I thank you for this opportunity to make this very brief statement. The CHAIRMAN. Thank you very much, Mr. Holmquist.

I would ask that the record show your background and experience. [The biographical information of Mr. Holmquist follows:]

BIOGRAPHICAL INFORMATION OF RICHARD C. HOLMQUIST

Present: Senior Vice President, Lone Star Industries, Inc.

As operating officer in charge of the following subsidiary companies and divisions, organized and directed the parent company's program of growth and diversification outside its traditional building materials business.

Natural Resources Division (Oil and gas development. Also, development of a patented comminution process for minerals and other materials. Pilot plant completed in 1974.)

Lone Star Hawaii, Inc. (Major land development and home construction company in Hawaii.)

Lone Star Properties, Inc. (Commercial and residential land development company in Continental U.S.)

Lone Star Mining and Exploration Co., Ltd. (Canadian company engaged in initial stages of developing copper/nickel and iron ore deposits.)

Whitecliff Corporation (Tufted rug producers.)

Member of Corporate Capital Budget Committee and other major decision-making groups of the Corporation which had sales of \$686 million and net worth of \$245 million in 1973.

Regional Vice President, Southwest Region, Dallas, Tex., 1965-71.

Line responsibility for all cement and construction materials operations in Southwestern states, primarily Texas and Louisiana, including three cement plants, aggregate operations and ready mix plants. (Sales volume: \$65 million plus.)

Regional Vice President, Eastern Region, Richmond, Va., 1965-68.

Line responsibility for all cement and construction materials operations in Eastern and Southeastern states, including cement plants, ready mix plants, aggregate operations, and concrete products plants. (Sales volume: \$64 million plus.)

Executive Director (Industrial Development Consultant to the Governor), Virginia Industrialization Group, Richmond, 1961-65.

Responsible for the development and execution of a comprehensive plan to stimulate the economic growth of Virginia. This involved programs for recommending legislative changes, improving educational opportunities, organizing local and regional industrial development groups, organizing foreign trade missions, and promoting the economic advantages of the State generally. Results from the above programs were highly successful, particularly in attracting foreign investment into Virginia.

General Electric Company, Various Locations, 1937-61.

Served in a number of assignments, primarily in the area of government, community and employee relations. As Consultant—Government Relations, had responsibility for corporate liaison in Washington, D.C. government agencies and the Congress.

Also represented the company with numerous trade association and governmental groups during these years. While serving as Manager of Employee and Community Relations, was named Outstanding Young Man of the Year for Baltimore, Maryland.

Joined the company in its business training program for college graduates, and then carried out various assignments, ending as sales representative for the construction materials division before military service in World War II.

General: Age 59; Married, two adult sons; Health, excellent (reviewed annually); Height/Weight, 5'9½"/162 lbs.

Education: Indiana University, BS Business Administration, 1937. Completed management training courses of General Electric Company and Lone Star Industries.

Current outside activities: Trustee Foundation for American Agriculture; Trustee, American Viewpoint, Inc.; Trustee, Intercollegiate Studies Institute, Inc.; U.S. Chamber of Commerce Construction Action Council.

Military service: Lieutenant, U.S. Navy (Deck Officer—Minesweepers), World War II, 1942-45.

The CHAIRMAN. Now, according to your résumé you have had experience in natural resources division of Lone Star Industries in oil and gas development. Is that correct?

Mr. HOLMQUIST. That is correct, sir.

The CHAIRMAN. I see.

Now, there is a Lone Star Cement Co. that had a plant down in my part of the Nation. Is that part of the same company, or not?

Mr. HOLMQUIST. It was the Lone Star Cement Corp., and about 3 years ago the name was changed to Lone Star Industries because it became a more diversified company.

The CHAIRMAN. Yes, sir, I see.

That is not at all unusual.

Now, you have had experience in these various aspects of this company, then, in the resources division and land development home construction. Is that correct?

Mr. HOLMQUIST. Yes, sir.

The CHAIRMAN. Also in mining and exploration?

Mr. HOLMQUIST. To a limited extent; yes, sir.

The CHAIRMAN. I see.

What is this, from 1968 to 1971, you were regional vice president?

Mr. HOLMQUIST. When I first went with Lone Star Cement Corp., at that time, they had four regions. One was the eastern region, which

consisted of the geographic area from New England south to Florida and west to Mississippi, with headquarters in Richmond, Va. I was the regional vice president in charge of all operations within that area.

Then I transferred to the southwest region with headquarters in Dallas, which is a similar assignment.

The CHAIRMAN. Right.

Now, I see also that you spent many years with the General Electric Co.

Mr. HOLMQUIST. Yes, sir.

The CHAIRMAN. Would you tell us something about your responsibilities with that company? From 1937 to 1961, that is 24 years.

Mr. HOLMQUIST. I started with General Electric Co. when I graduated from college, Indiana University. I was in their business training course, which is heavily seasoned with finance and accounting; then I joined their construction materials division as a sales representative, and then, except for 3½ years in the Navy, came back and spent a good many more years with General Electric Co. on various assignments in employee and community relations work, in plant location work, and in one point in Government relations work.

The CHAIRMAN. Would you describe for the committee, the actions that you have taken to remove any possibility of a conflict of interest in the event that you should be confirmed?

Mr. HOLMQUIST. I have prepared a complete personal financial statement and I have copies available for anyone who would like them. I presented those to the Finance Committee staff and reviewed it with them. I have also reviewed it with the staff at the White House. I have had a blind trust agreement drawn up by an attorney in conjunction with the Union Trust Co. in Stamford, Conn., and I have presented that to the staff. It has been reviewed carefully by the staff, and I understand it is perfectly acceptable; so that all securities or any other properties that might possibly present a conflict of interest will be included in that blind trust.

The CHAIRMAN. I have a couple of other questions. I am going to ask that you answer them for the record, because I do not think that your answers will change my views with regard to your confirmation.¹ I would like to ask you to step aside for a moment and let Senator Proxmire make his statement, and remain available to the committee.

Mr. HOLMQUIST. Yes, sir.

The CHAIRMAN. Senator Proxmire?

STATEMENT OF HON. WILLIAM PROXMIRE, A U.S. SENATOR FROM THE STATE OF WISCONSIN

Senator PROXMIRE. Thank you very much, Mr. Chairman.

Mr. Chairman, I am very grateful for the opportunity to appear before you to discuss the nomination of Mr. Holmquist as Chairman of the Renegotiation Board.

In order to place this nomination in perspective, I think it is necessary to spend a few minutes discussing the current status of the Renegotiation Board and the program that it is responsible for administering.

¹ See appendix.

In my judgment, the Renegotiation Board is the most understaffed, poorly directed, and mismanaged agency in the entire Federal Government. I make this statement after careful deliberation and years of observation, study, and scrutiny of the Board.

Last year, I conducted three separate hearings on the Renegotiation Board in my capacity as chairman of the Appropriations Subcommittee with responsibility for the Board's budget. This year I received testimony from several witnesses including the Acting Chairman of the Board during the hearings conducted before the Joint Economic Committee. During the past several years, I have held a number of hearings on the Renegotiation Board's program in the Joint Economic Committee, and I followed the Board's activities with great interest and growing dismay.

Several years ago I spoke up on the Board's behalf when Defense industry spokesmen and several Members of Congress urged that it be abolished. On another occasion, the Office of Management and Budget wanted to slash drastically the Board's manpower, and I again came to the Board's defense and argued that it needed to be enlarged rather than diminished.

I believed then and I believe now that the function that the Board is supposed to carry out is absolutely essential. The purpose of the Renegotiation Board is to recapture excessive profits taken on defense and defense related contracts. This program needs to be vigorously enforced. Recent disclosures that the Northrop Corp. and other defense contractors have been making irregular, improper, and illegal payments, the costs of which may have been charged at least in part to defense contracts, underlines the importance of the renegotiation process. This is the only agency which has the right to examine a defense contractor's entire annual sales to the Government to determine whether there were any excess profits.

However, instead of a vigorous enforcer, the Renegotiation Board has become a haven for the lazy, the incompetent, and the semiretired.

The total number of persons employed by the Board has been reduced from a peak of 742 in 1953, to only 183 in 1974. Thus, less than 200 persons, including professional staff, clerical help and others, are assigned the monumental task of reviewing the filings from defense firms which are receiving roughly \$40 billion annually in contract awards. Obviously, this level of staffing does not permit adequate scrutiny of the cases that come before it.

In the Washington headquarters a small handful of auditors and accountants do all of the initial screening. In 1974, 3,586 corporate filings were screened by about 10 accountants. It can be easily seen that there is a very limited amount of time allowed for an accountant to screen each case, and as a result cases are being cleared at the screening process, which ought to be assigned for further investigation in the field.

Because of the understaffed field headquarters, there is a large backlog of cases waiting to be investigated or completed. In 1974, the backlog exceeded 1,000, compared to 665 in 1973.

Tens of millions of dollars in excess profits on defense contracts are being paid by the taxpayer every year because the Renegotiation Board is failing to do its job adequately. The Board recovers some excess profits, but not nearly enough.

Defense contractors are being allowed to retain profits, even after they are renegotiated, far in excess of the average returns of companies in the same or similar industries and far above what is reasonable. Contractors are being allowed to retain profits on net worth of 75 percent, 100 percent, 200 percent, and more, after renegotiation.

We had several cases where the return was 1,000 percent. And those are just the cases we know about because they are among the small percentage of annual filings that do not get lost in the screening process and that are referred to the field for in-depth investigation.

It is symptomatic that there have been two vacancies on this five man Board for the past several months. In fact, the Board has been without an effective functioning Chairman since at least August of 1974. The Chairman at that time had actually submitted his resignation to then President Nixon, who had accepted the resignation. However, in the wake of the resignation of the President, the final document concerning the Renegotiation Chairman was not signed and his removal and replacement was postponed.

In October, President Ford said that he planned to appoint a new Chairman and to reinvigorate the Board so that it could become part of the fight against inflation. Somehow the reinvigorating process has been long and slow and undetectable.

The previous Chairman, in my judgment, was guilty of the grossest kinds of negligence and incompetency. His performance during hearings I presided over demonstrated a shocking ignorance of the laws and regulations he was supposed to enforce and a permissive attitude toward excessive profits.

He was guilty as well of harassing other members of the Board and employees of the Board who were trying to do their job, and of intimidating and threatening to fire the Board's General Counsel for providing legal assistance to one of the Board's members. Of course, it is the General Counsel's job to be responsive to each member of the Board, and not just the Chairman.

It is no wonder that those who had hoped to see renegotiation act as a safety valve on the leaky defense procurement process have almost given up hope on the Renegotiation Board. Thus, Admiral Rickover testified before my subcommittee that the Renegotiation Board, "is probably the worst of the regulatory bodies, and you know how they have become arms of the businesses they are supposed to regulate."

Admiral Rickover recommended that the Board be transformed into a legislative agency so it could be an arm of Congress, like the General Accounting Office.

I have attached to my statement a copy of a portion of the testimony given to my subcommittee by Admiral Rickover on April 2 of this year, in which he proposes a number of changes in the structure of the Renegotiation Board and in the Renegotiation Act to make it more effective. With your permission, I would like this selection from the Admiral's testimony included in the record.

It is my own view that the Board needs a drastic overhauling and that the loopholes in the law need to be closed, and I would hope that the committee in its deliberations this year will consider proposals such as Admiral Rickover's and others, including my own, to reform the renegotiation program.

As you know, last year Congress directed that a study of the entire program be done by the Joint Tax Committee staff, to be completed by September 30, and that the study be the subject of hearings before the end of the year.

I realize, of course, that Mr. Holmquist cannot be made responsible for the negligent actions of his predecessors. But it is important that his background and qualifications be carefully studied to determine whether or not he is the right man for this job, especially in light of the demoralized condition of the Board as a result of the recent events and the forced resignation of the previous Chairman.

Frankly, I have been bothered by reports that Mr. Holmquist may have already overstepped the bounds of propriety since his nomination was announced by the White House. I am informed that Mr. Holmquist has begun taking the reins of authority before they are his to take, that he has instructed members and employees of the Board to channel all inquiries from the outside to his office and to not communicate directly with outsiders unless permission is granted by him, and that he appears to be preparing to conduct the Board's affairs in a way reminiscent of the previous Chairman.

Mr. Chairman, we have seen how the administration in recent years has brought people into Government agencies for the sole purpose of either wrecking or hobbling those agencies. It is not beyond the realm of possibility that Mr. Holmquist is being brought into the Board if not to further hobble it, to place a lid on it so that its future activities may be hidden from view. I sincerely hope that is not the case.

In view of the recent and somewhat sordid history of the Board, I believe it is critical that the committee clarify this point when it questions the nominee and that it assure itself that Mr. Holmquist, if he is confirmed by the Senate, will strive to carry out the law, to do everything within his power to strengthen the Board's legal authority and to enlarge its manpower and resources for the purpose of recapturing excess defense profits.

It is also imperative that Mr. Holmquist make a commitment before this committee to not attempt to harass, intimidate, or stifle any other member of the Board or employee of the Board and to permit any member or employee to communicate directly with Members of Congress and to testify before any committee of Congress when invited to do so.

I have taken the liberty of attaching to my statement a series of questions which I would like to see propounded to Mr. Holmquist, and I would deeply appreciate it if that were done, and if his responses were made available before the Senate is asked to vote on his nomination.¹ I also have an editorial from *The Star*, entitled "Renegotiate the Board," of Tuesday, April 8, which I have attached.

Mr. Chairman, I want to thank the committee again for this chance to speak out and I stand ready to assist in any reform of the Renegotiation Board that may be undertaken.

I want to thank you for my appearance. I want to apologize for my presentation, but I feel very strongly about this Board for the reasons I have indicated.

The CHAIRMAN. Senator, that is apparent on the face of it.

¹ See appendix.

[Admiral Rickover's testimony and the article referred to follow:]

APRIL 2 TESTIMONY OF ADMIRAL RICKOVER

Senator PROXMIRE. I have a final question about the Renegotiation Board. Congress established the Board to recapture excess profits on defense contracts. It is supposed to be the safety valve on the procurement program. But without reflecting on personalities, the administration of the program, as we have noted, has become seriously inept. The previous Chairman over the Board was fired a few months ago; a successor has not been named. Some people think the Renegotiation Program serves the defense industry more than the public.

For example, I understand the Aerospace Industry cited its exposure to renegotiation as a reason to be exempted from Phase IV government price controls. What are your views and your suggestions on how to improve the program?

Admiral RICKOVER. As you know, I believe I am the only one outside the Renegotiation Board and possibly the legislative branch who has made a detailed study of the Board and made recommendations. I would like to give them to you now.

First, the Renegotiation Board should be made an arm of Congress like the General Accounting Office. It is probably the worst of the regulatory bodies, and you know how they have become arms of the businesses they are supposed to regulate.

Second, the Renegotiation Act should be made permanent legislation. Board members should be given long-term appointments so they are insulated insofar as is possible from political pressures.

Third, renegotiation should consider profits on a division and product line basis. Large companies avoid renegotiation by averaging all their profits and losses from all divisions. The Federal Trade Commission is trying to understand more about that by getting statistics from large companies on how much they make on different product lines. Of course, the large companies object to that because they do not want it to be known how each division or product line is doing financially. As it is now for renegotiation purposes, conglomerates are averaging profits from one part of their business with losses from another, something which the small businessman has no chance to do.

Fourth, special exemptions and loopholes should be eliminated.

Fifth, company officials should be required to certify the accuracy of reports submitted to the Renegotiation Board. Criminal penalties should be prescribed for the submission of false or incomplete data.

Sixth, the Board should be properly staffed.

Seventh, fines should be imposed for failure to file the required reports on renegotiation, and the law in this regard should be strictly enforced.

Eighth, interest on excess profits should accrue from the time the excess profit is received.

At the present time, as long as a case is before the Board, even if the Board should find a company guilty of excessive profits, the company does not have to pay any interest for all the time it held the excess money.

Ninth, contractors should be required to report profits on long-term contracts by the completed unit or completed contract methods, so that the Renegotiation Board can review the actual profits instead of profit estimates.

Tenth, detailed government audits of contractor reports should be required. Procedures should be revised so the Renegotiation Board can take advantage of the audit work already performed or being performed by Department of Defense auditors. Requiring contractors to report profits on long-term contracts on a completed contract basis would facilitate the use of defense auditors.

We have large numbers of government auditors. I believe the Renegotiation Board has only 11 or 12 auditors and professionals to screen and audit about \$40 billion worth of work. Considering that in addition there is somewhere around \$25 billion a year that is never even considered due to loopholes, you can imagine how much money escapes renegotiation every year. If I were running a corporation, I would love having the Renegotiation Board, because the Board puts the stamp of legality on whatever I do, without really affecting my profits.

These are my general recommendations, Mr. Chairman.

Senator PROXMIRE. In general, I think these recommendations are very constructive and helpful. There is one that is quite sensational. I just wonder how it will make out—making the Renegotiation Board an arm of Congress, you say?

Admiral RICKOVER. Yes, sir.

[From the Washington Star, Apr. 8, 1975]

RENEGOTIATE THE BOARD

It is time to renegotiate the Renegotiation Board.

The board, a relatively obscure agency set up in 1951 to recapture excessive profits by private companies on defense contracts, was accused the other day by Admiral Hyman Rickover of being "probably the biggest sieve" in government. He was not far off.

The five-member board has been used by presidents to a large degree as a depository for out-of-work politicians, too many of whom have known next to nothing about defense contracts. It has been a center of controversy for years.

Even one of the present members of the board, Goodwin Chase, acknowledged the agency's deficiencies. "I categorically agree with the admiral," he said. And Senator William Proxmire, chairman of a congressional subcommittee looking into the board's operations, said that during hearings the board has "either confessed or acquiesced in every material part of the charges" against it.

Rickover suggested that the agency be removed from the executive branch and placed under congressional domain. Others have recommended that it be abolished or completely reformed. Whether it is under presidential or congressional jurisdiction probably is not as important as giving the agency more teeth and an adequate staff and bringing to it a higher degree of professionalism. If the agency is to be kept in existence, certainly one of the changes that ought to be made is to establish fixed terms for board members. They now serve at the pleasure of the president, which means the turnover is high.

President Ford said last October that he intends to "reinvigorate the board so as to expand its role in the fight against inflation." If the President and the Congress can't or won't "reinvigorate" it, the board certainly ought to be abolished and some better way found to protect the taxpayers against ripoffs by defense contractors.

THE CHAIRMAN. Are there any questions, gentlemen, of Senator Proxmire?

Senator CURTIS. No, I think not.

Senator FANNIN. No questions.

Senator RIBICOFF. No questions.

THE CHAIRMAN. Thank you very much, Senator Proxmire.

Senator PROXMIRE. Thank you, Senator Long.

THE CHAIRMAN. Mr. Holmquist, does this committee have your assurance that you will not attempt to harass, intimidate, or stifle any other member of the Board of employee of the Board, and that you will permit any member or employee to communicate directly with Members of the Congress and to testify before committees if invited to do so?

Mr. HOLMQUIST. It has my commitment, sir.

THE CHAIRMAN. In Senator Proxmire's statement he says he is informed that you have instructed members of the Board to channel all inquiries from the outside to your office, and not to communicate directly with outsiders unless permission is granted by you. Is that correct or not?

Mr. HOLMQUIST. No, sir, that is not correct.

THE CHAIRMAN. He said he was informed that that was the case. He was not stating it on his own authority. He also said—and I assume that this is also on information—that you appear to be prepared to conduct the Board's affairs in a way reminiscent of the previous Chairman, of whom he was critical.

Are you familiar with the way the previous Chairman conducted the Board?

Mr. HOLMQUIST. Senator Long. I am not familiar with how he conducted it.

The CHAIRMAN. Then you would not be in a position, then, to say whether you will conduct the Board the way the previous Chairman did or not?

Mr. HOLMQUIST. That is correct.

The CHAIRMAN. I will ask you if you would be so kind as to answer these questions that the Senator has left here with us later, because they are rather voluminous. I would suggest that we simply let the staff ask you these questions in the other room and that you respond to them. If you would please make yourself available after the hearing is over, these questions will be asked of you.¹

Mr. HOLMQUIST. Yes, sir, I will.

I might add that I was very much interested and impressed with Senator Proxmire's very challenging remarks, and I think that I would like to make a copy of my opening statement available to him, too, because it may answer some of his questions.

Thank you, sir.

The CHAIRMAN. Well, you are 59 years old according to that statement here. That is a little early to retire. You are not looking upon this as a retirement job I hope.

Mr. HOLMQUIST. No, sir, I am not.

The CHAIRMAN. All right, thank you.

Do you have a statement, Senator Weicker?

STATEMENT OF HON. LOWELL P. WEICKER, JR., A U.S. SENATOR FROM THE STATE OF CONNECTICUT

Senator WEICKER. Mr. Chairman, I just wanted to stop by for a minute, thank you very much Mr. Chairman and members of the committee, to speak on behalf of my constituent, Mr. Holmquist.

I have known him in previous times, we have met, chatted. He has an outstanding background. He comes from a company that I feel is a great credit to the State of Connecticut. I think he has the credentials to do a first-rate job, not as a retirement job, not as a political appointment, but with the ability that is borne of his years in industry. So I just want to very enthusiastically recommend him to your committee.

The CHAIRMAN. We are pleased to have your recommendation, Senator Weicker.

Any further questions of Mr. Holmquist for the Renegotiation Board?

Senator CURTIS. No questions.

Senator FANNIN. No questions.

The CHAIRMAN. Thank you very much, Mr. Holmquist.

As I say, when today's hearings on the trade representatives have been concluded, I will ask the staff to ask you these questions from Senator Proxmire.

Mr. HOLMQUIST. I would be pleased to answer them.

The CHAIRMAN. All right.

¹ See appendix.

Now, Senator Ribicoff may be called to manage a consumer protection bill on the floor which is being managed under a limitation of debate, and he had a statement. I would like to call upon the Senator to make his statement at this point with regard to the trade nominee.

Senator RIBICOFF. Thank you very much, Mr. Chairman.

This is a general statement that applies both to Mr. Yeutter and to Mr. Walker, but I believe it is very important as a matter of policy as I see it from the point of view of the Finance Committee.

Mr. Chairman, many of us who have been involved in trade policy know how important trade policy is to our Nation's economy and employment. The Special Trade Representative and his two deputies will be negotiating trade agreements which will affect millions of American jobs, and it is not an academic exercise.

Our country has over 8½ million people unemployed, while the total combined unemployment in Japan, West Germany, France, the United Kingdom, Italy, and Canada is less than 2 million. Trade policy means jobs for millions of Americans, and we must be sure that our negotiators are fully qualified for this difficult negotiation. I do not believe we can afford to send into the Geneva battle over complex trade issues affecting millions of jobs, people who lack the expertise or experience in the trade field.

The Constitution specifically provides that the Congress—the Congress, not the Executive—shall regulate foreign commerce. The office of the Special Trade Representative was first suggested by this committee during the deliberations on the Trade Expansion Act of 1962, and may I say to my colleague on the right, that suggestion came from Senator Byrd's father, who was then chairman of the Finance Committee, and that this committee further strengthened and consolidated the office with the Trade Act of 1974.

It has been and is the intent of Congress that this office and not the State Department nor any other agency or department shall be responsible for administering the trade agreement program and for negotiating on behalf of the United States. In an effort to negotiate fairness and equity in international trading relationships, the Congress worked over 2 years to develop trade legislation which delegates carefully proscribed authorities to the Executive, while preserving the basic power to approve trade agreements in the Congress.

In fact, we have been building up to this legislation for 8 years. A major goal of this legislation deals with nontariff barriers, which are by nature complex, and which require considerable knowledge and negotiating skills.

Under section 102 of the trade law, all agreements must be approved by both Houses of Congress before they can become the law of the United States.

The Congress also established in this law the office of Special Representative for Trade Negotiations with carefully proscribed duties. It is obvious that STR and his two deputies must not only have knowledge and experience in the trade field, but must be able to work closely with the Congress if this negotiation is to succeed.

The law requires that these individuals must report directly to the Congress; therefore the office is as much an arm of the Congress as is the International Trade Commission. Both are totally accountable to the Congress for their actions.

Mr. Chairman, our major foreign trading partners have appointed negotiators with great skills, knowledge, and negotiating experience. Japan, for example, has in Geneva, their former Vice Minister of Economic Affairs. The European Common Market has a team of outstanding negotiators, including a former foreign minister and under him two individuals with a great depth of knowledge and broad experience in negotiating trade agreements. Canada has a man who has been in the trade negotiation business since World War II, and has held important posts in the Canadian Government. The same is true of Australia and many other countries.

I ask unanimous consent to place the biographical sketches of the people that our trade representative is going to meet head to head in these negotiations in the record following my statement.

The CHAIRMAN. Without objection, it is so ordered.

Senator RIBICOFF. The point is we will be in a very difficult negotiation. We are up against professionals, tough, seasoned veterans, who know every negotiating trick, as well as the intricacies of GATT articles and agreements inside out.

The United States cannot afford to send over people to represent the Nation with a foreign trade of over \$200 billion who do not have the background or experience to bring home trade agreements that the Congress will be proud of and approve. It is utterly ridiculous to send into battle novices against the tough seasoned veterans.

Mr. Chairman, the business community recognizes this. The U.S. Chamber of Commerce rarely ever takes a stand against a nomination but they have written to the President opposing Mr. Walker. Caterpillar, one of our Nation's major exporters, has expressed grave reservations and has asked this committee to carefully examine the qualifications of the nominee. Mr. Chairman, I ask that this correspondence be placed in the record at this point.

The CHAIRMAN. Without objection, it is so ordered.

[The material referred to follows:]

CHAMBER OF COMMERCE
OF THE UNITED STATES OF AMERICA,
Washington, D.C., April 28, 1975.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: As I believe you are aware, the Chamber of Commerce of the United States has, over the past few years, actively worked toward the development and passage of the landmark Trade Act of 1974. We have done so as a reflection of our long-standing belief that the American and the world economy benefit positively from the freest flow of goods, services, and capital across national boundaries.

In the early part of this decade, the international system which had facilitated unprecedented global prosperity in the postwar era started to become unravelled. It thus became a matter of extreme importance and urgency for the United States and other significant economic powers to negotiate meaningful reform of that system. As a result of the fine cooperation evidenced between the Administration, Congress, and the private sector, the United States is fortunate in now possessing a comprehensive negotiating mandate in the form of the Trade Act of 1974.

In the spirit of that cooperation, the National Chamber believes that the selection of uniquely qualified individuals to implement this mandate is as important as the work which produced the mandate itself. As a nation, the strengths and advantages of our economy will only be as strong as are our negotiators. In this context, we believe that any potential trade negotiator be judged against the following criteria:

(1) Should possess wide experience and knowledge in the area of international economic policy.

(2) Should possess significant background in the sophisticated art of negotiating with foreign governments on economic issues.

(3) Should be credible internationally, known and respected abroad.

(4) Should be credible domestically, known and respected by elements of the private sector most directly concerned and affected by the negotiations.

These are demanding criteria for a job which requires unique talents. Your nominee for the Deputy Special Representative for Trade Negotiations based in Geneva, Mr. Walker, is a capable attorney and an obviously dedicated public servant. However, after reviewing his background, we are unaware of qualifications that could truly help him carry out the heavy and important responsibilities of the United States' Trade Negotiator in Geneva. We are receiving a growing number of inquiries from our business members who share our concern.

Mr. President, I am sure you know that we want to support your nominees whenever possible. Indeed, we have supported your nominees in nearly each instance. For this reason, we sincerely hope you may be able to reconsider Mr. Walker's appointment.

Cordially,

ARCH N. BOOTH,
President.

PEORIA, ILL., April 28, 1975.

Senator RUSSELL B. LONG,
Chairman, Finance Committee,
Dirksen Senate Office Building, Washington, D.C.

As one of the country's largest exporters, with over 25,000 U.S. employees dependent on exports for jobs, Caterpillar obviously interested in success of current Gatt negotiations. We believe it vital to successful negotiation that position of deputy special trade representative be filled with people of highest qualifications. We, therefore, have questions about apparent lack of international trade background in one of President Ford's recent nominees. We urge you to scrutinize carefully all nominees during course of confirmation hearing to determine to your satisfaction that any lack of trade experience is offset by other qualities. The important work of your committee in producing a trade bill will ultimately be only as successful as results produced by our negotiators.

LEE L. MORGAN,
President, Caterpillar Tractor Co.

Senator RIBICOFF. It is well worth reading the chamber's criteria for the position of Deputy Special Trade Representative. They state, and I quote the chamber of commerce, that "each trade negotiator should one, possess wide experience and knowledge in the area of international economic policy; two, possess significant background in the sophisticated art of negotiating with foreign governments on economic issues; three, be credible, internationally known, and respected abroad; four, be credible, domestically known, and respected by elements of the private sector most directly concerned and affected by the negotiations."

Mr. Chairman, after working over 2 years to tailor a complex trade bill—and may I say, all of us on the Finance Committee, Democrats, Republicans, conservatives, middle-of-the-roaders, and liberals, came out for this trade bill. There was great cooperation and I think all of us on this committee saw eye-to-eye in the bill that we finally got out and that we look to be the charter, not only for Congress, the President, but the entire Nation. After working over 2 years to tailor this complex trade bill, should the Congress confirm nominees to critical posts who do not have the knowledge, experience, proven negotiating skills, or ability to work closely in the bipartisan manner with Con-

gress—that is the issue before us. A man without the support of this committee will be suspect in the eyes of his negotiating partners.

They will doubt whether he can deliver the goods, and that is very important; because when you get to Geneva—as I have been to Geneva to talk to everyone involved in the negotiating procedures—they are aware that nothing is final until it comes back to the Congress and the Finance Committee and the Ways and Means Committee, or the agencies to which the Congress expects us to act. If they feel that the man that represents us in Geneva does not have the confidence of the Congress they are not going to do business with him because they know that he cannot deliver.

Mr. Chairman, I do not believe that any man should even want the job without the full support of every member of this committee.

Mr. Chairman, thank you for giving me the opportunity to make this statement.

[Questions submitted by Senator Ribicoff and responses by Mr. Yeutter follow:]

QUESTIONS FOR CLAYTON YEUTER FROM SENATOR RIBICOFF

Question 1. Given the fact that all nontariff barriers agreements negotiated in Geneva must be brought back to Congress for approval, it is extremely important that there be close and candid cooperation between the Congress and the U.S. negotiators during the negotiations. Do we have your commitment that you will keep the Members of this Committee as well as the Committee staff fully informed as to the development of the U.S. negotiating positions and the status of the actual trade negotiations throughout the entire duration of the Tokyo Round of negotiations in Geneva?

Question 2. In attempting to establish an overall U.S. negotiating posture with respect to agriculture, how do you believe the U.S. negotiations should reconcile the differences in the interest of those agricultural producers who are export oriented, such as the grain producers, from those agricultural producers which are on the contrary import sensitive, such the dairy industry?

Question 3. If you recognize the legitimate role of Congress in these matters, can you explain what assurances you are prepared to give that you will work in partnership with Congress, and keep this Committee and the Ways and Means Committee of the House fully informed?

Question 4. In this connection, I assume you have read all of the legislative history relating to your nomination and potential functions. Can you confirm to us that you are aware of, and will adhere to, the understandings developed between Congress and the Executive Branch during the consideration of the Trade Act of 1974, and in particular that you will subscribe to the summary of understandings embodied in the letter of William D. Eberle, former Special Trade Representative?

Question 5. The Trade Act of 1974, and appropriate legislative history, call for an international agreement on footwear, a matter of great concern to many Senators. So far, there is little or no evidence of Executive Branch activity to explore an agreement or agreements with other nations, and much indication that the various agencies would prefer to do nothing. What assurance can you give us that there will be action as called for in the law and in the legislative history?

RESPONSES OF CLAYTON YEUTER

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., May 14, 1975.

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

DEAR MR. CHAIRMAN: In response to questions from Senator Ribicoff, I hereby submit the following for the Committee record on my confirmation (questions attached).

Answer to question 1. I will be most pleased to keep the Members of the Finance Committee and the Committee staff fully informed during the Tokyo Round re our negotiating positions, and the status of the negotiations. The very strong interest of the Committee to be so informed is apparent from the Trade Act of 1974, and in its legislative history. I will do my best to be responsive to that interest.

Answer to question 2. The interests of livestock and dairy producers on the one hand, and grain producers on the other, are not often mutually exclusive. Most of our commercial cattle feeders produce part or all of the grain that is fed to their animals. And many dairy producers also grow soybeans, wheat, or other crops that move into the export market. These producers understand the importance of exports in maintaining a healthy agricultural economy.

Our livestock producers appreciate the fact that exports of crops enable fixed costs for crop production to be spread over a larger production. This, of course, permits crops to be produced at lower total costs which is a direct benefit to both livestock and crop producers. They know that their grain producing colleagues must earn a satisfactory living in order to continue in business. All in all, I find broad support within the agricultural sector for continued expansion of all our export markets. That is why agriculture will take such an active interest in the multilateral trade negotiations.

Answer to question 3. Perhaps the best assurance that I can give on this point is that of past experience. Several members of this Committee are also members of the Senate Committee on Agriculture, so they are well aware of the relationship that I have had with them over the past 4½ years. I will simply defer to their evaluation of my willingness to cooperate with them; to keep them informed on key agricultural matters, etc. I do believe it is fair to say that I have spent more time in working with the Congress than have most members of the Executive branch. I am also pleased that my personal relationships with members of the Congress have been amicable and friendly, even when we have sometimes been adversaries on issues. I certainly hope and expect that a similar situation will prevail with this Committee, and with the House Ways and Means Committee.

Answer to question 4. I have reviewed the understandings that were developed between the Congress and the Executive branch during the Trade Act debates last year and also the summary letter submitted by Ambassador Eberle. I will do my best to faithfully honor those understandings.

Answer to question 5. Ambassador Dent informs me that he and other officials of the Special Representative's office met with representatives of the footwear industry just a few days ago. It is my understanding that the industry people also had a session with top level people at the White House immediately thereafter. The issues raised are now being evaluated within STR and on an interdepartmental basis. Should this question still be current when, assuming confirmation, I shift to STR. I will be pleased to enter the discussions and attempt to bring them to a proper and timely conclusion.

Sincerely,

CLAYTON YEUTTER,
*Assistant Secretary for International Affairs
and Commodity Programs.*

The CHAIRMAN. Thank you very much.

Any further opening statements?

Senator CURTIS. Opening statements on the general or the specifics?

The CHAIRMAN. Senator Ribicoff wanted to make a statement because he may have to go manage a bill. If you want to make a statement at this point, go right ahead, Senator.

Senator FANNIN. Mr. Chairman, I would like to make a statement on the tremendous importance of these two positions. In addition to discussing briefly exactly what was involved in the passage of the Trade Act of 1974.

In establishing the office of the Special Representative for Trade Negotiations, the Committee on Finance created a Special Representative and two deputies and defined the duties and functions of the office. Among these duties and functions is the requirement to report

directly to Congress on the administration of the trade agreements program and to advise the Congress with respect to nontariff barriers to international trade, international commodity agreements, and other matters which are related to the trade agreements program.

Trade agreements, negotiated under section 102 of the legislation, dealing with nontariff barriers, must be brought back to Congress for approval. The committee, and the Congress, clearly desired to have the best representation available for the United States in these complex and difficult negotiations. When we realize that the economic future of this Nation depends heavily upon what happens in our international trade negotiations, I think we realize the significance of these appointments.

Successful negotiations in Geneva depend not only on an individual who has the President's personal confidence, but who has the complete trust and confidence of the Congress, particularly of the committees that created the legislation authorizing our participation in these negotiations. All of the trade agreements negotiated under section 102 of the legislation must be brought back to Congress for approval.

That section deals with the most important aspects of these negotiations—nontariff barriers—and I think that those of us who have had some experience—and I certainly do not claim great expertise in the field—realize the importance of having quid pro quo agreements with other countries of the world. We have been pushed around as a nation; we have had a very unsatisfactory relationship with many countries that have taken advantage of their particular economic situation. The American economy has suffered as a result.

This is something that must stop. So, Mr. Chairman, in considering the nominees before us today, these are the guidelines for our conclusions.

Thank you.

The CHAIRMAN. Thank you very much.

I will now call Mr. Clayton Yeutter.

Senator CURTIS. Mr. Chairman, my colleague, Senator Hruska, is with Mr. Yeutter, and I think that he should have an opportunity to make a statement at this time.

The CHAIRMAN. Senator Hruska, I have never known you to be that retiring. I thought you would have been on your feet before your colleague could introduce you.

Senator HRUSKA. I do not appear often, Mr. Chairman.

The CHAIRMAN. We are glad to have you.

STATEMENT OF HON. ROMAN L. HRUSKA, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator HRUSKA. Mr. Chairman and members of the committee, it is always with a sense of privilege that I appear before this committee, and I am possessed of that sense this morning when I appear on behalf of Clayton Yeutter and his confirmation as Deputy Special Trade Representative.

In preparing these remarks, and in making these remarks, I want the committee to understand and know that I am aware of the crucial time

that we find ourselves as a nation in our economic history. I want you to know that I have carefully considered, as it developed, the trade reform bill and the work of this committee. And also, I am aware of the pending international negotiations which are ahead of us.

I believe that Dr. Yeutter is an ideal candidate for the position of Deputy Special Trade Representative. He is an outstanding Nebraskan; he is an outstanding individual; he is one of the most amazingly well-qualified individuals, Mr. Chairman, in American public life. Still a young man he has become, and is, a successful cattle rancher, an economist, a lawyer, an educator, and an administrator.

He graduated the top of his class at the University of Nebraska, received a law degree with honors, and went on to get his doctorate at the University of Nebraska Department of Agricultural Economics. He has taught agricultural economics; he served as executive assistant to the Governor of our State for 2 years. He directed a major agricultural mission in Colombia; he has served in the U.S. Department of Agriculture as head of a major agency, and then as Assistant Secretary in two different areas.

Somehow also, he has found time to operate a 2,500 acre farm near Eustis, Nebr., and has risen to the rank of lieutenant colonel as an active member of the Air Force Reserve.

But, this is what I should like to impress this very distinguished committee with—that his most important qualification, in addition to all of the capacities and capabilities which he possesses and uses so well, his most important qualification for the trade negotiating team, is his extensive experience in international negotiating.

He has represented the United States in important talks on such thorny issues of agricultural trade such as the Common Market export subsidies of dairy products, and Canadian barriers to U.S. livestock export. He has been the key individual in working out the agricultural agreement of the United States with the Soviet Union these past 2 years.

He has just completed a very difficult assignment in convincing the Governments of Taiwan, the Philippines, and Korea to honor their cotton contracts with the United States. He comes before you, I repeat, as a qualified economist and as a lawyer, a farmer, and a businessman who has competed in the marketplaces of the world. And he is an experienced international negotiator.

Mr. Chairman, and members of the committee, all of us know that the other countries represented in the trade negotiations ahead of us are represented by their first team; they have some of the most qualified and competent and tough-minded and resilient negotiators that they can lay their hands on and trained through the years.

I would have every confidence in Dr. Yeutter taking his place in such company, and he will soon earn among those people the title of a member of the first team from the United States of America.

I recommend him without qualification for confirmation, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Hruska.
Senator Curtis?

Senator CURTIS. Mr. Chairman, I will be very brief.

I endorse everything that my colleague, Senator Hruska, said. I would like to ask unanimous consent that this résumé of Dr. Yeutter be inserted in the record.

The CHAIRMAN. Without objection, it is so agreed.
[The biographical information of Mr. Yeutter follows:]

BIOGRAPHICAL INFORMATION OF CLAYTON YEUTTER

PERSONAL DATA

Date of birth : Dec. 10, 1930. Birthplace : Eustis, Nebr.
Name of spouse : Jeanne (Vierk) Yeutter. Age of spouse : 43. Her background : B.S., Home Economics, Univ. of Nebr. (1953).
Children : Brad, age 20, student at the University of Nebraska ; Gregg, age 17, senior at Lincoln East High School ; Kim (only daughter), age 12 ; Van, age 10.
Health : Entire family—Excellent.
Home address : 831 Hazewood Dr., Lincoln, Nebr. 68510. Home phone : 402-488-1086.
Business address : U.S. Department of Agriculture, Washington, D.C. 20250.
Business phone : 202-447-3111.

ACADEMIC DATA

Education

High school : Eustis High School, Eustis, Nebr. Graduate of 1948.
University : University of Nebraska, Lincoln, Nebr. B.S. 1952 ; University of Wisconsin, Madison, Wis. One semester of graduate work in agricultural economics—1960 ; University of Nebraska, Lincoln, Nebr. J.D.—1963 ; University of Nebraska, Lincoln, Nebr. Ph.D.—1968 (Ag Economics).

Scholastic Record

B.S. "With High Distinction"—highest scholastic honor given by University of Nebraska. Ranked first in College of Agriculture graduating class. Named by the Block & Bridle Club as outstanding animal husbandry graduate in the United States.

J.D. "Cum Laude"—ranked first in graduating class. Named outstanding law graduate in Midwest by Phi Delta Phi legal fraternity. Editor, Nebraska Law Review.

Ph.D. Named outstanding graduate student in ag economics. Above an "A" average for entire graduate program.

Professional and fraternal societies

Agriculture : Alpha Zeta (scholastic)—Chancellor of local chapter as an undergraduate ; Gamma Sigma Delta (scholastic) ; American Agricultural Economics Association—past member, not active in recent years because of job responsibilities ; FarmHouse (social)—President of local chapter as an undergraduate.

Law : American Bar Association ; Nebraska Bar Association ; Lincoln (Nebr.) Bar Association—past member, not active at present, Order of the Coif (scholastic) ; Phi Delta Phi (social and professional).

Principal publications

The Administration of Water Law in the Central United States, unpublished Ph. D. dissertation, 578 pp. (1966).

"Interstate Legal Barriers to Transportation in the Trans-Missouri West," 46 pp. (1967), in *Transportation Problems & Policies in the Trans-Missouri West*, edited by Davidson & Ottoson.

"A Legal-Economic Critique of Nebraska Watercourse Law," 44 Nebraska Law Review 11-62 (1965).

"Water Administration—A Suggested Institutional Model," U. of N. Dep't Rep't (1968).

"Diffused Surface Water Law in Nebraska." 31 Nebraska Law Review (1962).

"Commercial Farm Law," Allington & Yeutter, Neb. Exp. Sta. Bull. (1965).

EMPLOYMENT HISTORY

March 1974 to present: Assistant Secretary of Agriculture for International Affairs and Commodity Programs. Responsible for all activities of the U.S. Department of Agriculture in areas delimited by the job title. Agencies include: Agricultural Stabilization and Conservation Service; Foreign Agricultural Service; Federal Crop Insurance Corporation; Commodity Credit Corporation.

January 1973 to March 1974: Assistant Secretary of Agriculture for Marketing and Consumer Services. Responsible for essentially all regulatory and domestic market service functions in the U.S. Department of Agriculture. Agencies included: Animal and Plant Health Inspection Service; Agricultural Marketing Service; Commodity Exchange Authority; Food and Nutrition Service; and Packers and Stockyards Administration.

January 1972 to December 1972: Regional Director, Committee for the Reelection of the President. Responsible for all facets of the President's campaign in seven Midwestern States. Also served as Director for Agriculture with responsibility for the Agricultural portion of the campaign in all 50 states.

October 1970 to December 1971: Administrator, Consumer and Marketing Service, U.S. Department of Agriculture. Responsible for such programs as meat and poultry inspection, the grading of agricultural products, development of product standards, market news, the administration of market orders, procurement of food for commodity distribution and school lunch programs, etc.

September 1968 to October 1970: Director, University of Nebraska Mission in Colombia. The largest agricultural technical assistance program in the world at that time. Involved the participation of six Midwestern land grant universities, with funding by AID, the Kellogg Foundation, and the Ford Foundation. Assistance was provided at the graduate and undergraduate level in teaching, research, and extension in all major agricultural fields. Recipient agencies were the Colombian Agricultural Institute (which somewhat approximates USDA) and the National University.

January 1966 to September 1968: Executive Assistant to the Governor of Nebraska. Responsible for coordination between the Governor and numerous agencies of state government—including the Department of Agriculture and all state educational institutions. Handled all of the legislative liaison work, including drafting of legislation to broaden the state tax base and to provide for state aid to education. Major legislation enacted included the aforementioned bills, along with others to: create a state department of economic development, establish a minimum wage, merge the University of Nebraska and the University of Omaha, establish a state telecommunications commission, etc.

January 1960 to January 1966: Faculty member, Department of Agricultural Economics, University of Nebraska. Combination teaching, research and extension responsibilities in agricultural economics and agricultural law. Major professional area was resource economics, i.e., land and water. Taught only part time while completing degree requirements for the Ph.D. and J.D. degrees. Served full time in 1965 and 1966.

From 1957 to present: Operator of a 2,500 acre farming-ranching-cattle feeding enterprise in central Nebraska. Crop land has been leased to a tenant since 1963. Still maintain responsibility for all facets of the livestock operations.

From 1952 to 1957: United States Air Force. Enlisted as a Basic Airman upon graduation from the Univ. of Nebr. Later received a direct commission in Medical Administration. Ranked first in graduating class in Basic Course in Medical Administration, Gunter AFB, Ala. Recipient of numerous military awards. Have continued in the active reserve. Present rank is Lt. Colonel.

From 1963 to 1968: To the extent permitted by time and other obligations, active in the practice of law in Lincoln, Nebraska. Primary specialty—estate planning in agriculture.

OTHER SIGNIFICANT ACTIVITIES

Past Chairman, Board of Directors, Platte Valley Packing Co. (beef), Cozad, Nebr.

Past Vice Chairman, Governor's Committee on Public Relations in Agriculture, Nebr.

Past Vice President, Nebraska Society of Washington, D.C.
 Past Chairman, Official Board, Christ Methodist Church, Lincoln, Nebr.
 Past Secretary, Commission on World Service & Finance, Nebraska Methodist Conference.
 Past Member, Board of Trustees, Wesley Foundation, University of Nebr.
 Past Director, FarmHouse Fraternity Alumni Association.
 Numerous YMCA positions.
 Named a University of Nebraska "Master" (alumni award) in 1972.
 Recipient of first University of Nebraska 4-H Club Alumni award.

REFERENCES

Hon. Earl Butz, Secretary of Agriculture, Washington, D.C.
 Hon. J. Phil Campbell, Under Secretary of Agriculture, Washington, D.C.
 Dr. Clifford Hardin, past Secretary of Agriculture and past President, University of Nebraska, now with Ralston Purina & Co., St. Louis, Mo.
 Mr. Norbert T. Tiemann, past Governor of Nebraska, now serving as Federal Highway Administrator, Washington, D.C.
 Hon. Carl T. Curtis, U.S. Senator from Nebraska, Washington, D.C.

Senator CURTIS. I will not dwell upon his professional record and his scholarship as well as his great accomplishments in many lines, his experience in negotiating, as Senator Hruska has mentioned. I will just take a few seconds to mention a couple of other items.

I first met our distinguished witness when he came to Washington as a 4-H Club member, and he was one of the most outstanding. He has been involved in agriculture all of his life. Also, the fact that he is still a farm operator, despite all of his many accomplishments and avenues of opportunity.

He still has a direct interest in the welfare of American agriculture, so, without taking further time, I want to say that I am so happy to endorse this very, very well qualified man for a most difficult task.

The CHAIRMAN. Thank you very much, Senator Curtis.

Mr. Yeutter, do you have a statement?

STATEMENT OF CLAYTON YEUTTER, ASSISTANT SECRETARY OF AGRICULTURE FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

Mr. YEUTTER. No; I do not, Senator Long.

Perhaps the one item I should mention though, since I am in the middle of a 2-week active duty with the U.S. Air Force, is that I would like to express my official appreciation to the Air Force for permitting me to be here today.

The CHAIRMAN. Well perhaps if you are confirmed, you might be able to negotiate the Air Force into something.

Personally, Mr. Yeutter, I would like to see a person have even more experience than you have in this area, but if good grades will get a fellow anywhere, I think we ought to recommend you. I see here that you graduated Cum Laude and were ranked first in your graduating class. You were named the outstanding law graduate in the Midwest by Phi Delta Phi Fraternity, and editor of the Nebraska Law Review. I went to law school; I think I know what those things mean.

And as for your Ph. D. degree, you not only were named the outstanding graduate student in agricultural economics, but finished above an A average. How do you finish above an A?

Mr. YEUTTER. Well, Mr. Chairman, Nebraska uses a plus and minus system, so that if you can get A pluses, you can finish at something above an A, and I managed to get some A-pluses in addition to some A's.

The CHAIRMAN. That kind of record reminds me the fellow who was in my law school class who, after about 3 years, finally got a B, and he was so disgusted you would think he was going to commit suicide. It was my misfortune to have one of them like that in my class. I had some hope of being the head of my class.

Now have you some experience in negotiating trade agreements?

Mr. YEUTTER. Not trade agreements of the kind that are under discussion here, of course, because I was not involved in the GATT negotiations in the 1960's. I have been involved in trade agreements outside of the scope of GATT, and outside of the multilateral scope.

Senator Hruska mentioned some of these. I suppose the most recent was our controversy with the European Economic Community on the cheese war, with which Senator Nelson particularly is very familiar as well as Senator Mondale.

Likewise, recently, the Senator mentioned our controversies with Canada over the entry of beef and live animals into Canada. This was a controversy over the use of diethylstilbestrol here as a feed additive in our livestock, and we were able to negotiate the removal of that regulation by the Government of Canada.

A couple of years ago I negotiated an agreement on foot and mouth disease in Latin America that is intended to permit us to finish the Pan American Highway relatively soon. I also was involved in negotiating a controversy with Australia over the sale of some Australian beef into the United States from some plants that did not meet our requirements.

And then, of course, very recently, the negotiations, as Senator Hruska mentioned, over the cotton contracting problem with countries of the Far East. And there have been some other items on the periphery of this.

Of course I have been involved as a representative of the Department of Agriculture in recent weeks in the controversies we had over the structure of the multilateral trade negotiations in agriculture. And as you may know, Mr. Chairman, we were able to work through that impasse here, 10 days or so ago, to where we feel we have a mutually acceptable structure now for the agricultural segment of the negotiations.

So those are the major ones in recent times. I spent a great deal of my life in general negotiations of one kind or another, including almost continuous negotiations for the 2 years that we lived in Latin America.

The CHAIRMAN. Now this position you are being named to, as I understand it, would entail you being here in Washington in connection with these negotiations.

Would you describe what you envisage your functions as being during these trade negotiations?

Mr. YEUTTER. Yes, sir, Mr. Chairman.

As you know, this would envisage Ambassador Dent and myself being here in Washington, with the other Deputy Special Trade Rep-

representative being in Geneva. Now the intent, obviously, would be to have our representative in Geneva handle the day-to-day negotiations. But it is clear that Ambassador Dent and I will have to spend some time in Geneva, particularly when certain segments of the negotiations come to the fore where our backgrounds may be particularly important.

In my case, even though I would be working across the board in both agriculture and nonagricultural sectors, obviously my background is stronger in the agricultural side, and I would presume that when we get to the intensive, sensitive agricultural negotiations in Geneva, that I would, as necessary, make trips to Geneva to participate in those negotiations.

Likewise, after I have had an opportunity to spend a bit more time in the nonagricultural area, if I spend quite a bit of time on a particular problem in that area here, and it would be justifiable for me to go to Geneva on that particular issue, I would certainly do so.

Ambassador Dent obviously will spend a good bit of time on these negotiations himself, and participate to the extent that he deems it desirable and appropriate.

Now aside from that, Mr. Chairman, clearly the two positions here in Washington—that of Ambassador Dent and myself—involve a lot of coordination with the Congress, with the other Departments in the executive branch, and with private industry, all three of them. And both Ambassador Dent and I will have to spend a great deal of our time in developing the objectives of the U.S. Government in these negotiations, the strategy that we would hope to pursue in the negotiations, and clear all of this—and of course, clear the trade agreements themselves as we move closer to agreements—with you here in the Senate Finance Committee, the House Ways and Means Committee, the applicable subject matter committees, and then, likewise, within the executive branch, and with all of the advisory committees that are involved. So it is a tremendous coordination task.

And I suppose the other major area would be simply the administration and the execution of the functions of this office here in Washington, D.C. It will be the responsibility of Ambassador Dent and myself to run the staff that is here, to operate the office, and administer the programs.

As you know, we will have 50 people, or thereabouts, in the executive offices here in Washington, and that is an administrative task too on a day-to-day basis, as well as, of course, with respect to developing the negotiation positions that are involved, and supporting in every way we possibly can, the team that is in Geneva.

The CHAIRMAN. Ambassador Dent would like to make a short statement; he has to leave at 11 o'clock. Is it agreeable with the committee that we hear Ambassador Dent and then proceed on with the hearing?

Mr. Secretary—Mr. Ambassador, I get confused about your title these days. Which one do you want to be called? I suppose it is Mr. Ambassador these days. We made your job a Cabinet level position; can we give you some new title? If you would suggest it, we would try to work it out for you.

Ambassador DENT. I think that results are more important than titles. Mr. Chairman, but I appreciate your consideration. However, we will do our best with whatever we are called.

The CHAIRMAN. Mr. Kissinger says you can just call him Excellency, and he will settle for that.

Ambassador DENT. Well, those who ask, I tell them, "hey you," and I will look around.

STATEMENT OF FREDERICK B. DENT, SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

Ambassador DENT. I did want to endorse the President's selections and nominations I sent to you for the two deputies. I have known both of these men serving in the executive branch, and have been extremely impressed with them.

As you know, the negotiations are underway; we have four working groups and eight subworking groups, starting in early March and going through the end of June, after which there will be a negotiating committee meeting. So that it is important that we fill out the team, and I am confident that these two men that the President has nominated will fill it out in a very effective way.

I took the advice of the committee, and I think we have come up with a very excellent man in the agricultural field, whose qualifications have been outlined by the senior Senator from Nebraska. I will not go into that, but I have worked with him recently in connection with cheese matters and the agricultural developments in MTN from the viewpoint of the Agriculture Department. And I am confident that we have a team that will work together.

Mr. Walker of Illinois is a man that I first got to know as a member of the Cost of Living Council. He was serving as the General Counsel of that. I was very impressed with the clarity of his mind, his capacity to zero in on the nub of problems and come up with recommended solutions. These solutions, of course, involve obtaining a broad perspective of the implications across the economy, and then defining these to an equitable solution.

Subsequently, in the Federal Energy Office, he has had international experience in the petroleum field. I believe that his experience in the negotiating with the private sector in these connections, his administrative ability, his overall character, and very fine clear mind, qualify him to come on board and join the team, which I think will be an effective one in serving the interests of the United States.

And in any way that I can, I will be glad to assist the committee.

The CHAIRMAN. Thank you very much, Mr. Ambassador.

Ambassador DENT. Thank you, Mr. Chairman.

The CHAIRMAN. We may want to interrogate you further later in the day, and if so, we will call for you.

Ambassador DENT. At any time, on any subject.

The CHAIRMAN. I would like to ask that members confine themselves to 8 minutes on the first round of questions.

Senator RIBICOFF. Mr. Yeutter, let me ask you, what knowledge do you have of American industry and labor problems.

Mr. YEUTTER. Senator Ribicoff, I would simply answer this by saying that I share the viewpoint that you expressed in your opening statement. It seems to me that it is very appropriate that we have people of the highest calibre involved in the trade negotiating team, and I

hope it turns out to be that way. I would clearly not carry the degree of experience in the industrial and labor sector that I would in the agricultural sector.

Ambassador Dent, of course, does so, and for that reason I would hope that we would complement each other. I would clearly, with both of us working across the board—he would need to spend some time on the agricultural side in mastering it, and I would need to spend some time in the industrial and labor sector mastering those. I certainly do not claim any full degree of expertise on the industrial and labor sector by any means. I hope I am a fast learner.

I think I understand in general the problems of industry and labor in this country. I hope my training as an economist and my experience in the business world, agribusiness world, will give me a reasonable feel for those. I think I feel comfortable with respect to the industrial side because I have been involved in agriculturally related businesses and in the private sector. I would feel less comfortable at this point in time on the labor side. But I have no hesitation in saying to you that I would approach all of these problems objectively in seeking to avoid any biases on behalf of agriculture vis-a-vis either industry or labor.

It seems to me that all of us have as our basic objective doing what is best for the United States as a whole.

Senator Ribicoff. Let me ask you—the Trade Act gives special emphasis to negotiating by sector, where feasible.

Mr. YEUTTER. Yes, sir.

Senator Ribicoff. The Department of Agriculture is known to have been opposed to this concept during the drafting of the Trade Act of 1974.

Can you tell us your own personal views and how you intend to carry out the intent of the law as set out in the act, in the legislative history, particularly the report of this committee?

Mr. YEUTTER. Yes, sir.

The manner of conducting sector negotiations is, as you indicate, Senator Ribicoff, something a bit new for the negotiations, and it is obvious from the cable traffic that has occurred thus far in the negotiations that all countries are approaching that segment of the negotiations with some sensitivity and some uncertainty. So it is a bit early to tell just how those sector negotiations will evolve and how productive they will be. I hope they will turn out to be productive.

As you undoubtedly know, they had discussions in Geneva of a number of potential topics that might be included in sectoral negotiations. They decided to go slow in that area and start with a very small number and build through the experience on those negotiations into perhaps further negotiations in the sectoral area. So, in many ways it is premature to evaluate the sectoral segment of the act.

I would only go on to say that the interest of the agricultural community here is simply one of making sure that we have a balanced package in these negotiations, and that agriculture is not left a bit out on a limb, as it was in the Kennedy round in the 1960's. The strategy that was followed by some of the other countries in the Kennedy round, as you undoubtedly know, was to seek to isolate agriculture, so that there would not be much trading.

Senator RIBICOFF. May I interrupt. You would not be trading off the problems and the interests of the industrial sector for agriculture in these negotiations.

Mr. YEUTTER. Not necessarily, nor should that be excluded at this point, Senator Ribicoff. It seems to me that we have to trade in whatever way seems to be in the best interest of the United States. Now, obviously we must give, in order to get. We are not going to be able to go into the negotiations and say to the other countries, "We want you to reduce all of your trade barriers, but we are not prepared to reduce any of ours." Clearly there will have to be a quid pro quo, and it does seem to me, whether that quid pro quo involves agriculture vis-a-vis agriculture or industry vis-a-vis industry, or vice versa, is something that would have to be determined as the negotiations go. I would not wish to mislead you, Senator Ribicoff, by saying that under no circumstances would we trade off agriculture and industry, because it seems to me that that option has to be preserved, just as the option of trading agriculture versus agriculture has to be preserved.

Now, clearly we have very little trading stock in agriculture because we are relatively pure in terms of trade barriers in the agricultural sector. So, if we are to make progress in the reduction of agricultural trade barriers among our trading partners around the world, we are going to have to do some trading outside of the agricultural sector somewhere, in my judgment. But clearly, at the same time, Senator, we will not be bringing back to you an agreement that will be unbalanced the other way; that is, that would be imbalanced in favor of agriculture and contrary to the best interests of industry or labor.

As you well know, whatever we bring back in the way of agreements must be presented to this committee and to the Congress for approval, and I would hope that we would be wise enough and perspicacious enough not to bring back an agreement that would not be viable.

Senator RIBICOFF. Now, the Trade Act of 1974 specifically calls for resource diplomacy, and I quote: "* * * by the executive branch." In other words, it calls for an effort to negotiate better conditions of supply of raw materials to the United States at reasonable prices. Since it is the intent of Congress that there be an active negotiating effort on the question of raw material access, and since it is no secret that the executive branch of this Government is divided on what to do or whether to do anything, I would like you to explain your own thinking. For example, you have a reputation for being opposed to commodity arrangements in any form. What are the solutions you would seek?

Mr. YEUTTER. OK. I would be pleased to comment on that, Senator Ribicoff, because I really believe that there is a great deal of misunderstanding about commodity agreements in general and the role that they might have in these negotiations.

It would be inaccurate to say that I would be opposed to commodity agreements in any form because one needs to define what a commodity agreement is before coming to that conclusion.

And, there are an infinite number of potential commodity agreements. Putting it another way, there are an infinite number of provisions that can be encompassed in a commodity agreement, all the way from simple consultative procedures to a complex integrated comprehensive system of international regulations. It seems to me that

it is simply counterproductive to talk about commodity agreements per se because there is no such animal as a commodity agreement per se. We need to evaluate what it is that we are going to have in a commodity agreement in these negotiations, if there are to be commodity agreements.

So, again, I would not preclude the existence of a commodity agreement in agriculture or anything else providing what is encompassed in that agreement serves the best interest of the United States.

Now, that may well differ from one commodity area to another. In fact, almost assuredly it will differ from one commodity agreement to another. For example, the interests of the United States, Senator Ribicoff, in a commodity which we import, are clearly a great deal different from the interests of a commodity which we export; and our interests in a commodity which is very important to us for national security considerations, for example, those interests are different from those in commodities which do not carry that degree of importance.

Our interests will vary depending upon just how competitive we are as an exporter. Now this takes us back to the agricultural area, and our expressions of concern for commodity agreements there, because that lies in the fact that we are very competitive agriculturally. We have a very efficient agriculture; a highly technologically oriented agriculture in this country, and therefore we can do well in international competition in almost all segments of agriculture.

Now, if and when that is the case it seems to me that it is in the best interests of the United States to compete rather than to negotiate a distribution of the pie. In some other areas it may well be wise for us to negotiate rather than to seek to compete.

Now, that means, of course, that we have some difficulty in rationalizing, taking a different viewpoint in one area than in another, and our negotiating partners in Geneva may well attribute some inconsistency to us from time to time if we do take different positions from commodity to commodity. But so be it. It seems to me that our obligation is to be able to rationalize the viewpoint that we take in each of these commodities, and obviously most important of all, to defend it with respect to the interests of the Government of the United States.

That is a lengthy answer, Senator Ribicoff, but I hope it is responsive to your question.

Senator RIBICOFF. My time has run out.

The CHAIRMAN. I am going by the so-called Early Bird rule. Senator Fannin was the next Senator in the room. He was the early bird on the Republican side.

Senator FANNIN. Thank you, Mr. Chairman.

Mr. Yeutter, I set out some guidelines in my opening statement, and I do feel that you fulfill most of those guidelines. There are some questions that I would like to pose to you. In my State of Arizona, we had a problem with cotton contracts. How do you feel that this could be averted in the future. We were penalized considerably by fulfilling our contracts in the year prior to the dropping in the price of cotton. I certainly commend you as the negotiations went forward to resolve this situation. When foreign nations started cancelling their contracts because of a drop in price, they were very willing to compel us to abide by our contracts when we were committed

to a price far below the market price. But when it changed around the other way, then we had the negotiations that were referred to in the statement by Senator Hruska.

What can we do to avoid that situation in the future?

Mr. YEUTTER. Well, Senator Fannin, the first comment I would like to make to that is that I would say the probabilities of that kind of situation developing again in cotton are very remote. This is not to say that they will not do so, but the probabilities are not very great, the reason being that last year was an unusual year and what occurred was that it appeared that cotton was going to be in very short supply. The buyers began to panic a bit and cotton fell, right on the heels of food and a number of other things, in terms of the supply situation. We had a lot of unrest and uneasiness on the part of the buyers of all of our agricultural products around the world. They overreacted.

As you know, I was in the East in January to work on this problem, and the industry representatives there, and the governmental representatives, too, freely admitted to me that they erred in their purchasing practices by overbuying; that they not only bought what they anticipated using for textile production, but they bought beyond that because they thought they might have some problem getting supply. It was a bit like the sugar problem we had here in the United States. We had some hoarding going on internationally in cotton, and the price, as you know, skyrocketed. Then we had the unfortunate circumstance of hoarding taking place almost simultaneously with consumer demand declining precipitously because of the worldwide economic recession. Just ahead of the recession they expanded inventories immensely, and then the recession developed. The bottom dropped out of the textile markets and they were stuck with enormous inventories, which were very costly to them.

How do you prevent that, Senator Fannin?

Senator FANNIN. It is a very serious problem, and of course, here we are in the situation where we are now estimating a huge crop this year, of grain for instance. And so, different programs are set forth and sales are made, and then these sales are threatened later. We seem to go from one crisis to another in the agricultural community.

I know that with your vast experience you should be of great help in this regard. But some of the countries, Japan for instance, think that we should go back to an agrarian economy and they will do all of the manufacturing. We will ship them the raw materials and they will send them back. But that does not produce jobs.

I am really concerned that we utilize our ability to produce agricultural products advantageously for jobs. Being the largest producer in the world, I do not think that we are effectively utilizing that ability at this time.

Mr. YEUTTER. There are some things, Senator Fannin, that individual firms can do to protect themselves in this kind of situation, and there are some things even that nations can do to help out. One thing, of course, would be simply bonding provisions to protect the seller in the contract. But, of course, there is a cost involved in contracting; one must always decide whether it is worthwhile to insist upon bonding provisions. Another way is, of course, to the longer term contracts, not necessarily at fixed prices, but perhaps at prices that would be determined on the basis of certain factors at a given point in time. You can

smooth out some fluctuations in some instances by long-term contracts.

The other way, of course, is both parties to the contract can protect themselves in futures markets, so that there are some things that can be done in the private sector, totally aside from what we might do in the governmental sector.

Senator FANNIN. When we start discussing what we can do in trade relations, naturally we look to commodities that will produce jobs. We try to negotiate on the basis that we will not be closed out of markets, and we certainly can use our agricultural products in that relationship.

Now, in Japan, for instance, we have had a very difficult time, as you well know, in getting many products into that country. We have been confronted with tariff barriers, nontariff barriers; I still do not feel that we have utilized our agricultural products sufficiently to counterbalance some of the stands that they have taken against our manufactured products.

Mr. YEUTTER. I agree with you, Senator Fannin, and in my judgment we need to continue to press the Government of Japan on these issues. I raised a number of them when I was in Japan in January. In response to that they have since loosened the barriers on a couple of those that I discussed with them—one on citrus; but they loosened them only slightly—and one on beef. They are about to loosen their embargo on beef on June 1, I believe. But they have only moved a very small degree in these areas, and I hope we can convince them to move further.

Senator FANNIN. As you know, in citrus, they usually remove the barrier when we do not have any products to ship.

Mr. YEUTTER. Yes.

Senator FANNIN. So when our crops come out, then of course we are closed out. These are the problems we have run into in my home State.

In dealing with the European Economic Community, just the same as with Japan, we are at a great disadvantage in the nontariff and even tariff barriers in many products. Do you feel there is any possibility that we can do better in our negotiations with the European Economic Community by competitive pricing of our agricultural products, such as soybeans, which they need. We seem to have a very difficult time dealing with the EEC.

What are your thoughts in that regard?

Mr. YEUTTER. Well, we do have a very difficult time in negotiating with the EEC because of the existence of the common agricultural policy which the EEC considers to be sacrosanct. Insofar as the MTN is concerned, whether that position will change as time passes remains to be seen. But there is certainly no indication at the moment that they intend to change.

Now, we believe that we dented the policy a bit in the cheese negotiations that were just terminated, but not very much. They probably would not concede that it was dented in those negotiations.

But all of that aside, I do believe that there is a possibility with the EEC in a broad range of negotiations. I am encouraged by what has transpired in the last 3 or 4 weeks in terms of the cheese negotiations, and in terms of the structuring of agricultural negotiations in the MTN, they have not moved a long way. We have not moved very far, but there has been something less than complete intransigence at least. It seems to me that the attitude is a positive one.

I know the European negotiators personally. As Senator Ribicoff indicates, they are very talented people, but they are also reasonable people in my judgment, and I believe that we can work with them.

Now, just how much progress we can make in the EEC is another matter, both agriculturally and nonagriculturally. My personal and very candid judgment, Senator Fannin, is that upon the ultimate termination of the negotiations, I would rather expect that we will have made more progress in some of the other areas of the world than we will have in the European Community.

Senator FANNIN. One more matter that certainly comes to my attention constantly. We are importing motor vehicles at 3-percent tariff. Twenty-one percent of the sales in this country are foreign cars. I think this is something that we certainly must take into consideration.

Thank you, Dr. Yeutter.

Mr. YEUTTER. Yes, sir.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. I shall pass and yield to somebody else for the time being.

The CHAIRMAN. Senator Nelson is the next in order, unless you want to ask someone to take your time at this moment.

Senator CURTIS. No.

The CHAIRMAN. All right.

Senator Nelson?

Senator NELSON. Refresh my mind. What is the composition structure of the Agricultural Advisory Board. How many members? Who is represented?

Mr. YEUTTER. I presume you have reference to the Policy Advisory Committee, Senator Nelson, the board overall committee within agriculture?

Senator NELSON. Yes.

Mr. YEUTTER. I do not have the listing with me this morning, Senator Nelson, but as I recall, there are approximately 30 members.

Senator NELSON. Is that covering all agriculture?

Mr. YEUTTER. The intent is to be, if I recall the wording of the act, Senator Nelson, is "broadly representative of the subject matter area," or words to that effect.

Senator NELSON. Well, is there just one—will there be just one agriculture policy committee?

Mr. YEUTTER. There will be the one overall committee in the so-called Policy Advisory Committee; but in addition to that, as you well know, there is the overall Public Advisory Committee, which under the law, is not to be composed of more than 45 members, and some of those members will represent agriculture. Then, of course, we have named eight technical advisory committees in commodity areas.

Senator NELSON. What are those eight technical—do you have those?

Mr. YEUTTER. I believe I do. Just one moment, sir.

Now, these additional committees could be added at a later date here, Senator Nelson, if it became appropriate to do so. But at the moment we have named committees in cotton, dairy, fruits and vegetables, grain and feed, livestock and livestock products, oil seeds and their products, poultry and eggs, and tobacco.

Senator NELSON. Those are eight separate advisory committees within that agricultural sector?

Mr. YEUTTER. That is correct.

Senator NELSON. How many members are there on each of them?

Mr. YEUTTER. They vary from committee to committee. I would say that they probably average something like 10 to 15 members per committee.

Senator NELSON. What is their background? Are they all from agriculture, agribusiness, or processing, manufacturing, producing? What is the nature of the composition of the membership?

Mr. YEUTTER. Well, again Senator Nelson, the intent was to have them be broadly representative of all of the interests in that area, which would mean producer and processing, basically. For example, in the dairy area which would be of particular concern to you, the chairman, who was elected just a couple of days ago when the committee was here in Washington for a meeting, Jack Walsh, who I am sure you know, executive director of the American Dry Milk Institute, the vice chairman, is a producer-representative, Richard Redman of the Dairy League.

Senator NELSON. What is the specific function and authority of any of these advisory committees?

Mr. YEUTTER. They are all advisory, but they would play a stronger role, I would think, Senator Nelson, than most advisory committees because they have some duties under the Trade Act to report back to you later on in these proceedings. So, although they are advisory, these are clearly committees that will have to be listened to.

Now, the technical committees on a commodity basis, such as the one in dairy, will advise in the negotiations relating to that particular area, in all facets, really, of the policies that might be relevant in those particular areas. The overall policy advisory committee will deal with agriculture in general. Then, of course, the public advisory committee will deal with the overall negotiations.

Senator NELSON. How will it function? Which of these advisory committees—policy committees, technical committees—will they be present at negotiations wherever they are being held?

Mr. YEUTTER. I really believe that we need to go through a learning process on that. Senator Nelson, with respect to determining how closely these individual committee members should be involved in the negotiations and how willing they are to become that directly involved. They asked to do this at their own expense, of course, so it is not going to be easy for all of them to take trips back and forth to Geneva at their own expense to advise in the negotiations there; but it may well be appropriate at a particular point in time to invite the chairman of the committee or perhaps the chairman and vice chairman, or perhaps even an executive group that might be named from within the committee to come to Geneva, and if it is sensitive and delicate enough, perhaps to even have an entire committee there at some point in time. It may vary as to whether it is a technical committee or a policy committee. If there is a highly technical issue that is causing problems, I would think that we would be able to resolve that without taking a technical committee to Geneva. But who knows. Time will tell.

From a policy standpoint, if we get deeply immersed, for example, in debate over international commodity agreements in Geneva, it may well be appropriate to have a representative group from the policy advisory committee, or even the entire committee there at a crucial point in time to advise and consult.

I would not wish to preclude anything at the moment, while at the same time recognizing the practical and pragmatic realities that we will not be able to have those committees on hand all of the time.

Senator NELSON. That kind of puzzles me.

How do we really get an informed input from the people involved if the negotiators are here and the negotiations are going on there, and in order to get there they would have to pay their way, and if they got there, what is their role when they get there? If they cannot afford to pay for it, does the industry representative who might—you know, if his industry can afford to pay, is he there?

I am kind of confused about how we set up. It all looks good on paper, but just where is the resource that the trade negotiator is going to utilize in order to advise him in the negotiations? There is not anyone with a broad enough knowledge of all our agriculture, let alone our industry, let alone our processing, let alone nonagricultural areas, who understands what the problems are. So if he does not have the experts from all sectors at hand daily—I do not understand how he negotiates at all.

Mr. YEUTTER. I would hope, Senator Nelson, that we would be able to do most of that through meetings of those advisory committees here in Washington, D.C. We can clearly call them in as often as we feel it is necessary and desirable to do so. We had all of the agricultural advisory committees in just this last week, and they met with Ambassador Dent, Secretary Butz, and me and others. This was a first set of meetings for all of them. I thought they were good meetings, and we will clearly have followup meetings as often as necessary.

It is obviously Ambassador Dent's responsibility and my responsibility to make sure that their input is conveyed to the people in Geneva who are carrying on the day-to-day negotiations.

Senator NELSON. Do you think it would be advisable or good policy or bad policy for the expenses of our technical advisors or committee members to be paid while they are in attendance on this important business for the country? We pay all kinds of people's expenses when we ask them to serve on boards. I am wondering, is that something we overlooked or something we considered and rejected?

Mr. YEUTTER. I cannot tell you the history of that issue in the debates of the trade bill.

Senator NELSON. I do not recall it being raised.

Mr. YEUTTER. I see.

I clearly cannot give you an official administration opinion this morning, because we have not discussed it prior to my coming here. But, it does seem to me a bit incongruous, Senator Nelson, to pay the expenses of many of our other advisory committees.

Senator NELSON. It would be or it would not be?

Mr. YEUTTER. It would be. It seems to me it is incongruous to pay the expenses of many of our other advisory committees and not to pay the expenses of this one. We have many advisory committees in agri-

culture, and to the best of my knowledge, all of the official advisory committees do have their expenses paid.

Senator NELSON. I am over my time. I would be all through if you allowed me one more question. But, if your rule inviolable—

The CHAIRMAN. Without objection, go ahead and ask it.

Senator NELSON. I received a complaint from NFO and the Farmers' Union, that although they made recommendations, there is not a single recommendation made by the NFO and the Farmers' Union on any of the agricultural policy committees. Is that correct? If so, why, since they do represent a substantial—well, they are two of the three largest agriculture farm organizations in the country representing producers.

Mr. YEUTTER. As general farm organizations, perhaps, Senator Nelson; but there are a good number of producer organizations in the commodity areas that are much larger than they are.

Senator NELSON. I understand. But the Farm Bureau, the NFO, and the Farmers' Union at the grass level is representing farmers and are a few of the largest that I know of.

Mr. YEUTTER. Yes, sir.

I would simply say that the act calls, Senator Nelson, for the members of the committees to be broadly representative of agriculture. It does not call for representatives of any specific organizations to be named. At the same time, not all committees have yet been named, as you know, and it could be that one or more of those organizations might still be represented in a committee that is yet to be named. So I believe it is too early to determine that those organizations have been excluded.

Senator NELSON. Just one further question. Was any recommendation of the Farm Bureau accepted?

Mr. YEUTTER. I personally did not look at recommendations that came in from the organizations. I looked at names rather than recommendations. At the time the list reached me—and the same thing was true when they reached Secretary Butz—I cannot tell you whether the Farm Bureau specifically recommended people or not. I assume they probably did. There are Farm Bureau representatives that are on the list.

Senator NELSON. Without having the facts, I think that was one of their complaints—being the same kind of representative organizations, they are unrepresented, and that the Farm Bureau is not.

Mr. YEUTTER. OK.

The CHAIRMAN. Senator Brock.

Senator BROCK. Mr. Yeutter, I would like to say at the outset, I am delighted that the President submitted your name to us. I intend to support you. I commend you on your experience, and I commend you to your new job. I think you are well qualified.

Mr. YEUTTER. Thank you.

Senator BROCK. I would like to ask you a couple of, maybe, more broadly stated questions, with regard to our trade negotiations, developed in general terms.

Have you had enough experience in the area to evaluate whether or not continued adherence to MFN, most favored nations, is in fact a hindrance or a help to our trade dilemma?

Mr. YEUTTER. I hesitate to be terribly profound on that, Senator Brock, because I have not been that much involved in MFN activities, as you well know. At the same time I do not mean to duck the question at all because it seems to me that MFN treatment is an integral part of our trade policy, and has been an integral part of the overall multinational trade scene for quite some time now.

We became to some extent in the Department of Agriculture involved in this spectacular debate when the trade bill was passed with its provisions on immigration that were included therein, because agricultural trade is very significant with the Soviet Union and has been and will continue to be in the future. That particular MFN issue hit close to home.

Likewise, I negotiated an agreement with Poland on agricultural issues this last fall, and, of course, MFN treatment was an issue with Eastern European nations as well.

Just to give an over-simplified answer, I believe at this point in time, at least—and reserving the right to change my thinking after I delve more deeply into the matter—I would conclude that we ought to continue the concept of MFN and perhaps we should be a bit more cautious in dealing with issues like immigration when they begin to relate to MFN. I do believe it was an error to become immersed in that particular question.

Senator Brock. It is not really fair to ask you a question without giving you some indication of why I am asking it and how I personally feel, so let me turn it around a little bit. I think you are going to have to change U.S. foreign trade policy rather substantially as a result of our experience with the oil embargo, if we are going to face future actions of that sort. One protection we have against cartels is the opportunity for bilateral trade negotiations, and yet MFN, by its very nature, by the definition of the term, inhibits our ability to deal bilaterally in our own interest with specific countries. We are unable to offer something in exchange for a guaranteed supply of a certain percentage of Indonesian oil, for example, unless we make that concession available to all nations. I wonder if it is not time for us to take a pretty serious look at whether MFN is what it used to be. It was an enormous breakthrough for free trade, it was one of the great things that happened to the world 30 or 40 years ago; it was a great reform. As it is now practiced, though, it seems to be becoming more of an impediment than an asset to our ability to expand trade in our own interests.

I just asked the question from that point of view.

Mr. YEUTTER. Senator Brock, I would only supplement by saying that your point on bilateralism is certainly a valid one. It has been apparent to me in the international dealings I have had over the last year and a half or thereabouts in agriculture, that we achieve a great deal more bilaterally than we do multilaterally.

Senator Brock. It is fairly logical, because what you do when you go into multilateral discussions is you reduce discussions to the lowest common denominator—that which is acceptable to everybody, which means you achieve little, if anything, too often. That is very troublesome to me.

Mr. YEUTTER. Yes; clearly we do have to have some mechanism here that will continue to foster bilateral communications and negotiations

and agreements, because those seem to be crucial, not only in the area of oil, but in a lot of other areas.

Senator BROCK. Hopefully, as a part of our discussions in the trade representatives program, you will be participating in bilateral as well as multilateral.

Mr. YEUTTER. I would certainly hope so, Senator Brock. In fact, I would hope that this committee and the House Ways and Means Committee makes it very clear that that is intended.

Senator BROCK. I thank you very much.

The CHAIRMAN. Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

I have only one question. I am not clear from your testimony how the two deputies will operate. Are they parallel positions, or will one report to the other?

Mr. YEUTTER. They will be parallel positions, Senator Byrd. Both of them carry the same rank, as you know, under the law, and clearly there is not any intent to have the deputy in Geneva report to me, or vice versa. They will be parallel. Clearly, one of my major functions, and that of Ambassador Dent as well, of course, would be to provide all of the support that we possibly can provide for the negotiator in Geneva. At the same time I do not believe that we can or should preclude the fact or the likelihood that either Ambassador Dent or myself will participate directly in the Geneva negotiations at appropriate times.

Senator BYRD. The Geneva negotiator would report then directly to Secretary Dent?

Mr. YEUTTER. That is correct, as would I.

Senator BYRD. Thank you.

Mr. Chairman, I have no further questions, but I would like to take a couple of minutes of my time to comment on another nominee, Mr. Richard Holmquist. I would ask unanimous consent that these remarks be placed at the appropriate point in the record.

I first knew Mr. Holmquist about 15 years ago. He was in Virginia as the executive director of an industrial development group working in the private sector. I was working in a somewhat comparable position in the Government sector; namely, as chairman of the Virginia Advisory Board on Industrial Development. That group worked very closely with the Virginia industrialization group, of which Mr. Holmquist was executive director.

I found Mr. Holmquist to be a very able individual who did, I feel, an outstanding job for Virginia and for the industries of Virginia, which employed him. I am happy to commend to this committee Mr. Holmquist for confirmation to this position of Chairman of the Renegotiation Board.

I yield back the balance of my time, Mr. Chairman.

The CHAIRMAN. Senator Roth?

Senator ROTH. Mr. Yeutter, there was a letter to the editor of The New York Times yesterday in which an official of the European Community claimed that the common agricultural policy is not restrictive, that the community is open to agricultural products, because 90 percent of the American agricultural exports that go to the community enter it duty free.

I will quote you part of this letter. It is written by Mr. Andrew Mulligan, Director of Information, Delegation of the Commission of the European Communities:

The facts do not sustain Mr. Jay's contention that the Common Agricultural Policy is damaging to U.S. food exports. The European Community remains the United States biggest single export market for agricultural products, and the European Community's share of total American agricultural export has stayed constant in the ten years since the establishment of the Common Agricultural Policy.

I know, at least my farmers in the State of Delaware feel they have a legitimate grievance against the system. I wonder if you would care to comment on it?

Mr. YEUTTER. Yes, we certainly have many misgivings about the precepts of the common agricultural policy, and I am sure that none of us in this room would suggest its adoption for the United States—at least, I certainly would not.

It may well be true that the largest portion of our agricultural export to the European Community in the last year or so has entered duty free. But one must add the explanation for that, and that is because we have had a shortage of agricultural supplies in the world in the last couple of years. Prices have been considerably above the intervention prices of the European Community, and the gate prices, and for that reason it has been necessary for the community to permit those exports to enter duty free.

The common agricultural policy, of course, provides for this, but one must understand that when those prices begin to come down—as they have over the last several months—that the variable levy system immediately goes to work, as it has in recent weeks, and the duty goes back on.

So one cannot use the experience in the last couple of years as representative of the impact of the variable levy system in a CAP on U.S. agricultural exports. And the very fact that, as this letter mentions, our exports have been constant over the past several years, or relatively constant, is indicative of the fact that the common agricultural policy has effectively precluded a growth in those exports during that period. And as a major producer and a major exporter—the world's major exporter—of agricultural products, we are interested in growth of those markets around the world. And clearly, that is the interest of your farmers, and all of the other farmers of the country, who are not interested in market stagnation.

So I would say that the CAP has certainly been something less than—certainly it is greeted with something less than enthusiasm by those of us who are interested in U.S. agricultural exports.

Senator ROTH. Well, I agree very strongly with you as to the need for growth in this area. I might say, on the basis of some discussions I have had with your—what I hope to be your European counterparts, I think you are going to have some tough negotiations ahead of you.

Mr. YEUTTER. Yes.

Senator ROTH. I am sure you are familiar with the poultry war of the early sixties. As I hope you know, Delaware is big in the broiler industry. We have had a lot of complaints, not only that the common agricultural policy excludes imports into the European market, but

they have produced artificial surpluses that are dumped or subsidized in third markets, which is, of course, to the disadvantage of our local farmers.

Now, as you well know, we can fight these practices in our own markets through countervailing duties and antidumping laws, but my request to you, sir, is particularly in the context of these negotiations that lie ahead, what can we do to prevent harm to our markets in third countries resulting from this type of practice?

Mr. YEUTTER. Senator Roth, you put your finger on what I would consider to be one of the major agriculturally related issues in the multilateral trade negotiations. Without question, that is one of the most troublesome features of international trade today in agriculture. And specifically, that is probably the most significant and most challenging issues in nontariff trade areas.

It seems to me that the one issue in which that nontariff trade measures committee in Geneva is going to have to deal with, and to deal with intricately and delicately, is that very issue of subsidies and countervailing duties. And not only subsidies that penetrate our market, as you point out—the issue was before us in the cheese war—but also subsidies in third countries. And you are very correct in asserting that perhaps the most serious violation—well, not violations, but the most serious actions, and the most detrimental to us have been in the broiler area.

For a variety of reasons, the European Community has given our broiler industry a very difficult time, both with respect to imports of U.S. broilers and turkey products and others into Europe, and also in competition in the Middle East and elsewhere. In fact, this issue arose, Senator Roth, during the time that I was in Brussels on the cheese war, and it arose because the community increased its duties on our imports of some of those products during the very time that I was there. And I mentioned to representatives of the community in the negotiations that day that it made it a bit difficult to negotiate effectively with respect to the issue of their subsidized exports entering the United States, when at that very same time, they were increasing duties on our unsubsidized poultry exports going into the European Community.

Again, it is simply illustrative of the problem. I have no immediate solutions except to say this will be a major part of the negotiations as far as I am concerned, and a high priority issue in the nontariff barrier negotiations, and one to which we need to give great attention in Geneva. I hope that we can deal with this third party situation, as well as with the direct country-to-country situation.

Senator ROTH. Well I agree with you as to the seriousness and priority of that particular problem. I would like to say I feel that you, with your very broad background in the agriculture area, are going to be very helpful in these negotiations.

Mr. YEUTTER. Thank you.

I have made friends over in the Delmarva Peninsula in the broiler industry, and they are very efficient.

Senator ROTH. Thank you. They certainly are.

The CHAIRMAN. Senator Dole?

Senator DOLE. I only have a couple of questions for Mr. Yeutter, because we have other matters to consider.

I think Senator Roth touched on the modifications that have been at least hinted by the European Community, a modifying position that all agricultural matters must be negotiated as an agricultural group. You are probably aware of the modification.

What I would ask you, could you very briefly give me your impression of the modification, and whether you think it is sufficient. And if not, what our negotiating position should be.

Mr. YEUTTER. I would be pleased to comment on that, Senator Dole, because I have been very much involved in those discussions of the last several weeks.

If I had my druthers, Senator Dole, I would druther go back and start over, and not have an agricultural committee in Geneva. But that decision was made some months ago, and we do have an agricultural committee in Geneva, and we will need to live with it. I do not want to rehash whatever transpired in that particular deliberative process, but I would prefer that we not have an agricultural committee.

If we have it, then the question comes of how it is to function, and that leads to the kind of debate you have alluded to here, because the European position then, once an agricultural committee was formed, was that that committee should deal exclusively with agricultural issues in the negotiations of that committee, and whatever subcommittees might be formed should deal exclusively with those issues.

Our position all along has been that that is simply unacceptable; that we do not want to isolate agriculture, as I indicated earlier. It is imperative that the agriculture negotiations, and the nonagriculture negotiations, be folded together into an overall negotiating package at some appropriate point in time, and that the basic agricultural negotiations ought to take place in the tariff and nontariff barrier committees. That if we have nontariff barrier export subsidies, for example, whether they be export subsidies on agricultural products or nonagricultural products, should not make any difference.

If we are going to deal with export subsidies in the nontariff committees, we ought to deal with them all. And the same thing applies with tariff measures. And our feeling has been that it ought to be the exception to that rule that would move into the agricultural committee, and not have the basic negotiations in the agricultural committee and the exceptions over in the tariff and nontariff measures committees.

That led to a lot of discussions and negotiation, as you well know, Senator Dole, and a compromise position was reached here some days ago in which the European Community agreed not to insist on the principle of exclusivity any longer.

In other words, they agreed that it would be appropriate and proper to conduct negotiations on agricultural questions in the tariff and nontariff measures committees, or any of the other committees, as well as in the agricultural committee itself. So the ultimate result then was to agree that it would be possible to conduct those negotiations in any of the major committees that we have in Geneva.

At the same time, we asked, through an exchange of cables, for specific assurances that that was the case, that the use of the term "all of the elements of agriculture" which can be discussed in the agricultural committee, does not mean that they must be discussed only there and not in the other committees.

We received, by cable, an assurance from the European Community that they were willing to accept our interpretation of that language. So I believe the matter is clear.

Also, in the exchange of cables, we agreed to language that provided that whatever is done in the agricultural committee will be communicated to the other committees that are involved in the negotiations. And again, the intent of that is to have the work product of the agricultural committee and those seven groups folded back into the other committees so we will have an overall balanced package when we are through.

I am satisfied with the language at the moment, Senator Dole. Obviously, semantics is not enough to handle the negotiations, and we may well have additional debates with the Community and others as time goes on. But at least I believe we have not, in any way, foreclosed any options at the moment.

Senator DOLE. I think it was stated in an article on foreign agriculture, "U.S. Agriculture, State and World Trade Negotiations" by Gordon Fraser, whom you know and who is a very able man, that it is fundamental to the U.S. position on agricultural negotiations that we have to treat the agricultural and the industrial matters as a package. And I think this is a major issue. It is not a concern just to those of us from the so-called agricultural States, but I think it is fundamental.

We went to the Kennedy round in 1963 to 1967, and as I understand from those who are highly qualified, with experience in those matters, it was a disaster. I am not certain how many recall who the deputy trade negotiators were at that time, but I think I can state with some clarity that we did not do too well. Particularly agriculture did not do too well, even though these representatives had great experience and all of that.

So that may be a matter of discussion later on today. It is fundamental, and if the common agricultural policy which has been adopted restricts our imports by the variable levy, and they say this is not negotiable, then we are in great difficulty. And it is all a result of the Kennedy round negotiation.

Even though that was in another administration—I would not want to be critical of another administration unless there is some good reason, and this was and is a good reason. I so expressed myself at the time to John Schnittker, who was Under Secretary of Agriculture, and a Kansan, and many Republicans and Democrats expressed their concern, I recall meeting with Secretary Freeman and expressed our dismay at the way agriculture finally did not succeed—or failed, in more exact terms.

So I am very pleased that you are here today, and I trust you will be confirmed by the Senate, as you certainly must understand the problem of agriculture. That in itself, as Senator Ribicoff indicated, is not enough. But I think right now, if we look at our exports and imports of agricultural products, the farm sector has to be right near the top of the list.

Mr. YEUTTER. Well, it certainly does, Senator Dole, because, as you know, that is our big winner on the export scene with \$22 billion per fiscal year at the moment. And clearly, if we are to have a viable agricultural economy in the United States, we have to maintain that momentum and increase those totals as time goes on.

So I will certainly do my best, Senator Dole, to make sure that we do not repeat the Kennedy experience again in this session of the negotiations. And at the same time, attempt to be broadminded with respect to the interests of industry and labor in negotiations.

Senator DOLE. Just keep it in a package though.

Mr. YEUTTER. Yes, sir, absolutely.

The CHAIRMAN. Senator Talmadge?

Senator TALMADGE. Thank you, Mr. Chairman.

Mr. Secretary, I am delighted that the President saw fit to recognize the importance of agriculture in international trade in this country and to appoint someone as deputy trade negotiator who is knowledgeable in the field. I have known you for many years, and of course, I have full understanding of your competence in this field, by education, by training, and by experience, and I feel sure that the Senate is going to vote to confirm you. And I hope that you will do an outstanding job.

The only bright feature that I know for this country in international trade now is our agricultural exports. As I recall, those exports came to about \$20 billion last year, did they not?

Mr. YEUTTER. Yes, sir, about \$21 billion.

Senator TALMADGE. What were our imports?

Mr. YEUTTER. About \$10 billion.

Senator TALMADGE. That gave us a favorable balance of trade in agriculture of about \$11 billion.

Mr. YEUTTER. Correct.

Senator TALMADGE. The total U.S. trade posture is a disaster as it is, and it would have been a catastrophe without our agricultural exports, would it not?

Mr. YEUTTER. That is certainly is correct, because as you may recall, that \$11 billion surplus had to offset a deficit on the nonagricultural sector of something over \$9 billion. So it was only by virtue of the surplus in the agricultural sector that we were able to show a balance in the black for the first time in many, many years.

Senator TALMADGE. Now taking up where Senator Dole left off, I share his view that some of our trade negotiations under previous administrations have been disastrous. I think our negotiators went to the conference with the idea that if we got a deal, it was a great victory no matter what the deal was. If they threw in Washington's Monument and got someone's signature on the agreement, it was a great victory.

You do not share that view, do you?

Mr. YEUTTER. No, sir, Senator Talmadge.

As a matter of fact, I had a similar philosophical discussion with some of my colleagues in one of the other departments of Government some weeks ago on an issue that is trade related in which an argument a bit like that was made. And my comment at that time was that it is very easy to get an agreement if one is prepared to surrender, but I could not comprehend why it was that that particular department was prepared to surrender.

I would prefer that we never conduct ourselves as representatives of the Government of the United States in that fashion. And, as a matter of fact, Senator Talmadge, I rather share the viewpoint expressed by Dan Patrick Moynihan in an article you may have seen here recently, in "Commentary" magazine, I believe it was in which

he suggested that the United States take a bit more realistic and tougher stance with respect to a good many of our foreign issues.

I believe that that kind of attitude is long overdue.

Senator TALMADGE. We have to do that to survive. I expect that you hope to see that we get reciprocity for this country on any trade agreement.

Mr. YEUTTER. I will certainly do my best, Senator Talmadge.

Senator TALMADGE. As a matter of fact, when we wrote the Trade Act, I am delighted that this committee and the Senate and the conferees agreed to the amendment which I proposed which will require congressional approval of any trade agreement with the hope that it will guarantee that we will get reciprocity on any deals that we make.

As you know, many countries of the world discriminate against American agricultural products. Senator Roth talked about the poultry business a moment ago. Did you read the record when we were writing the Trade Act of the poultry industry's presentation to this committee?

Mr. YEUTTER. I have not read that, Senator, I am sorry to say.

Senator TALMADGE. I call that to your attention then.

Mr. YEUTTER. All right, sir.

Senator TALMADGE. Just as soon as we started exporting some poultry to the EEC, they came up with a new regulation that would prohibit—and their regulations were about a yard long—those exports. Every time we penetrated the market they would take some administrative action to see that our poultry was excluded. And even now, as you know, with the livestock industry in the doldrums that it is in this country, there is a complete embargo on the importation of beef by the European Economic Community. And I believe that the Japanese have such a small quota that it might as well be a complete embargo; it may permit enough beef to go in to provide Tokyo for 1 day out of the year, but that is just about the situation.

I would think that in these trade negotiations that we are confronted with at the moment, the principal area of confrontation and the difficulty is going to be nontraiff barriers.

Do you agree with that?

Mr. YEUTTER. I certainly do, Senator Talmadge.

I really feel that that will constitute the bulk of the work in Geneva over the next 2, 3, 4 years.

Senator TALMADGE. Thank you. Those are the only questions I have, Mr. Chairman. And I compliment you, Mr. Yeutter, and wish you well.

Mr. YEUTTER. Thank you, Senator Talmadge.

I will just say that I remember the debate on the reciprocity provision, and I recall your introducing that amendment during that debate last year. I share the viewpoint that is enunciated in that amendment. I believe it was a proper amendment; it will be very helpful in terms of providing us with additional bargaining power in the negotiations.

I will simply add, Senator, that it has been a deep personal pleasure to have been associated with you in your capacity as chairman of the Senate Agriculture Committee; you have done a truly outstanding job in that area, and I am looking forward to your continued association.

Senator TALMADGE. I call your attention to one other thing in the Trade Act. We also have a reciprocal most favored nation provision, so other countries do not get most favored nation treatment automatically now. They have to reciprocate. So I hope you will bring back some reciprocity from Geneva.

Mr. YEUTTER. Thank you, Senator Talmadge.

Senator TALMADGE. Senator Packwood?

Senator PACKWOOD. No questions.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Mr. Chairman, I passed before, and I think the record is very well established, and I shall not take a great deal of time. I want the committee to know that I feel that you are an excellent choice and a most outstanding individual, and exceptionally well qualified by training and experience.

I believe I will just ask you one thing, and this is purely for the record. What countries, or groups of countries, have you been involved with in matters relating to trade, and what were the products involved?

If you would just give us a thumbnail sketch of that, beginning with the EEC.

Mr. YEUTTER. Well, this will be overlysimplified, Senator Curtis, but certainly with the EEC on a broad range of agricultural topics, but particularly the recent controversy over dairy products.

More general discussions or negotiations with respect to the whole gamut of agricultural products. I made a trip to the EEC last fall during which I visited Ministry of Agriculture officials in four or five of the EEC countries to discuss the issue with them.

In the Far East, primarily cotton, but also, all the agricultural products which we export to each of those countries, and that is a rather broad range, with more attention being given to the more significant ones, like wheat for example.

In Japan, with many products there, I spent 4 days in Japan in January working on our barriers that Senator Fannin mentioned earlier, with the Japanese, including beef, fruits and vegetables, peanut butter even, and a whole host of issues there.

Latin America, of course, prior to my coming to the Government, I spent a lot of time working with Latin America in a different setting than the Federal setting, not involving trade. As you know, this was a technical assistance program.

Since coming into Government, I utilized my Latin American experience and background in the Department of Agriculture in handling most of the issues that we have had in the Department that relate to that part of the world—being able to speak the language, of course, is helpful. And for that reason, I participated in a number of trade-related issues dealing with Latin America, including this one involving foot-and-mouth disease which is indirectly related to trade.

I have not had any significant involvement with the African countries or with South Asia, except through the food aid program. As you know, Public Law 480 has been under my jurisdiction, and although this is trade only in the sense that it is concessional trade rather than commercial trade, I have been very much involved in all of

the negotiations that have been undertaken in our exports under Public Law 480.

In a nutshell, I believe that covers the major ones.

Senator CURTIS. How about Switzerland?

Mr. YEUTTER. Switzerland, yes. I have been involved in the recent negotiations in Switzerland on cheese. We have a controversy with them now, similar, but not identical to the one that we just have undergone with the community. And one coming up with Austria, in which I will probably also have some involvement.

Senator CURTIS. How about the Scandanavian countries?

Mr. YEUTTER. Scandanavian countries?

Not directly, except for Denmark being a part of the EEC. I should add Spain. I was in Spain some months ago dealing with some particular issues that we have had with them.

Senator CURTIS. The Foreign Agricultural Office is within your jurisdiction?

Mr. YEUTTER. Yes; to the extent that my supervisory responsibilities become relevant. Well, of course, all of the trade negotiations that are handled by our Foreign Agricultural Service come within my jurisdiction, so I spent a great deal of time, obviously, with our trade policy people in FAS with respect to agricultural trade issues around the world.

Senator CURTIS. When we speak of the EEC, of course, it acts as a unit. But back of their position, in the interest of specific countries, what countries have been most prominent in reference to the EEC position that you have had to deal with?

Mr. YEUTTER. Well, I spent more time, I suppose, with the United Kingdom, West Germany and France, than with any of the other nations. As you probably know, Senator Curtis, the United Kingdom and West Germany both share some of our apprehensions with the common agricultural policy. And for this reason, we have had common ground on a number of issues.

But beyond that, they are major trading partners of ours, along with the Netherlands, and I likewise spent considerable time in dealing with people from the Netherlands. Because with Rotterdam being the world's major port, they are integrally related to this whole area of international commerce.

The European Community, of course, is represented here in Washington, and the individual countries are represented here in Washington, so we spent a good deal of time in discussions with the Washington representatives here, as well as the time that we spend in the community.

Senator CURTIS. I think that is all, Mr. Chairman.

Thank you.

Mr. CHAIRMAN. Any further questions of Mr. Yeutter?

Thank you very much, Mr. Yeutter.

Mr. YEUTTER. Thank you, Mr. Chairman.

Senator CURTIS. I wonder if he may be excused. You are back subject to military orders, are you not?

Mr. YEUTTER. Yes, sir.

The military has been very cooperative, but if you are satisfied—

The CHAIRMAN. Mr. Yeutter, if I were in your situation, having behaved myself as well as you have with the members in this room, I would try to get out of this room as fast as I could. If I were you, I would get on my way back to the Air Force as quickly as I could get there.

Mr. YEUTTER. Thank you. It has been a pleasure.

The CHAIRMAN. Next, we will call Mr. William Walker, nominated to be Deputy Trade Representative.

Mr. Walker, we are pleased to have you. I believe Senator Percy wanted to say a word about you first. Senator Percy, we are delighted to have you here to make such statement as you wish.

Please proceed.

STATEMENT OF HON. CHARLES H. PERCY, A U.S. SENATOR FROM THE STATE OF ILLINOIS

Senator PERCY. Mr. Chairman, members of the committee, I am very pleased to introduce to this committee, Mr. William Walker, nominated by the President to be Deputy Special Trade Representative for the upcoming trade negotiations in Geneva.

Before coming to Washington in September 1969, Mr. Walker was in private law practice in Chicago, and had practiced law for a period of about 6 years. Since coming to Washington he has served in a variety of highly responsible positions—Special Counsel and Acting Deputy General Counsel in the Office of Economic Opportunity, Deputy Director of the White House Office of Consumer Affairs, General Counsel of the Cost of Living Council, and a consultant to the Federal Energy Administration. I emphasize these areas because he has had deep experience in dealing with representatives and leaders of labor and management. His work with these representatives and leaders is well known and his understanding of their problems is a matter of record.

He currently serves as Director of the Presidential Personnel Office. I know firsthand that, as a result of his distinguished performance in these positions, that he has the full support of Don Rumsfeld, George Shultz, and Secretary Dunlop. All three men have worked closely with Mr. Walker and recently reaffirmed their support of him to me. Their experience has been far deeper than mine in working day-by-day with him, and they have, each of them, unanimously and wholeheartedly and enthusiastically supported this nomination. And I think we would recognize that Secretary Dunlop and Secretary Shultz would be intimately acquainted with the responsibilities and duties that he would have as the Deputy Special Trade Representative.

I am well aware, Mr. Chairman, and my fellow colleagues of the controversy which has been attached to this nomination. I think it is for that reason, because of the very high regard that I have for the judgments of the members of this committee, that I have spent a good deal of time on this nomination, which did not originate from me or from my office.

I have gone back to lawyers in Chicago; I have gone back to industrialists such as Robert Galvin, head of Motorola, who has knowledge of Mr. Walker's work. I have questioned people as to their rela-

tionships with him. As I understand it—and I have talked with some of my distinguished colleagues—there are Senators who are reserved about supporting Mr. Walker for Deputy Special Trade Representative, and they are reserved because of the absence of specific experience in international trade and in negotiation. I understand these reservations very well, indeed, as far as they go. But I would hope my colleagues would inspect carefully Mr. Walker's total experience and his total credentials, to search for compensatory talents. I have done so, and I feel that the talents are there. He is highly intelligent; he is very tough-minded; he is well experienced in planning and decisionmaking at the highest levels of Government, under conditions which are often most delicate.

Mr. Rumsfeld has pointed out in lengthy conversations with me that the chances for difficulty, the chances for misunderstanding—you might even say the chances for fraud—in connection with the Cost of Living Council, where its work was so closely involved in the profit-and-loss statements of American business across the board, were very great. But that work, under the supervision of the General Counsel, was done with impeccable care. And the administrative and legal work done on behalf of that high-level agency was very great.

There is not any question but that Mr. Walker enjoys the full confidence of the President of the United States. He has worked intimately with him in one of the most sensitive areas of Government in the White House: the finding of top-level personnel and the placement of those personnel.

I think we are all cognizant of the fact that this is a tough job. We all have our feelings. I have had my own judgments on some men over-ridden by the White House, as they have the right to do. People I have recommended have been passed over for other people who were considered to be better qualified. But on the whole, I have always felt that at least the requests were given the fairest of considerations and were given every opportunity to be advanced. Certainly there has been no prejudice. There was none of the atmosphere, you might say, that permeated those jobs in years past under both Democratic and Republican administrations. There has not been that atmosphere of climate in the White House now that we could see at all.

I think, finally, we should recall those public officials who have served with great distinction—Cabinet officers, ambassadors, Members of Congress—leaders of all sorts who come initially to their responsibility without prior experience in the specific new duties that they are expected to undertake. We have a former movie actor deeply involved in the labor movement in the acting profession, who became an exceptionally good governor, and who is looked upon as a candidate for President of the United States. We have a former astronaut who, after trying several times, has finally succeeded in becoming a Senator of the United States. We have former farmers, businessmen, academicians and a great many lawyers who have come to the Senate of the United States and the Congress of the United States. We have a journalist who became Ambassador to the United Nations, and we have had a publisher who became ambassador to the Court of St. James, one of the highest diplomatic posts. We have a university professor who became Secretary of State. I think the whole genius

of our American system is that we are able to transfer our skills and abilities into many different professions.

Everything I know of Mr. Walker gives me confidence that he will bridge the gap of specific experience with agility and with dispatch.

I realize that the Finance Committee will want to study carefully all nominations relating to the Geneva trade negotiations. I commend the committee for that attitude. Negotiations are of great importance to the United States, and decisions made there will have important economic effects for us for years to come.

I believe that time will demonstrate that Mr. Walker is fully qualified. The characteristics that I see in him are intelligence, judgment, the ability to mediate, a very tough mind, and yet, flexible; a broad range of interests and knowledge and a great deal of integrity and decency. I think he would be regarded by members of other delegations as a fine representative of the United States of America.

Thank you.

The CHAIRMAN. Thank you, Senator Percy.

Do you have a statement to make, Mr. Walker?

Mr. WALKER. I do have a short statement, if I might present it, Mr. Chairman.

STATEMENT OF WILLIAM N. WALKER, DIRECTOR, PRESIDENTIAL OFFICE

First, let me express my gratitude to Ambassador Dent for his kind statements on my behalf, as well as Assistant Secretary Yeutter's.

Mr. Chairman, members of the committee, it is a pleasure to appear before you today as you consider my nomination for the position of Deputy Special Representative for Trade Negotiations. At the outset, let me share with you some of my attitudes in approaching this very important assignment.

I look forward to working with Ambassador Dent and with Assistant Secretary Yeutter as part of a close knit team in carrying out our mission.

I particularly look forward to working closely with the members of the committee, its staff, and the members of the House Committee on Ways and Means and its staff. I have indicated to you, Mr. Chairman, and to other members of this committee, that I view the role of the Congress in the approval of trade agreements as advantageous and one which strengthens the hand of the U.S. negotiators. So I embrace the concept of a working partnership between STR and the Congress in a manner consistent with the letter of the new law, but more importantly, consistent with its spirit.

I also look forward to seeking the views and advice of the International Trade Commission and the representatives of the private sector, primarily through the advisory committee structure. I also remain open to any other responsible channel of communication as well.

Based on the strengths of these working relationships, it is my view that the U.S. team can represent the interests of the United States firmly, responsibly, and forthrightly. I will enter the negotiations with an open mind and with no bias or preconceived notions other than to advance energetically the interests of the United States.

As we approach the task, my colleagues and I should make it abundantly clear that these negotiations are a two-way street. This is to say, we should obtain major concessions in return, if we are to make important concessions ourselves. The parties to these negotiations should be on notice that the United States is no longer in the position where it can or should enter into arrangements where it stands to gain less than it stands to lose. We should enter into these negotiations with enthusiasm and a positive attitude toward making real progress in resolving some of the difficult problems which the United States faces in the world trade arena. Our negotiating counterparts should adopt the same approach.

In the 8 years that have elapsed since the close of the Kennedy round, there remains serious concern that those negotiations did not adequately accomplish U.S. objectives in the field of agriculture and that the voices of industry and labor were not sufficiently heeded. The Trade Reform Act of 1974 obligates us to do better this time, and the national interest requires it.

Mr. Chairman, as we all know, the negotiations, which are now beginning, take place in an unsettled and changing climate.

The United States is suffering from the worst recession in postwar history, with high unemployment. These are problems which, in many ways, have affected this country more acutely than our major negotiating partners.

Dramatic increases in the costs of energy, caused principally by actions of the OPEC cartel, have been disruptive, not only in terms of the transfer of wealth and the problems associated with the so-called recycling of petrodollars, but also because of the differential impact of increased costs upon many industries.

These negotiations, unlike any of the prior six rounds, will take place in the context of currency realignments under floating exchange rates, the consequences of which are not yet fully understood.

Spokesmen for some less developed countries have become strident in their demands for reordering world trade.

And world agricultural prices have fallen off sharply at a time when farmers, here and abroad, are experiencing increased costs.

These and other problems vividly illustrate the degree to which the world has become economically interdependent and thereby reemphasize the importance of making real progress on the serious trade issues which are the substance of these negotiations. The United States should exercise its leadership role, addressing these issues firmly and forthrightly.

For my part, Mr. Chairman, I am confident that if confirmed by the Senate, I will be able to discharge my responsibilities effectively in advancing the interests of the United States. I view the prospect with enthusiasm and will work energetically with Ambassador Dent and others to bring the full resources of this country to bear on behalf of the United States in these extremely important affairs.

I am aware that some on the committee have expressed concern over my qualifications for this position. I, therefore, welcome this opportunity to present myself to you. Those in the executive branch, the Congress, industry, and elsewhere with whom I have worked in the past have had confidence in my ability to deal successfully with diffi-

cult problems. I trust that, given the opportunity and the close working relationship that I would expect to have with this committee and its staff, you will reach the same conclusion.

As General Counsel of the Cost of Living Council and General Counsel of the Federal Energy Office, I discharged responsibilities that affected the conduct of virtually every business in the United States. Both positions required a comprehension of the American economy and sensitivity to differing economic conditions which uniquely equip me to address the issues which will be involved in the MTN.

Indeed, I would submit to the committee that the experience of wage and price controls and petroleum allocation, because they had a direct impact across the entire spectrum of the American economy, is strong reassurance of my ability to deal not only with broad economic policies, but also with their consequences for particular industries and sectors of the economy. The bottom line question for the American negotiators in Geneva is this: How does a proposed trade agreement affect U.S. economic interests, not only in the aggregate, but in individual problem areas? I believe my background is well suited to performing this analysis.

I might add that my General Counsel responsibilities were those of a regulator in which, necessarily, my role was often to say "No" to industry requests for relief from onerous programs. Happily, the position to which I am now nominated is one in which I view my role as that of an advocate for U.S. economic interests and one in which I would expect to direct my sensitivity toward American interests and my firmness toward our negotiating counterparts.

Thank you, Mr. Chairman. And I look forward to the committee's questions.

The CHAIRMAN. Mr. Walker, let me make it clear to you that as of this moment, I have not decided just how I am going to vote on your confirmation. I think you made a good statement. You presented us a biographical résumé, here, which I will ask be printed in the record at this point.

[The biographical information of Mr. Walker follows:]

BIOGRAPHICAL INFORMATION OF WILLIAM NICKERSON WALKER

PERSONAL BACKGROUND

Born April 3, 1938, in Newton, Mass.

Married Janet Mason Smith in Coral Gables, Fla., on June 21, 1961.

Two children, Gilbert Nickerson Walker, born November 14, 1968; Helen Anne Walker, born May 10, 1972.

Home Address: 5019 Reno Road, NW., Washington, D.C.

EMPLOYMENT RECORD

Director, Presidential Personnel Office, October 1, 1974, to present. I am responsible for advising the President on appointments to approximately 5,000 full- and part-time noncareer positions in the Federal Government. I supervise a staff of 35.

Consultant, Federal Energy Administration, July to mid-August 1974. I conducted a study of foreign petroleum price controls for FEA on the basis of meetings with industry and government officials in London, Bonn, Brussels, Paris, and Tokyo.

General Counsel, Federal Energy Office, January 8, 1974, to June 30, 1974. I was appointed at an Executive Level III position by William E. Simon, FEO Administrator. My responsibilities encompassed policy formulation as well as

legal advice, with particular emphasis on the Agency's regulatory functions. I supervised a staff of 75 people and had line responsibility for preparation, interpretation and modification of the petroleum allocation and price control regulations and for providing legal advice in connection with Project Independence.

General Counsel, Cost of Living Council, September 1972 to January 7, 1974. I served as the chief legal officer of the Council which was responsible for administering the Economic Stabilization program. As the third-ranking official of the Agency, I participated in the policy deliberations of the Agency on a regular and continuing basis. I was involved in the planning and design of Phase III, the June 1973 freeze and Phase IV and was responsible for preparation and issuance of the Executive Orders and regulations implementing these programs. I supervised a staff of 65 and had line responsibility for the interpretation and modification of the Economic Stabilization Regulations.

Deputy Director, White House Office of Consumer Affairs, May 1971 to August 1972. Presidential appointment. I supervised day-to-day operation of the Office and the staff of 56 individuals and had responsibility for policy formulation.

Acting Deputy General Counsel, Office of Economic Opportunity, November 1970 to April 1971. I served as the No. 2 legal officer in the Agency and supervised the three divisions comprising the Office of General Counsel, composed of 85-90 persons. For much of this time, I was Acting General Counsel for the Agency due to the absence, because of illness, of the General Counsel.

Special Counsel, Office of General Counsel, Office of Economic Opportunity, February-November 1970. I served as Special Counsel to the General Counsel, a Level IV Presidential appointee. I was a member of the Agency's senior staff and participated in most major policy deliberations.

Chief, Evaluation and Planning, Office of Legal Services, Office of Economic Opportunity, September 1969 to January 1970. My position was that of a Division chief in which I supervised 8 to 12 attorneys and analysts. I played an active part in the reorganization of the Office of Legal Services and had responsibility for developing a systematic evaluation plan for the 265 OEO-funded Legal Services Programs throughout the country.

Associate, Price, Cushman, Keck & Mahin, 134 South LaSalle Street, Chicago, Illinois, June 1963 to September 1969. My work with the firm was almost exclusively in the area of corporate law, with a heavy emphasis on antitrust matters. I was more involved in day-to-day counseling of executives of corporate clients than in litigation, though I was counsel of record and participated actively in several large litigated antitrust cases. A portion of my time was spent in counseling trade associations represented by the firm, principally in the building materials and water resources fields. I prepared materials for clients relating to the Kennedy Round and handled several customs and tariff issues for the firm.

Law Clerk, MacLeish, Spray, Price and Underwood, 134 South LaSalle Street, Chicago, Illinois, Summer 1962.

Law Clerk, Bureau of Land Management, Department of the Interior, Washington, D.C., Summer 1961.

Professional baseball, Baltimore Orioles Farm Club, Bluefield, W. Va.; released July 1960 and worked as a cookware salesman in Washington, D.C. for remainder of the summer.

Travel in Yugoslavia with the Experiment in International Living, Summer 1959.

Prior to Summer 1959, a variety of jobs as waiter, bartender, postman, grocery clerk and the like.

EDUCATIONAL HISTORY

Attended the Newton, Mass., public schools, graduated from Newton High School in 1956.

Wesleyan University, Middletown, Conn., B.A. degree, cum laude, June 1960. Varsity baseball for three years, co-captain, senior year; College Newspaper, Business Manager, senior year; Mystical Seven Senior Honorary Society; History Major; Scholarship recipient all four years; and Psi Upsilon fraternity, Vice President, senior year.

University of Virginia Law School, Charlottesville, Va., J.D. degree, 1963; Class Standing: Top Quarter; Student Assistant to Professor Richard Speidel, 2nd and 3rd years; Student Assistant to the Law School Placement Office, 3rd year; and Co-founder, Virginia Rugby Club.

CIVIC

Precinct worker, Evanston United Fund, 1968; Budget Committee member of United Fund, 1969.

Volunteer attorney for the Garfield Organization, a community organization in Chicago's West Side. I assisted in efforts to secure land and financing for a community shopping center and provided corporate advice to the organization during the spring and summer of 1969.

Founder and President, Chicago Lions Rugby Football Club, 1963-1965.

Founder and Executive Secretary, Midwest Rugby Football Union, 1963-1965.

Chairman, Convention called to establish a United States Rugby Football Union, 1968.

President, Chicago Wesleyan Alumni Club, 1967-1969.

PROFESSIONAL

Admitted to practice before the Illinois Supreme Court, the Federal District Court for the Northern District of Illinois and the United States Court of Appeals for the Seventh Circuit.

Member of the Chicago Bar Association and the American Bar Association.

Received OEO Exceptional Service Award "In recognition of exceptional contributions to programs which serve the disadvantaged of the Nation." May 22, 1971.

The CHAIRMAN. I think it speaks very well for you.

I believe you are 37. Is that your age?

Mr. WALKER. That is correct, Mr. Chairman.

The CHAIRMAN. All of this speaks very well for you.

What concerns me and troubles me about this matter very much is that you are going to be the man inside that room negotiating for the United States.

Can you draw me a word picture of what it will be like when it gets down to the crucial stage of either reaching an agreement with these various trading partners or not reaching an agreement with them?

Mr. WALKER. Well, I think, Mr. Chairman, the mechanics, and the format by which the negotiations are carried out is such that no American negotiator, be he Ambassador Dent or Bill Walker or anyone else, is going to be in a position of having to make snap judgments on whether we ought to concede this or we ought to seek this. The format is a good deal more deliberative; one in which we can obtain the resources of the staff of the Special Trade Representative's office, of the other agencies of the executive branch that are affected, of the Congress, and, most directly, of the private sector, through the advisory committee structure and others. I do not envision the kind of deadline that took place in 1967 at the end of the Kennedy round—at least in the immediate future—where midnight decisions had to be made. And there were, I think, some snap judgments made which people might like to look at again.

The CHAIRMAN. I would like to ask that time be kept on me; I will ask that time be kept on all of us on this first round of questions.

Have you ever observed one of these trade negotiations such as you will be participating in if confirmed?

Mr. WALKER. I have neither observed nor participated in a formal trade negotiation, Mr. Chairman.

The CHAIRMAN. Have you had occasion to watch the OECD in their negotiations?

Mr. WALKER. I have not been to the OECD meetings.

The CHAIRMAN. My namesake—so far as I know, we are not related at all—Oliver Long is whatever the official name is for the nominal

need of the GATT, the General Agreement on Tariff and Trade organization. He has visited me occasionally, and he tells me how those people might go about reaching agreements when they get near the close of these negotiations. In fact, it reminded me somewhat of some of these long conferences we have had between the Senate and the House, where at some point we get inside a room and close the door and be in there from 5 o'clock in the evening until 5 o'clock the next morning; the main difference being that we would at least permit ourselves a hamburger or cup of coffee, and he tells me that in those type negotiations, that there is no beverage or no food; that after about 5 o'clock in the evening, the doors are closed and you are there all by yourself to fight this matter out until some sort of an agreement is hammered out.

Does that sound unusual to you, or does that sound like something that you might expect in these negotiations?

Mr. WALKER. Well, it may well be, Mr. Chairman, that the negotiations will reach that stage at some point. I do not envision the negotiations in the immediate future reaching that stage. I think at this point in time, as you are well aware, there are a series of preliminary negotiations being undertaken by a series of working groups, a meeting of the full trade negotiating committee scheduled for July, with a view to serious negotiations being conducted in the fall. But we do not find ourselves in the posture of a series of deadlines having been established by which at midnight at such-and-such a date action must be taken which would necessitate the kind of closed-meeting closeting that has gone on and to which you make reference. Beyond that, I would say that to the extent that we get ourselves in a position where we are at the eleventh hour, I would expect that in addition to myself, that both Ambassador Dent and Ambassador Yeutter would be involved in these negotiations.

The CHAIRMAN. How many men do you anticipate would be permitted to sit there for the United States when it gets down to the crucial point of these negotiations?

Mr. WALKER. Well, I cannot answer the question as to whether one, two or three, Mr. Chairman, but accredited representatives of the United States are entitled to participate in the negotiations.

The CHAIRMAN. My impression is there is usually one person speaking for each country. And I would assume that that would be you. Is that correct or not?

Mr. WALKER. Well, it may well be.

The CHAIRMAN. I think you ought to know the answer to the question, or find it out.

Now what troubles me is that in those types of negotiations, you are going to be confronting people who could fill an encyclopedia—and I mean a big one—with what they know about the trade problems of every nation on earth. And I do not see anything in this biographical background, fine though it may be, that would give you the kind of information, knowledge, or knowhow that we would like to have for one sitting there with the fate of American industries in his hands.

Now, when an agreement is signed, I have no doubt the President will be asking us to agree to it, and I will be asked, as well as members of this committee, to take that matter before the Senate and get that matter agreed to. But I am troubled about your lack of experience in this area.

Might I just give one simple example that I think you, as a lawyer, can understand?

I can recall the first big lawsuit that ever came to me as a young lawyer. We had about a one chance in 100 to win it, but it involved \$100 million; so that was a \$1 billion lawsuit, by my estimation. I left that suit, when I came to the U.S. Senate, with a fellow who was about 2 years older than I was, with about the same type experience; a classmate in college, who is now a very good Federal Judge. He eventually managed to work out a settlement in that lawsuit, for about \$150,000. He told me subsequently that the sad part of his life was that that lawsuit came to us too soon, that if we had had that lawsuit 10 years later, he would have gotten \$1 million for that lawsuit. As a matter of fact, he told me that when the settlement was finally made, he was running out of money to keep pursuing it through the courts. He finally had to compromise it, and when the settlement was made, the lawyer for the other side said, well, young man, I think it might hurt your feelings to know this, but I think you will be wiser to know it. I was authorized to compromise this case for \$1 million if I had to.

Now, I do not like to see us come in here with an agreement where we could have gotten a million dollars but we settled for \$150,000. And you have a great deal to learn—notwithstanding this fine background you have got here, Mr. Walker. If you were going to come in with a million dollars for a million dollar lawsuit in this kind of negotiation—I gain the impression that the kind of people you will be in negotiation with for Japan, Ireland, Switzerland, the West German Republic, would be the kind of people who, if you were playing poker, could qualify to sit down and play poker in an unlimited game, where if you were just an amateur player in that game, you would think those people were either reading your mind or reading your cards.

Now, how do you propose to handle that type of expertise with which you will be confronted?

Mr. WALKER. I am pleased to respond to that, Mr. Chairman, because I understand that there is concern, and I would hope that I can assuage that concern.

Senator Nelson made a point earlier which I think is entirely accurate and one which I am sure this committee fully subscribes, and that is that there is no one individual that carries around in his mind all of the issues that affect American agriculture and American industry, and American labor. And to the extent that one has an individual sitting in the chair, in the negotiating chair in Geneva, who has a long background in this area, there may be a tendency on the part of that individual to rely upon his own instincts and his own background, rather than to seek the detailed information from the private sector, through the advisory committee structure; from members of this committee and from other informed sources within the executive branch and elsewhere as to what the position of the United States ought to be on these various positions.

I do not view the bulk of the negotiations as likely to be carried out in the kind of hothouse atmosphere which sometimes occurs toward the end of a negotiating session. Rather, I view them as being carried out at a far more deliberative pace, in which it would be my role to insure that we have before us adequate information to evaluate

what the U.S. position should be, either on concessions that we are seeking to obtain from our negotiating partners, or concessions that we ought to be making to them. And I view one of my strengths as the ability to gather that information, analyze it and determine both its overall impact, but more particularly its impact on specific industries—not because I know it all myself, I do not; but because of my background and training is such as to equip me to attain it.

The CHAIRMAN. Senator Fannin.

Senator FANNIN. Thank you, Mr. Chairman.

Mr. Walker. Senator Percy reviewed your background and covered your résumé quite thoroughly. And I have gone over it. I, of course, know that you have had seven different positions since you have been here in 1969, and evidently, from the reports, you have done quite well with them. Yours is quite an impressive background for a man 37 years old. But I do not see anything in your background that would qualify you as a trade negotiator.

I would just like to ask you this question: Do you think these trade negotiations involve a degree of expertise which you do not have?

Mr. WALKER. I do not, Senator. I think that the trade negotiations involve issues that are complicated, important, but not beyond my ability to master.

Senator FANNIN. I do not understand that. You have no real trade expertise or negotiating experience. You have admitted that, is that not true?

Mr. WALKER. Let me, if I may, tell you, Senator, why I think I am qualified for the position as directly as I can, and respond to the concerns which I know you have.

First, I would point to the experience that I had at the Cost of Living Council and at FEO; in particular, dealing at the Cost of Living Council, we were confronted then with an inflation that was essentially an imported inflation. In erecting the regulatory scheme and in putting together the decontrol effort, we were concerned to a very large degree with the effects of international prices of many commodities, most commodities, which at that time, you recall, had escalated dramatically—what the trade flows were, where the demand was, where the supply was—so that we had some sense of what the price structure would be. And so I involved myself rather deeply in international economic issues at that time. And the same at the Federal Energy Office.

And I would also add that the process that one went through in the position that I occupied was one of negotiations with industries, with unions and with others on what the regulatory scheme ought to provide. And if I have a reputation for firmness in this town—which I am told I have—it is as a result of those negotiations.

Senator FANNIN. Well, I would just say this, Mr. Walker, maybe you have beefed up on some of the answers, but when you were in my office just a few days ago, you did not have the answers to the specific questions I asked you. Now I would like to ask you some more.

Mr. WALKER. Of course.

Senator FANNIN. Are you familiar with the United States-Canadian automotive agreement?

Mr. WALKER. I am familiar with it in general terms, yes.

Senator FANNIN. Can you tell us the nature of the agreement and why it is inequitable from the U.S. point of view?

Mr. WALKER. Well, the United States-Canadian automotive agreement establishes what amount to a free trade zone in the automotive products which it covers, and has produced what amounts to an integrated automobile industry in North America, as the products move back and forth across the United States and Canadian border.

Now, as I understand—and I am not an expert in this subject—but as I understand it, the concerns that have been expressed about that have to do with the fact that the balance of trade of commodities involved in that agreement have tended to favor the Canadians, as distinct from the Americans. And as a result, it has been disadvantageous to us in this regard.

Senator FANNIN. I think you are very much misinformed about that particular trade agreement. We do not have a quid pro quo. I will not take the time to go into it completely. Is it not true that most of the countries have local content requirements on many products, including automobiles? Do you not think it would be fair for the United States to impose local content requirements on imports of automobiles?

Mr. WALKER. I would certainly say that is a negotiating option, Senator, and I would suppose that we would have the right to do that if we felt that was an appropriate position to take.

Senator FANNIN. Do you understand what is involved?

Mr. WALKER. Oh, yes, I understand what the local content notion is. That as products come in, are imported into this country or exports of the United States go to another country in a semi-assembled fashion, that there is a requirement for locally produced products to be included.

Senator FANNIN. And some countries have great barriers to what we can do.

Mr. WALKER. That is quite right. That is one of the NTB's that I think we are seeking to address.

Senator FANNIN. Now, I asked you a similar question the other day: What are the most severe trade restrictions which Japan has in place?

For instance, could you describe their licensing procedures on imports?

Mr. WALKER. I am not in a position to describe in detail the licensing procedures of the Japanese.

I would say this to you—and we talked about this in your office the other day—that there are a series of manufactured products on which the Japanese have maintained high tariff levels and which place the United States at a disadvantage in trading in those manufactured products. Now, one of the objectives of the MTN talks and one of the U.S. objectives is to bring about a reduction in overall tariff levels. How that would specifically apply to the products that are subject to high Japanese tariffs is in part dependent upon what sort of formula is to be applied. Is it to be a linear formula? Is it to be a harmonization formula? Is it to be some combination of the two? And which are the countries that are going to be required to apply the general formula? What are the dimensions of the exceptions and what are the base dates and the base rates that are going to be applied? And those

issues have not yet been resolved, as I understand it, in the tariff working group.

Senator FANNIN. I think you will find out on investigation it is the nontariff barriers that give us more problems than anything else.

Senator FANNIN. Now, do you understand how a variable levy system works in the Common Market?

Mr. WALKER. Yes.

The variable levy system operates on the basis of a target price which is established at the location of the greatest scarcity of the particular commodity involved. There is subtracted from that the costs of transporting the product from the border to that location. The difference then being a threshold price, and a variable levy is then applied between the import price and the threshold price. And oftentimes, it has been the practice of European countries to establish that variable levy not on the basis of what one might call a representative import price, but the lowest import price, with the consequence that products come into the European community with very high levies and are rendered noncompetitive as a consequence.

Senator FANNIN. Well, the variables and the value added tax are very much involved, but I will not go into that.

Now, Mr. Walker, you are saying you are qualified for the position. I told you I did not feel you were qualified. Do you not think there are many people that are better qualified than you to take this position?

Mr. WALKER. Senator, I think I am qualified to undertake this responsibility. I have not sat back and waited to be confirmed after my nomination was sent forward. I have been seeking to inform myself and acquaint myself with the issues. I do not claim to have mastered all of the intricacies, but I am convinced, Senator, that I am capable of mastering the subject matter in a way that will enable me to effectively represent the United States.

Senator FANNIN. I would just say to you, this is not an on-the-job training program. As far as I am concerned, it is one of the most important positions in this Nation today. The work of our trade negotiators will affect our economy more than almost any other position in our economy. I feel that the deputies are very much a factor in the success of the ambassador, I would like to ask one last question, specifically what criteria did your office attach to the selection of the nominee?

Mr. WALKER. I am sorry, I missed it.

Senator FANNIN. What criteria did your office attach to the selection of the nominees, but—

The CHAIRMAN. That is all right. Go ahead and finish your question.

Senator FANNIN. If you could just answer that one question.

Mr. WALKER. There was no specific set of criteria that was prepared for the appointments in the Office of the Special Trade Representative, Senator.

Senator FANNIN. I am disappointed to have you say that. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Nelson.

Senator NELSON. I did not have the time to pursue the question further when Mr. Yeutter was here so I would have it clear in my mind. As I understood it—

The CHAIRMAN. If I might just interrupt, there is a vote going on. I think we ought to try to continue this session for at least another half hour or so, and those who want to vote can go ahead and vote and come back. I told Senator Byrd to go, and he will be back in a few minutes.

Senator NELSON. I would like to understand the mechanics of this process. Mr. Yeutter was saying he would be here, the ambassador would be here. The policy committees, the technical committees representing industry, agriculture, labor will be here.

Mr. WALKER. Yes; I heard the exchange, Senator.

Senator NELSON. And the Special Representative will be in Europe where the negotiations are.

What professionals and advisors will be in Europe with the Trade Representative? How many technical people and so forth?

Mr. WALKER. Let me see if I can sort it out. As best I understand it, Senator, the Office of the Special Trade Representative is to have on the order of 90 people on his staff, total; that includes both professional and clerical. As I understand it, there are to be about 50 in Washington and about 40 in Geneva. How that is broken down, what technical expertise is represented where—I do not know if these issues have been settled, and they may not have been yet. The advisory committees—well, let me add one more thought to that process.

The functions of Ambassador Dent and Assistant Secretary Yeutter, assuming he is confirmed, in Washington will be several-fold. First, they will have the principal responsibility for developing the U.S. negotiating positions and for instructing the staff in Geneva as to the positions that the United States should take. They will also have the principal responsibility for coordinating within the executive branch the development of those policies, making the decisions, and also coordinating with the private sector, advisory committees and others, to get the information that is necessary in order to reach those conclusions, and for keeping the Congress informed, both this committee and the House Ways and Means Committee, and their staffs to make sure the working partnership we were talking about is accomplished.

Now, there will be occasions in which the Geneva people will come back to Washington to participate in that process, and there will be occasions when the people in Washington will go to Geneva to participate in that process. It would seem to me that it would be desirable to have the advisory committees, or some members of the advisory committees, in Geneva on appropriate occasions, just as when the Geneva staff comes back to Washington, it would be useful for us to meet with them on occasion. What we have to accomplish, it seems to me, is some degree of close coordination between the two loci.

Senator NELSON. What bothers me is, I think it is correct to say the committee, at the time of the hearings, and the markup of the Trade Bill, was very much concerned that the various economic entities in this country that would be affected, the consumer, as well as the producer and the manufacturer and labor, that those people involved in these various economic areas do, in fact, have a practical and real input and that they, in fact, are consulted and listened to throughout the whole process. I am concerned about the response—while I did not

have a chance to pursue it—that I got from Mr. Yeutter about just how are you going to do this—and, if these people that are appointed have to pay their way to Geneva—how they can afford that?

Mr. WALKER. I am not sure that is accurate, Senator. I would find it strange that the United States would call upon a citizen to advise the Government and not pay his travel and per diem.

Senator NELSON. If that is a fact, it is certainly an oversight, I would think, by the committee, but I would like to be assured and have the confidence that these advisory committees, in fact, are going to be a part of the practical opposition. There was opposition from some parts of the administration to having the committees at all. We probably ought to go vote. Have you voted?

The CHAIRMAN. I might just miss the vote.

Mr. WALKER. I will respond for the record, if I might, Senator.

Senator NELSON. All right.

Mr. WALKER. There are a variety of pieces of the advisory process. One of the most important, which is now going forth as you know, Mr. Chairman, are the hearings of the U.S. International Trade Commission, where they are reaching out to seek information from all areas; anyone who wants to advise the International Trade Commission as to what position the United States should take in these upcoming negotiations is being given an opportunity to be heard. The International Trade Commission will then advise the Office of the Special Trade Representative by the 4th of July, or thereabouts, as to the recommendations that it makes.

There is going forward now, also, the hearings being conducted by the Office of the Special Trade Representative which are also intended to seek public comment, and the Industry Policy Advisory Committees and the Industry Sector Advisory Committees are set up and functioning. The Agriculture Policy Committees and the Agriculture Technical Committees are set up and functioning, and it is my understanding that the Labor Committees are now in the final process of formulation, and that they will be functioning soon.

The overall 45-man Public Advisory Committee, appointed by the President, is also in the process of being finalized so that this entire structure will be in place soon and, for my own part, Mr. Chairman, I can certainly assure the committee that it would be my intention fully to utilize that system to get information. I might also add that my background and my instincts, as exhibited by what I have done in the past, would support that. At the Cost of Living Council and in the Energy Office. I sought assiduously, whenever possible, to operate in the regulatory framework on the basis of notice of proposed rules so that people would know what it was that those agencies were about to do to them and advise as to the extent to which it did or did not make sense, or injure or did not injure them.

We are dealing with a different context here, but the principle remains the same. We have to be able to have a mechanism that will advise us as to what the consequences are of Government action.

The CHAIRMAN. Mr. Walker, I would like to get one or two things straight while waiting for the other Senators to arrive back to take their turn.

Have I made any recommendations to the White House in regards to trade representatives?

Mr. WALKER. No, sir, not to my knowledge.

The CHAIRMAN. If I had, you ought to know about it, should you not?

Mr. WALKER. That is correct.

The CHAIRMAN. I just wanted to get that straight.

Now, I am concerned somewhat about the fact that it would seem to me that in this type of negotiation it would be well that there should be as much bipartisanship as possible. That will not exist if we confirm the nominees. Mr. Dent, whom I believe we all admire, since he was unanimously confirmed by this committee, is a staunch Republican. Mr. Yeutter, and I believe you, also, were members of the Committee to Reelect the President, were you not?

Mr. WALKER. No, I was never a member of the Committee to Reelect the President.

The CHAIRMAN. Well, I am glad to have that straight. Now, I believe that you did participate in the Republican Convention.

Mr. WALKER. I did; that is correct. I volunteered for 2 weeks.

The CHAIRMAN. Would you tell about your activities there?

Mr. WALKER. Yes, I assisted Bill Timmons, who was the convention chairman. I was what was called the scheduler for the activities of the convention floor itself. Somebody had to keep track when the caucuses were being held and when the cocktail parties were being held, and all of the varied things that go on at a convention—and that was my job, and I kept a running chart of all of this.

In addition, I had the responsibility for coordinating the arrangements for 12 persons who seconded former President Nixon's nomination, people from all over the country. There was a 19-year-old mayor, of Aleshire, Iowa, and Frank Borman, and former Secretary Hickel.

The CHAIRMAN. Did you help them prepare the speeches or did you just try to find the bodies?

Mr. WALKER. I just tried to get them all there and go through the rehearsal and try to handle the logistics, Mr. Chairman.

The CHAIRMAN. Now, please understand, I have no criticism of Mr. Timmons; I think he is a fine man. I think I even recommended to a friend that they consider employing his firm after he left the White House because I thought they were very fine, honorable men, and I can see you were working with a very good man, but it does seem to me that it would be well if there was more bipartisanship in this picture.

Now, I believe that you first took an interest in politics to help Mr. Rumsfeld when he was running for Congress. Will you tell us about your activities in that connection?

Mr. WALKER. Yes. In 1968, Mr. Rumsfeld's last race for Congress, I was his Evanston Township campaign manager. He had eight townships in his Congressional District. I had known him only slightly prior to that time, but an acquaintance of mine had been his overall campaign chairman in 1966 in the prior election and had asked me if I would like to participate, and I said yes.

The functions that I conducted at that point in time were the normal "get-out-the-vote" and "get-the-posters-up" and "get-the-bumperstickers-on" and "the-car-tops," and so on and so forth, the sorts of political activities that all of us, at one time or another—at least most of us—have participated in.

The CHAIRMAN. Well, it is clear to me that Mr. Rumsfeld has a high regard for you. There is a lot more than political loyalty involved. He has a high regard for your talents and your abilities, and I am also convinced that your name is not here because of Mr. Rumsfeld; the President has a very high regard for you. Now, when your name first came in here, I am frank to tell you it looked to some of us as though you were sitting there as personnel officer, selecting people for appointments to high positions and said, well, here is the best job coming across my desk, I would not know a better man to recommend than myself, and that is how your name came to be here.

I am informed on good sources that is not the case. Can we be confident that is not the case?

Mr. WALKER. That is not the case. I will confirm, Mr. Chairman, that is not the case.

The CHAIRMAN. Did you have some good men available to you for this job as a deputy at Geneva representing this country?

Mr. WALKER. We did not, at least at the outset, break the list of candidates which we had down into those that would be considered for Geneva or for Washington, other than to take note of the comments that had been made by a number of the members of this committee in Secretary Dent's—now, Ambassador Dent's—confirmation hearings that it was felt very important to have the deputy in Washington be an individual with substantial agricultural experience, but there was no segregation of names on one to be here and one to be there.

The CHAIRMAN. Now, I should have thought if this trade negotiation is as important as those of us on the committee would like to think it is, that this would have been a situation where the job would have sought the man, and that you would have been trying to find the ablest man that could be found to speak for this country in those negotiations. Was an effort made to see if you could find some of the ablest corporation presidents or some of the men who had served as president and than chairman of a board of some of the major companies who were familiar with the international trade problems prior to deciding that you should be nominated for that job?

Mr. WALKER. The President considered various candidates for this position. I think it is fair to say he asked me if I would accept the position before we had gotten very far along in the recruiting process. Mr. Chairman. We had names that had been submitted to us from a variety of sources. I do not have the precise number in mind, but I would suppose a dozen to 15, before we had really gotten very far along, and we really were waiting to proceed very far until the President had selected his nominee to be the head of the office, the Special Trade Representatives, before we were going to do much recruiting for the deputies, and at that time the President asked me if I would accept the position, and I did so, and I did so for reasons, partly which I expressed to Senator Fannin.

Aside from the experience at the Cost of Living Council and FEO, the sorts of sensitivities to both broad economic policy and individual application of that policy as it affects people and as it affects companies and as it affects special sectors, there were several other factors that I think entered my mind as I agreed to accept the nomination.

First, I do have a broad acquaintance with senior officials in the

executive branch, as well as with the President, and feel that would be helpful in dealing with the important issues that are certain to arise over the next several years.

Second, I am accustomed to working with the Congress, and I am not about to forget that the Constitution vested in the Congress the authority to regulate foreign commerce and that we have a responsibility in the Office of the Special Trade Representatives, we, if I am confirmed, to report to the Congress and to the President on the activities that we undertake, both by statute, but on the basis of really the constitutional division as well, and so I am accustomed to that; I am comfortable with that.

I have not been sitting back, as I indicated to Senator Fannin, and simply waiting to be confirmed, but I have sought to inform myself, and I am prepared to seek to respond to those issues. I cannot pawn myself off on you as an expert, Mr. Chairman, but I am also convinced that I can master the subject matter. And last, I am not going to be all alone out there.

The CHAIRMAN. I do not doubt you have a great deal of talent and all of that recommends you, of course, but I recall a somewhat parallel situation in my own life, where I was asked to take a job that was very crucial to the government of the State of Louisiana. At that point I informed the Governor in my judgment that a man available to him was far better qualified than I was for that job, and he ought to appoint that man. It was only when he told me he was not going to appoint that man under any circumstances that I finally decided maybe I should make myself available for the job.

I would have thought in this type situation, when you were looking for about the most talented negotiator you could find and with the best experience that the Nation could offer, that you would have suggested, when the thought of naming you to this job was first proposed, that you could find someone else who had certainly a lot more experience in the area of international trade than you have had. Your experience in this area is about nil, is it not?

Mr. WALKER. I do not have direct experience in trade negotiations, Mr. Chairman. I think it is fair to say, however, and it has been alluded to in the course of these hearings, this morning and this afternoon, that we have had professional negotiators conducting a variety of negotiations for the United States in this and in other areas over a period of time, and there are those who feel that background in the subject matter and in negotiations is not necessarily a guarantee that the United States is going to come out of those negotiations with the best deal.

The CHAIRMAN. I do not mind telling you that compared to some of those who have represented us and have come back without the shirt on their back, with little more than their drawers to cover them, I can understand how we would be better off to take a new man than to take some of those that have been there before. I can fully understand that, but some of those you will be negotiating across the negotiation table from will be people who have had experience in the Kennedy round representing their country, or such, with those negotiating the Kennedy round, and have been through a great number of the things that will be discussed, having heard all of it before, and I wondered to

what extent some of those type men were considered, whether they were sought, or whether they were recommended, or whether their talents were discussed at all prior to arriving at the conclusion that you should be nominated for this job.

Mr. WALKER. I do not believe, Mr. Chairman, I cannot be fully confident in my answer, but I do not believe that any of the men representing the United States during the Kennedy round were considered as a possible appointment to one of these positions.

The CHAIRMAN. We have some of the men whose names were mentioned, and some of them did have a lot of experience in those trade negotiations. Did you discuss with some of those people to see if they were available?

Mr. WALKER. We did not begin an active recruiting and interviewing process. We did not plan to do so until after the Special Trade Representative was nominated and confirmed. We were about to enter that process when the President selected Assistant Secretary Yeutter and myself. Senator, I might, if I could just—

The CHAIRMAN. If I might, I will yield the floor to Senator Roth, so I can go vote, and then I will be back just as soon as I can. Senator Byrd, we will be back shortly. Going by the same order we started with, it will be Senator Roth's turn, and then Senator Dole.

Senator DOLE. I will go vote and come back.

The CHAIRMAN. I am sorry we have to play musical chairs this way, Mr. Walker, but we are trying to move this proceeding along as fast as we can.

Mr. WALKER. That is fine.

Senator ROTH. Mr. Walker, as you know, I am one that does have a number of questions with respect to your expertise and qualifications. I told you in meeting with you I am impressed in many ways with your background and your experience. Obviously, you have great skills in learning new jobs, which I think is important. One of the things that I will say I will now check off of my list of reservations is that I do think that you could well be tough in negotiations, which I think is very important. But I still have two very serious concerns in my mind, and one is the question of your expertise in the trade area. And the other is your lack of experience, as I see it, as a negotiator.

You mentioned in your résumé that you have considerable background in working with industry, and the economy at large. But basically, it was not in the area of negotiations. I think it was termed as a regulator.

Mr. WALKER. It was clearly not negotiations in the sense that the term is used in the context of the MTN talks, Senator. I would concede that. But while conceding it, I would also add that the bulk of the work that was required of me as General Counsel of both the Cost of Living Council and FEO was to develop workable regulations that would accomplish the statutory objective under which those two bodies operate. That involved, I might say, very extensive negotiations within the executive branch as to what our policies ought to be, broadly; and more specifically, how they ought to be implemented as affects specific industries and specific companies within those industries.

Extensive discussions with the oil companies during the spring of last year as to what the allocation rules should be, what ought to

be the competing priorities on butane and on propane and crude oil and so on, the whole process of the decontrol effort in the fall of 1973 involved meetings with dozens of individual companies in those industries that we were considering for decontrol. Because of anti-trust considerations, we could not meet with them as a group. We had to meet with them individually, and we met with companies in the nonferrous metals industry and the aluminum industry and the paper industry, in the automotive industry; and we were seeking to work out arrangements in the—and in the fertilizer industry there is a large, large number—we were seeking to work out, in each one of those cases, a process for, on the one hand, maintaining some restraints over price movements in keeping with our statutory mandate, and at the same time accommodating the economic realities with which those companies were having to confront the world.

Those may not be negotiations in the formal or the traditional sense, but they were certainly very heavy negotiations.

Senator ROTH. At the same time, I think it would have to be recognized you were not negotiating with equals. You were negotiating basically as a regulator.

Mr. WALKER. I was negotiating as a regulator; that is correct, Senator. But at the same time, we were negotiating in the lead and zinc area, for example, with men who had spent their lifetime in lead and zinc; and who, if one were to ask them a specific technical question on some matter having to do with that industry, had a lifetime of experience to draw upon in responding. We had to prepare ourselves to be able to deal intelligently with those issues, and respond to their inquiries and to be responsible in the decisions which the Government was to reach on those industries. And so, I think that the analogy is not all that inappropriate.

Senator ROTH. Would you agree with me that, say, either you or a man of your background who also had background as a negotiator, or background say along the lines of Mr. Yeutter in the agricultural area—that this would be of great assistance and great help in these trade negotiations?

Mr. WALKER. Well, it may be, Senator. But I would also make the point that I made earlier, and expand the point a bit. We are today confronted with a world economy which is a good deal different than it was just a few years ago. It is dramatically different from the state of the world that prevailed at the time of the Kennedy round. It is a fast-changing scenario, with a variety of the factors that I mentioned in my opening statements, and some others as well, that are going to affect the policies and the approaches that we should take. To the extent that one has a background and learning and experience in an area during a point in time where different conditions prevailed, one might very well be less able to accommodate these changes than someone who comes in fresh, and who is willing to look at some of the issues that have been assumed to occupy one or another posture over the years—look at them freshly in light of different economic conditions, and perhaps come to some different conclusions; and perhaps express some novel, different, constructive approaches to seeking to resolve those thorny problems that have prevailed for some time.

Senator ROTH. Well, I would agree with you that a fresh look can be helpful. Sometimes you get people with prejudices that they are not

able to adjust with the new world, if you want to call it that. But I was recently over in Europe, and talked with some of their negotiators; and I will have to be very frank with you. I was extremely impressed with them, with their knowledge of trade, their knowledge of negotiations. And while I do not like to belittle myself and my colleagues, I will give you an example of why I am concerned. I sometimes think that in committees, our staffs, because of their expertise, are often able to—and I apologize to the members of the staff—but they are able to very much influence and direct things because they know so much more in the various areas than the members of the committee. And this gives me real concern when you get into negotiations that the same thing can be true there, too.

Let me ask you this question. Do you believe that serious negotiations are a practicality at this time? Do you think that, if you were to become a deputy in Geneva, that in a period, say, 6 months or a year—would this be a time in which we begin to develop serious negotiations, and if so, in what areas?

Mr. WALKER. I would like to respond to that, Senator. There are a series, I think, of important obstacles to making progress in the short term, and I alluded to some of them in my opening statement—the unsettled climate that exists today—and I think that is a matter which has to be forthrightly addressed. At the same time, we and other countries agreed to the Tokyo declaration, in which we committed ourselves to proceed as best we could to try to reach some meaningful set of trade agreements by the end of 1975. That may prove, in retrospect, to be overambitious, particularly in light of the fact that the Trade Reform Act was not passed until the very end of last year, and not signed actually until January of this year. It is, I think, too early to be able to give any sort of definitive response.

However, to your question—the International Trade Commission is only now conducting hearings on what the negotiating objectives of the United States ought to be. The same is true of the Office of the Special Trade Representative. Until we obtain that information, and until we have the information from the advisory committees that we have established, we do not know yet what our position is going to be or ought to be on a series of these issues. Nor do we, at this point, know what the position of our negotiating partners is going to be on these and other issues.

Senator ROTH. I am sorry. I am going to have to leave in order to go vote. But I will yield back to the chairman.

Senator FANNIN [presiding]. Senator Hansen?

Senator HANSEN. I am sorry, Mr. Chairman, I will pass this time. I have no questions.

Senator FANNIN. Senator Dole?

Senator DOLE. First let me say that I support your nomination, and I of course have read the résumé and have known you for some time, and I have listened carefully to the statement, it was excellent. Your candor in admitting that the nomination may be in some difficulties, or at least some may have some reservations about it, indicates that you are a man to get right to the point, and I think that is the way it ought to be handled.

I pointed out earlier today my own belief that experience is very helpful and very important. I did remind those on this committee of

the so-called Kennedy round, where we had some very experienced people who, I think, insofar as agriculture was concerned, sort of led us into disaster. I do not suggest that that was because they had experience in the trade negotiations. It may have been from some other reason. There are many people in my State who think they have more experience than I have, but of course in politics, you do not need to worry about experience. You put your name on the ballot, you are elected, with or without qualifications, and it is over. So I want to make certain in my own mind of your abilities. I know you have been studying the Trade Reform Act of 1974, and probably other rounds we have had, GATT and other trade-related matters—and it might be well to find out what you see, personally, as the objectives of this round of negotiations. We can start with that.

Mr. WALKER. I see several, Senator, and my personal inclinations track very much the negotiating objectives that were set out in the Trade Reform Act. Specifically, I think the following areas—we have to be able to deal with the issue of multilateral safeguards to try and establish some better international system where countries can protect industries that are suffering injury from import competition without unduly disrupting international trade. We have to deal with the issue of supply access, the conditions that prevailed in 1973 and 1974, with short supplies, high prices, provided perhaps a classic example of the importance of achieving some international basis of consultations and international basis for resolving disputes in the area of supply access. And the demands of the less developed countries ought to be viewed, it seems to me, in that context.

The area of sector negotiations is one which was used, with some modest degree of success, in the Kennedy round, and is one which I think should be pursued as a complementary technique. The Trade Act lists, if I recall correctly, some 12 specific negotiating objectives in trying to modify the GATT itself. The mechanism of GATT, fundamentally has to do with improving the fairness by which that mechanism operates. It is, after all, a mechanism which is designed to promote civilized trade among countries—fair trade, trade on a fair basis. The shape of the world has changed very dramatically since 1948, since the GATT went into effect, which if I recall correctly, there were 19 members, and there are now some 87 or some such. There are changes that should be made in that instrument.

Senator DOLE. Should you be confirmed, how do you see a relationship with this committee? I think you touched on it earlier with Senator Long. As you know, the bill spells out rather specific areas.

Mr. WALKER. Senator, it seems to me absolutely essential that the Office of the Special Trade Representative embark very genuinely upon the working partnership with this committee and with the committee—the House Committee on Ways and Means. We cannot bring back a trade agreement that is not acceptable to the Congress of the United States, and this is the committee which has the principal responsibility for determining what will be recommended to the Congress for enactment. That means that we have to be able to keep you advised to win your confidence, and I would hope, on the other side of the coin, that you and members of your staff—you collectively as well as individually—and members of the staff, would reach out

and participate with us, and seek to give us your guidance and your counsel and your assistance.

Senator DOLE. Regardless who may have been nominated, despite that, regardless of any direct experience they may have had with trade negotiations, they are still, in effect, responsible to this committee in a large degree, and we were going to be the final arbiters. And I say that because it strengthens your case, because of that so-called safeguard we have in the law. I have listened to most of the questions, and you have handled yourself very well. We could quiz anybody on the technicalities of all of the different trade agreements, in all of the different areas around the world, and maybe find some defect in the answer. But I believe that, based on your experience, and based on your experience particularly with FEA and the Cost of Living Council, you have, in effect, been active in negotiations. They were not trade negotiations, but they probably were just as tough, and I say to my colleagues you do have a reputation for being tough, I think, in the proper sense that you are not going to yield. You are not going to come back—as Senator Talmadge said earlier, you are not going to give away the Washington Monument to get some deal, and it has probably already been given away in any event. But I think that is important.

So, as I understand, there will be a continuation of this hearing tomorrow morning, Mr. Chairman?

The CHAIRMAN [presiding]. Nine o'clock tomorrow morning.

Senator DOLE. All right.

I guess we will have the right to ask further questions at that time, and to make a further statement?

The CHAIRMAN. You will.

Senator DOLE. I will just say in closing, to keep things in perspective, you are here because you were nominated by the President, and the President knew what he was doing. There has been some concern on how you may have been selected. I assume you were selected by the President.

Mr. WALKER. That is correct, sir.

Senator DOLE. And probably at his initiative.

Mr. WALKER. That is correct.

Senator DOLE. I think that is important.

Mr. WALKER. Thank you, Senator.

Senator DOLE. That is all I have.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. Mr. Chairman, I know the hour is late, and our distinguished witness has been here all morning; and I am certain that he probably needs a respite more than any member of the committee does. Let me just ask a question or two.

Mr. Walker, you spoke about trying to bring about some basic reform of GATT, and direct it toward fair trade. I would ask you, as a matter of philosophy, how effectively can American industry compete with industries around the world in your judgment, having in mind the various restrictions and compliances that have been imposed upon industry in this country?

To give you an idea, I had in mind such laws as OSHA, the environmental protection and minimum wage laws, which require a conform-

ance with standards that cost our American industry a great deal. If you view the situation from the vantage of the average manufacturer in America, and compare that with his European or Asian counterpart, is he at a disadvantage? My question: Is the American manufacturer at a disadvantage?

Mr. WALKER. I think, Senator Hansen, that American industry is capable of competing in the world market if the world market is conducted on the basis of the kind of fundamental fairness that we have been talking about. Where that fundamental fairness falls down, it seems to me, is where there are subsidies, rebates, restitutions, other forms of Government assistance to particular industries, either in terms of their export trade or in terms of import assistance, which distort the process and distort the fairness of the process, and stack the cards against those industries in the United States that do not have subsidies and do not have special deals with the Government of the United States.

Moreover, we have sought to operate, as I understand it, in the world trading community over the past 30 years, since the end of World War II, on the basis of a most-favored-nation concept. Yet, I am also given to understand that fully half or more of the world's trade is now being conducted under preferential trading arrangements in most of which the United States does not participate. That seems to me to violate the fundamental notions of fairness. Either we have a most-favored-nation principle, which we accept and which we adhere to, and which we in fact operate under; and to the extent that there is deviation from that principle, then it seems to me there is a proper source of concern for the United States, and a proper basis for us to negotiate with our counterparts at Geneva, to modify those distortions and harmonize them.

Senator HANSEN. I do not think you quite responded precisely to my question. My question was, is the American producer at a disadvantage compared to his European or Asian counterparts?

In essence, you said you thought the American producer still could compete. Are you saying that the American producer is at some disadvantage but, despite that fact, he still is able to compete. My question was, "Is he at a disadvantage?"

Mr. WALKER. Well, he may be at a disadvantage in some industries, Senator; industries that have a high cost structure, for one reason or another, in this country, because of environmental requirements or because of tax obligations, or for some other reasons. Yet, there are a great many industries in the United States which are at an advantage because of our technological capabilities, because of our efficiency, because of our productivity. I continue to believe that the United States can compete effectively, be they advantaged or disadvantaged in the world market in a great many industries. In sum, it is very much more difficult; but we have talked a good deal this morning, particularly with Assistant Secretary Yeutter, about American agriculture, which is enormously efficient and upon which we have a great advantage because of our geography and our climate and our technology and our chemicals, and so on. But there are other industries as well, outside of agriculture— aerospace, computers, a whole range of high technology industries—in which we have an advantage, and where those industries

can compete if they can compete fairly, if the rules let them compete fairly.

Senator HANSEN. If I could just give you a specific instance—the Senator from Arizona spoke about trends that seem to indicate that the production of citrus crops and some truck-garden crops seems to be moving south of the border into Mexico. I suspect that one of the factors—and I am probably putting words into his mouth—is the comparative costs of labor. I also understand that the companies who have been active in the production of these particular kinds of agricultural products are taking all the technology that is employed—fertilizers, and machinery, and so forth—south of the border. Would this situation cause you to think that there might be some disadvantage imposed upon an American producer, as compared with his Mexican counterpart?

Mr. WALKER. I think the example you cite represents pretty much a larger sort of problem, and this in fact represents what I would term the legacy of the overvalued dollar. The United States, for a period of some rather considerable period of years, has maintained a substantial balance-of-payments deficit and balance-of-trade deficit in particular.

Now, that has made it advantageous for American investors to go overseas. They can get a better return on their dollar than they can in the United States.

A series of events have occurred in recent years which have changed that climate, and I again made reference to it in my opening statement. We have gone off the fixed exchange rates. We have had two devaluations. We are now in a period of floating exchange rates, and there seems every reason to believe that the United States will become more competitive as a result of those changes, than it was a few years ago.

But, we have also found ourselves saddled now with a very serious recession, so that right on the heels of the devaluations and the changes in floating exchange rates, had the economy been expanding rather than contracting, we would have seen this advantage manifest itself because of the recession. We have not. I think the thinking of a great many people has not fully comprehended the advantages that will accrue to the United States from this exchange rate change.

Senator HANSEN. My time has expired.

Thank you, Mr. Chairman.

Thank you, Mr. Walker.

The CHAIRMAN. I just want to get one thing straight, Mr. Walker, and I think it is very important that we understand one another about this matter.

There is an article that appeared in the morning newspaper. It is a syndicated column by Mr. Evans and Mr. Novak. They referred in very complimentary terms to your service. I believe there is a misunderstanding, and I think we ought to try to understand one another, if possible.

I will read this: "Especially strong among Democrats is congressional attempts to usurp Presidential selection of high officials, among other functions."

Now, I think we ought to understand one another. The job for which you were nominated is to exercise a function that is vested in the Congress. The Constitution does not place in the executive branch of

Government the regulation of trade with foreign nations. The Constitution places it here in the Congress. The procedure by which your nomination comes before us is where the Congress asks the President to negotiate an agreement for us, and the President appoints someone to negotiate. Now he is our agent for the Congress, and he is appointing you to negotiate an agreement for us. Now, obviously if he does not like what you are doing, I would assume that he would ask for your resignation, and you would resign. But in the last analysis, it is our function that is being represented here to regulate trade with foreign nations and to make trade agreements. When an agreement is made, it then comes back to us under that law. Do you understand that, that this is basically a job where we are asking the President to negotiate agreements, but he is exercising our power for us? When you negotiate that agreement, you are negotiating it subject to the approval of the Senators and the House of Representatives, a situation which far more than the average appointment should require that we be satisfied with the person that the President is recommending for that job.

Mr. WALKER. I understand that, Senator. I must say, I saw the article and I felt it was considerably overdrawn in that and in some other regards as well.

The CHAIRMAN. Now some have described that Special Trade Representative as being the President's man. I think we ought to understand this, that under the law and the Constitution, the President is our man, representing the Congress. He is supposed to be doing what we instruct him to do by an act of Congress. Then, when the agreement is negotiated, it comes back to us. So, as I see it, if we should feel that by failing to confirm you as the Deputy for the Special Trade Representative in Geneva, we might get a better man, that we might better advance the national interest, just from the point of view of this Senator, it would be our duty to say, sorry, Mr. President, we think we can get a better man for that. We think you ought to try again.

As I say, I have not decided how I am going to vote on this nomination. I think you have handled yourself very well before this committee, but I believe we ought to understand one another, that this is not a matter of somebody usurping somebody's authority. We have a duty to advise and consent on all of the President's appointees, but our burden is especially heavy in an area where the Constitution puts the responsibility right in the Congress. This is not like appointing a member of the President's Cabinet. The appointment for which you are here is under an act where all of the negotiation that takes place amounts to nothing unless we here in the Congress ratify it.

You understand that while you are working for the President, in the last analysis you are working for us if you are confirmed in this job.

Mr. WALKER. I do understand that, Mr. Chairman, and I have sought to make that clear in my testimony, that I do in fact understand it.

The CHAIRMAN. If you are confirmed, I am going to try to work with you every way I know how. But I think we ought to stop this foolishness of talking about somebody usurping somebody's responsibility, because Members of the Congress do advise and consent as best their

intellect and their conscience can direct them to do that. We expect you to do your best in your responsibilities. At the moment you are working for the President and the White House; you are working for him. We have not tried to usurp his power to give you the job you are in. But in this job you are nominated for, we think we have a special obligation to be sure we are doing the best we can under the circumstances.

Senator Ribicoff is unable to be with us now because he is managing that bill on the floor. He will be available to us, I am told, at 9 o'clock tomorrow morning, and in order that he could have his turn, and any Senator that has not had a chance to ask whatever questions he would like to ask would have his turn—

Senator FANNIN. Mr. Chairman, since you have been referring to this article, if you would permit me just to have a little colloquy with Mr. Walker.

The CHAIRMAN. I will put the article in the record. It is very complimentary of you, Mr. Walker. It is not all that complimentary of some of us. If my colleagues will permit it, I will put that in the record.

[The article referred to follows:]

[From the Washington Post, May 14, 1975]

ROWLAND EVANS AND ROBERT NOVAK—THE PARADOX OF WILLIAM WALKER

The Senate Finance Committee today begins confirmation hearings on President Ford's nomination, as the government's top grade negotiator, of William Walker, a 37-year-old White House aide with an immaculate record and a better than even chance to be rejected by the Senate—a paradox traced to today's weakened presidency.

Walker's ostensible problem is lack of experience in international trade. Sen. Carl Curtis of Nebraska, the finance committee's senior Republican, shares that concern but will vote for Walker, he says, "out of deference to the President." Other committee Republicans—Paul Fannin (Ariz.), William Roth (Del.) and perhaps Clifford Hansen (Wyo.)—show no such deference. On the Democratic side, liberals Abraham Ribicoff (Conn.) and Gaylord Nelson (Wis.) are inclined against Walker, and Chairman Russell B. Long of Louisiana may join them. If all these senators vote against Walker, his nomination is dead.

What is happening here is the intersection of two bitter legacies from the ruined presidency of Richard M. Nixon. The first, especially strong among Democrats, is congressional attempts to usurp presidential selection of high officials, among other functions. The second, involving Republicans, is a corrosive post-Nixon reaction to arrogance from the Oval Office.

That second legacy means that opposition against Walker from Republican senators is in large part an emotional slap back at Walker's boss and patron, White House chief of staff Donald Rumsfeld, and, indirectly, Rumsfeld's departed predecessors, H. R. Haldeman and Gen. Alexander Haig.

Walker is unmistakably Rumsfeld's protege. Brought into the Office of Economic Opportunity (OEO) as a young Chicago lawyer by fellow Illinoisan Rumsfeld in 1969, Walker followed him to the Cost of Living Council (COLC) in 1972. When Rumsfeld took over the White House last December, he gave Walker the messy task of running the personnel office there. In reward for that hazardous duty, the President on April 15 nominated Walker for the choice post of deputy special trade representative stationed in Geneva to head forthcoming negotiations.

On his courtesy calls to senators since then, Walker has argued that he gained plenty of negotiating experience as a government lawyer and that past trade negotiators, while more experienced, were concerned with foreign policy dictates rather than driving a hard bargain. With such arguments, Walker would have sailed through the Senate in pre-Watergate days. But in 1975 senators are touchier about a nominee's qualifications.

Beyond lack of experience, Walker suffers from having been personnel czar. A highly competent but buttoned-down young man who does not suffer fools gladly, Walker treated some seekers of high federal posts recommended by senators as supplicants rather than VIPs. One senator now opposing Walker tells of a prominent constituent volunteering for government office being given a run-around by Walker. He is accused of sidetracking a would-be member of the new commodity futures regulatory commission who had influential support in the Senate Republican cloakroom.

Conservative Republicans who are Walker's sharpest critics also blame him for decisions on some obscure but politically sensitive appointments. Most annoying of these is Nell Staebler, veteran liberal Democratic politician from Michigan, to the Federal Election Commission. The selection of Legal Services Corp. board members viewed as insufficiently conservative by many Republicans is attributed to Walker.

With these complaints in the background, the White House made a possibly fatal error in handling Walker's confirmation. His nomination was presented to finance committee members not as a possibility but as an accomplished fact, a blunder in the post-Nixon mood of congressional superiority.

There is yet another subsurface layer. One Senate Democrat opposing the nomination told us there is unvoiced suspicion on both sides of the aisle that Walker is Rumsfeld's choice, not the President's, hurried past the President's eye. Absurd though the charge is, the fact that it is articulated by serious politicians points to the anti-Rumsfeld underpinning of the Walker confirmation fight.

The private complaints against Rumsfeld are that he is "too liberal" and too abrupt in dealing with members of Congress. In truth, Rumsfeld is a moderate conservative and a courteous, pleasant man who religiously returns all telephone calls from Capitol Hill. He approaches Haldeman neither in arrogance nor mastery over the White House.

But whereas overwhelming arrogance from the White House was suffered in silence by congressional Republicans under Haldeman and to a lesser extent Haig, even a fraction of that executive hauteur will not be tolerated under Rumsfeld.

That fact, perhaps not sufficiently realized at the White House, explains the otherwise inexplicable fight over Walker—and why the process of governing is becoming very nearly impossible for President Ford facing a self-assertive, troublesome and not always rational Congress.

Senator FANNIN. I think it should be made part of the record.

Mr. Walker, I think you understand that my opposition to you is solely on the basis of qualifications.

Mr. WALKER. I understand that, sir.

Senator FANNIN. In this article it refers to conservative Republicans who are your sharpest critics, and I want you to understand that to the best of my knowledge we have never had any disagreements about any appointments or anybody that I have recommended. In fact, I do not even remember calling you and making any recommendations. Is that correct?

Mr. WALKER. I have no recollection of any such call, either, Senator, and I will stipulate to that point that you just made.

Senator FANNIN. Fine. I appreciate that very much because I never remembered ever calling you and asking you for a favor in that regard. I did want the record to so stipulate.

Thank you.

The CHAIRMAN. All right. Thank you.

We will stand in recess until 9 o'clock tomorrow morning.

Thank you, Mr. Walker.

[Whereupon, at 1:30 p.m., the subcommittee recessed, to reconvene at 9 a.m. on Thursday, May 15, 1975.]

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NOMINATIONS OF RICHARD C. HOLMQUIST, CLAYTON YEUTTER, AND WILLIAM N. WALKER

THURSDAY, MAY 15, 1975

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

The committee met, pursuant to notice, at 9 a.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long (chairman).

Present: Senators Long (presiding), Talmadge, Ribicoff, Byrd, Jr, of Virginia, Nelson, Mondale, Curtis, Fannin, Hansen, Dole, Packwood, and Brock.

The CHAIRMAN. The committee will come to order.

We will have other Senators along as we proceed. It was agreed that we would come at 9 in order to accommodate Senator Ribicoff who is managing a bill on the Senate floor. I recognize the Senator from Connecticut.

Senator RIBICOFF. Thank you, Mr. Chairman.

Mr. Walker—

Senator CURTIS. Would you yield just a moment?

Senator RIBICOFF. Yes.

Senator CURTIS. I have a matter of special order on the floor too, and I will have to leave, but I shall return. I am glad that the arrangement can accommodate Senator Ribicoff.

Senator RIBICOFF. Thank you very much. In addition I have to chair hearings in Government Operations.

Mr. Walker, will you give us a summary of your international experience and special competence which would in your judgment qualify you to become the trade negotiator for the United States in Geneva?

STATEMENT OF WILLIAM L. WALKER—Resumed

Mr. WALKER. Yes, sir. From the middle of 1972 through early 1974 I was General Counsel of the Cost of Living Council, which as you know administered the economic stabilization program involving wage and price controls. During that period of time the inflation which the United States was experiencing was largely caused by rapidly escalating prices in the world market of most of the commodities which we import and export.

As a consequence of that, the activities of the Council were directed very heavily toward analyzing the supplies, demands, and trade flows of basic foodstuffs commodities, nonferrous metals, scrap fertilizers, and various other commodities that are traded in the international

market. That process was undertaken both in construction of the regulatory scheme that characterized the wage and price control program and also in the decontrol effort during the fall of 1973, and I was deeply involved in that whole process and gained in that effort a substantial experience in the whole field of international economics.

After that I became General Counsel of the Federal Energy Office, serving for the first 6 months of last year and then subsequently for 2 months as a consultant. In that role my responsibility was to deal with both the escalating prices and the shortages of crude oil and other petroleum products which the United States experienced a responsibility which involved very substantial familiarity with international trade in petroleum products.

Senator RIBICOFF. But how long were you—you had 6 months with the FEA?

Mr. WALKER. Six months as General Counsel and then two months last summer as a special consultant in which I prepared a study, which I believe I sent to you on the subject of foreign petroleum price controls.

Senator RIBICOFF. Did you negotiate during this period with any members of OPEC?

Mr. WALKER. No, I did not negotiate with other governments, Senator, but the process which we went through in establishing the regulatory scheme, both at the Cost of Living Council and at FEO, involved very substantial negotiations with industry and at least at the Cost of Living with—

Senator RIBICOFF. That is domestic industry.

Mr. WALKER. With domestic industry, that is quite correct, but in the context of the international price pressures with which domestic industry had to cope. There were a wide variety of problems having to do with, for example, volatile pricing authority for companies that were purchasers of foodstuffs purchased on the world market, international metals, how to deal with futures trading.

Senator RIBICOFF. But this was with Americans.

Mr. WALKER. That is quite correct. The dealings I had principally were with Americans, but dealing with the problems Americans were experiencing in the international arena, Senator.

Senator RIBICOFF. But during this time you were not negotiating, say, with the Japanese or the English or the French or the European Economic Community. That was not part of your negotiation, because there were consultations in the international field, both from the producers and consumers of energy, and who did that? The Treasury and the State Department? Who was doing that negotiation?

Mr. WALKER. Mainly it was the State Department and the Treasury, Senator, although in the fall of 1973 I visited London and met with officials from the Ministry of Finance and Ministry of Treasury, the chairman of the British Price Commission and others to engage in a series of discussions having to do with our price controls as contrasted with theirs, and last summer I did much the same thing, five different countries, on the subject of U.S. petroleum price controls, and the impact of what was going on in other countries upon the price control system in this country.

Senator RIBICOFF. So generally your experience here—and there is no question that you discharged it well, I do not question that—was basically with American-based industry, including American oil companies?

Mr. WALKER. That is correct, Senator and I think that in my opening statement yesterday I made the observation that the bottom line question that American negotiators must ask themselves which really the Office of the Special Trade Representative as an institution must ask itself, is what the impact upon U.S. economic interests will be of any proposed trading agreement or arrangement at the MTN, not only in terms of its broad policy impact for the United States, but more particularly its impact upon specific industries, specific countries in specific geographic locations.

Senator RIBICOFF. May I ask you, do you speak any foreign language?

Mr. WALKER. I do not speak French well. I spoke it better some years ago. I do not speak it well now.

Senator RIBICOFF. You do not speak German?

Mr. WALKER. No, I do not speak German.

Senator RIBICOFF. Just tell me, what knowledge do you have of foreign industry and foreign agriculture?

Mr. WALKER. I have fair general knowledge, Senator Ribicoff, based in large part on the experience which I acquired at the Cost of Living Council and at the Federal Energy Administration, where we were dealing with the various trade flows of commodities that were rising in prices dramatically in the world market.

One of the things that we sought to do in that connection was to analyze where the supplies were, what the demand patterns would be, what the trade flows were, so that to the extent possible, we could have some reasonable apprehension as to what the price consequences would be in the United States for the industries that were affected by those price movements.

Senator RIBICOFF. What is the international commodity market? I mean, how does the international commodity market affect commodities in the United States? Not only the question of agricultural products, which is very important, but copper, zinc, chrome, items such as this which are so important to American industry as well as American agriculture—with agricultural commodities, what do you know about the international commodities market?

Mr. WALKER. It is, as you know, not just one single international commodities market. There are a large number of them, and they include those that you mentioned and some others as well, steel scrap, to mention one, zinc, lead. During the summer and fall of 1974, the prices of all of these commodities escalated very rapidly. Actually, it started earlier than that. It started in the fall of 1972, and continued well into 1974, differing patterns for differing industries, but the overall pattern was one of dramatically escalating prices during this 2-year period, and the London Times Index of Commodities increased—I want to say 100 percent during that period of time, but I think it is too high, but it was a very, very substantial percentage increase from the low point to the high point.

We dealt, for example, with the lead and zinc industries. There has been, for example, no zinc-producing facility constructed in the United States since, if my memory serves me correctly, 1936 or 1937, and there are a number of existing facilities that have been closed down because of environmental considerations. Consequently, this reveals a pattern of increased dependence upon foreign sources for zinc, and at the same time, zinc as an input in products produced in the United States is increasing in importance.

We looked at the prices on the London Metals Exchange and sought with great imperfection, I might say, to impose some constraints upon the price movements of zinc within the United States, the imperfections being largely the result of the fact that there was no way in which the Cost of Living Council could affect the movement of prices on the London Metals Exchange.

Senator RIBICOFF. Let me ask you, in your hope to become chief trade negotiator for the United States, undoubtedly you have studied the Trade Act of 1974 and the legislative history connected with it.

Mr. WALKER. Yes; I have spent some time doing that, Senator.

Senator RIBICOFF. When you negotiate specific nontariff barrier agreements which require congressional action, are you prepared to assure this committee that we will be consulted on the shape or dimension of any package to be sent to Congress before you sign off on a deal in Geneva?

Mr. WALKER. Yes.

Senator RIBICOFF. Could you tell us in general terms your opinion on the 12 steps to be taken toward GATT revision, elaborated in section 121 of the Trade Act of 1974?

Mr. WALKER. Yes; Senator.

The GATT, as you know, became effective on the first of January 1948. At that time, it had I believe 19 members, and the United States participated through a protocol of provisional application, and it was never presented to the Senate for approval.

The shape of the world at that time is rather different from the shape of the world at the present time. There are, as I understand it now, some 87 members of the GATT, and subsection 1 of that section directs us to seek means of improving the decisionmaking process in GATT where we have moved from 19 members 25 years ago to a situation where we had 87, and the weight of economic interest and economic stake of many of these countries that have equal voting rights with the United States in GATT is substantially less.

There are admonitions in that same section to improve the provisions having to do with supply access, a matter that relates to the commodities questions you asked me a moment ago and which I would be glad to address in greater detail.

There are in addition provisions that have to do with the balance-of-payments protection provision. That is to say, an admonition to the negotiators to seek negotiated arrangements for tilting, if you will, toward import surcharges to protect balance-of-payment positions, as distinct from quantitative restrictions and quotas. There is an admonition to seek to negotiate multilateral safeguards arrangements which will take into account the fact that where tariff barriers have been reduced very substantially as a result of the outcome of the Kennedy

round and reductions in tariffs since that time, countries are likely much more to be susceptible to serious injury, or industries within countries are likely to be more susceptible to injury from imports by virtue of the fact that tariff barriers are lower now, with the result that there should be a mechanism for greater international consultation on matters having to do with safeguards.

There are other provisions as well. I think those represent the major provisions, Senator Ribicoff.

Senator RIBICOFF. The 12th point calls for negotiation of an international agreement on trade in footwear, which is of great concern to many Senators in New England, as well as other parts of the country. What assurance can you give that you will abide by this provision of the law and previous administration assurances that action would be forthcoming?

Mr. WALKER. Senator Ribicoff, I am familiar with the letter submitted to, I believe, Senator Hathaway and Senator McIntyre by Mr. Eberle and Mr. Malmgren during the Senate's consideration of this legislation last fall. I would consider myself to be bound by the assurances contained in those letters—that is to say specifically with reference to the letter to Senator Hathaway that the United States does have an obligation to enter into some sort of an arrangement with foreign countries to minimize and to reduce the destructive impact of imports upon the footwear industry, both nonrubber and rubber.

Senator RIBICOFF. Now, as you know, the Trade Act of 1974 provides for congressional advisers who shall be accredited to official meetings and negotiating sessions. I guess the three of us that are here now are advisers from the Finance Committee. I do not think the Republican representatives are.

Mr. WALKER. Senator Fannin and Senator Roth, I think.

Senator RIBICOFF. Yes, Senator Fannin and Senator Roth. Now, the five of us are accredited, but of course the chairman has made it known as far as he is concerned that every member of the Finance Committee has a participation in this, and are more than welcome to participate, whether in Geneva or in this country, which I think is absolutely sound.

It has always been the contention that, well, we are the five, that each one of the Finance Committee is an alternate, is that right, Mr. Chairman?

The CHAIRMAN. Yes, they are alternates or ex officio advisers, however you want to name them, but as a practical matter we well recognize, in the last analysis, that the fact that five of us are designated as advisers, does not make our vote on this committee any greater or that of the other members any less. So from my point of view, they are alternates or they can regard themselves as ex officio advisers if they want to.

Senator RIBICOFF. And part of your obligation would be to keep the members of the Finance Committee and the Ways and Means Committee advised. It is our obligation to then advise our colleagues in our respective Houses of negotiating developments.

What arrangements are you prepared to make to insure full participation of Congress in the day-to-day work of the negotiating team?

Mr. WALKER. Senator, in my opening statement I committed myself to establishing a genuine working partnership with the members of this committee and its staff in following through, both on the obligations of the statute, but more importantly with its spirit. I think it is of critical importance that we in the Office of the Special Trade Representative keep you fully informed as to what we are doing so that there are no surprises and so that beyond that we have the benefit of your advice and counsel as we proceed down this road.

I would welcome, were I to be confirmed and to be in Geneva—I would welcome any member of this committee or its staff in Geneva. I would hope that the committee would consider in fact locating a staff member in Geneva with whom we could work on a regular basis. In addition, I would expect to be returning to this country on a regular basis for consultations with other colleagues at the Office of the Special Trade Representative and during those return trips here would find it useful and would propose to meet with you and other members of the committee who felt it would be useful to advise you as to what was going on and seek your guidance.

Senator RIBICOFF. At the present time it would appear that the State Department has taken control of negotiations relating to basic raw materials or commodity trade, but it is the intention of Congress that negotiations be carried out on raw material access as part of the trade agreements program. What steps would you take to begin the process of negotiating raw material access, and how would you deal with State Department, as opposed to congressional, intentions to keep these matters out of the hands of the Office of Special Trade Representative?

Mr. WALKER. Let me deal with the second part of your question first, if I might, Senator Ribicoff.

The observation you make is entirely correct, that the Congress has articulated its decision that the negotiations on raw materials and on other subjects should be carried out through the Office of the Special Trade Representative. In addition, that authority which has been granted to the President actually has been delegated in Executive Order 11846 to the Office of the Special Trade Representative.

Now, in addition of course, there is an interagency committee chaired by the Special Trade Representative, Ambassador Dent, that is dealing with a whole array of these problems, both multilateral and bilateral. It would seem to me that it is appropriate to make it plain within the executive branch that the Office of the Special Trade Representative is the body which has the responsibility for discharging these duties, and I would not be unwilling at all to raise that issue in a very direct way.

Now, as to how one approaches the question of commodity agreements, I might say, Senator, that I—

Senator RIBICOFF. Well, let us stay with that first before you shift. Mr. Kissinger is making speeches on the problems of resources. Mr. Enders was in Paris recently with the OPEC countries, and that failed because of the desire of the OPEC countries to expand the whole negotiations into resources from developing countries.

This committee, not only with this administration, but with previous administrations, has been deeply concerned with what it conceives as

a continuous policy of the State Department, through many administrations to relegate the problems of trade to the geopolitical factors involved, that when you came to a question of a treaty, whether it was arms or land or any agreement, as part of the deal they were willing to give up what many of us felt were America's basic interests in the economic field, and as we have seen in the recent years and especially now that equal political factors have taken the ascendancy over geopolitical factors.

Now, how are you going to stand up to Mr. Kissinger in this confrontation or with the State Department? What are you going to do when you reach a situation where the ecopolitical and geopolitical factors clash with one another?

Mr. WALKER. Senator, I believe it was the chairman, during all of the hearings on this subject or during the debate on the floor, who made the observation that there may well be circumstances in which it is appropriate for the United States to trade off between its foreign economic interests or its international economic interests, if you will, and certain foreign policy interests, but he observed it was appropriate that that be done directly and forthrightly and not with a sleight of hand.

It seems to me that that is appropriate. The Congress ought to be consulted and involved in that process through the mechanism that has been established in the Trade Reform Act.

Now, I would have to say to you, Senator Ribicoff, that I am not familiar in detail with precisely what the mechanism is within the executive branch now, by which the division of responsibilities is decided. There are a variety of committees. I have not participated in any of those since I have not been confirmed yet by this committee.

Senator RIBICOFF. You see, you are in a very delicate position because not only do you represent the executive branch, but you represent the Congress of the United States, and the question of how do you inform us of a conflict—and I think this is one of the great problems that are going to have to be decided because the responsibility in trade matters constitutionally is with Congress, not the President.

Mr. WALKER. That is correct.

Senator RIBICOFF. And whatever the President has, he has had delegated to him through the Finance Committee and the Ways and Means Committee in both Houses, but yet continuously Congress has been bypassed. Again, I do not just refer to the present occupant of the White House, but every President has done this, and in the 12 or 13 years that I have been here, I find great dissatisfaction on both sides of the aisle with the factors that have developed after we have delegated to the President—the President and his representatives have completely ignored the Congress, and these are our concerns.

They are our concerns not only for the country, but they are deep concerns with our respective States, whether it is an agricultural State, but also a great industrial State of Georgia or an industrial State like Connecticut.

Now, how do you conceive of your role as the Special Trade Representative with an obligation to Congress as an appointee of the President taking on Secretary Kissinger and coming to the Finance Committee and asking us for help? Do you come to the Finance Committee

and ask us for help, or do you keep quiet because you have been appointed by President Ford?

Mr. WALKER. Senator Ribicoff, I think one of the advantages I bring to the position to which I have been nominated is that I have a well-established personal relationship with most of the senior officials in the executive branch. And, I might say, a personal relationship with President Ford, as a result of the work I have done for him for the past 7½ months.

I would not hesitate in any way to raise with the President, or to raise with any member of the executive branch, precisely the problem which you raise. That is to say, that the authority to conduct trade negotiations is vested by statute and by Executive order in the Special Trade Representative's office. And that office should be responsible for carrying these matters out.

And I would also not hesitate to consult with the members of this committee in the event an impasse were reached that made it appropriate to raise with this committee.

Senator RIBICOFF. Let me ask you. Suppose you went to the President, and you had this problem with the Secretary of State, and the President insisted that you really take a back seat to the Secretary of State.

Would you tell the President that you had also a direct obligation to the Congress to make your position known to the Congress, contrary to the position taken by the Secretary of State?

Mr. WALKER. I would think, Senator Ribicoff, that the President would be very sensitive of the need to advise the appropriate Members of the Congress of the decisions he has made. That has been very much his style, and his position as President, and I would not anticipate that being a problem at all.

Senator RIBICOFF. Well, it always has been a problem, because, in all due respect, you see, one of the things that bothers me is, it is my understanding that one of the reasons Mr. Eberle left—and may I say frankly that Mr. Eberle, and I think I speak for the entire committee, had the confidence of this committee. Mr. Eberle came to this job; we did not know him, but as it developed, I believe we all developed great respect for Mr. Eberle as a competent man, trying to do his job.

Now Mr. Eberle worked day and night with this committee, and the Ways and Means Committee, to get a trade bill. And I would say the executive department owed a deep obligation to Mr. Eberle for the fantastic constructive job that he did. He sat in this room day in and day out, with this committee, trying to work out this bill. He sat in—continuously in the conference, and tried to work it out.

Now my understanding is that Mr. Eberle was given to understand that he would have to report through Mr. Seidman, and not to the President, and that his authority was being curbed, not with direct access to the President, but through Mr. Seidman. And he felt that with what his job was, his responsibility and his pride, that this was something he could not take—and I respect him for it—so he resigned.

Now what happens with you, that if you reach a bypass, that you are told that you have to report through Mr. Seidman, or through Mr. Kissinger, what do you do?

Mr. WALKER. Senator Ribicoff, I think it is important to understand the role played by the Economic Policy Board in general, and Mr. Seidman in particular. I think it is not accurate—without meaning to be argumentative—to characterize the role of Mr. Seidman as being the individual to whom the Special Trade Representative reports. He is the Executive Director of the Economic Policy Board, and organizes this body of senior economic advisors to the President to facilitate the conduct of business.

He does not interpose, and has not interposed, himself between the President and the senior economic advisors. You and I spoke on this subject in your office, some 2 weeks or so ago, and I discussed it with Ambassador Dent following that, because it is a matter that I think is of legitimate concern to this committee. Ambassador Dent reported to me, and I subsequently verified this through other channels as well, first, that he has not received a single telephone call from Mr. Seidman with respect to the business—or at least, he had not at that time—with respect to the business of the Special Trade Representatives' office, other than simply as an exchange of information.

And second, and perhaps even more importantly, at the time a Presidential decision was needed on the matters having to do with the so-called cheese war, about 3 weeks ago, Ambassador Dent sought a Presidential decision at about 2 o'clock in the afternoon, and at 4:15 o'clock that afternoon, he and others met with the President, and the decision was made.

It seems to me that is very expeditious access, and full access, by any standard. So I do not perceive that, Senator, as in any way a problem of getting access to the President for decisions that ought to be brought to the President; decisions which we feel should be brought to the President, not Mr. Seidman and Secretary Kissinger, or anyone else in the administration.

Senator RIBICOFF. Now chapter 4, section 141, of Public Law 93-618 provides that the Special Representative report directly to the President and the Congress, and be responsible to the President and the Congress.

Would you feel that when you report, you will report simultaneously directly to the President and the Congress, or just to the President and later to the Congress?

Mr. WALKER. Now I think I have indicated, Senator Ribicoff, that I feel it our responsibility to consult fully with this committee; I do not feel my responsibility is running exclusively to the President at all.

Senator RIBICOFF. What are your ideas on what should be done to stabilize world trade in basic resources and provide for more reliable supplies to the United States?

Mr. WALKER. Let me address that question, Senator Ribicoff.

It seems to me there are a variety of factors which ought to be taken into account here, and we can draw upon the experience which we have had over the past several years in which the United States has found it necessary to impose export controls—soybeans in 1973, steel scrap later in 1973, controls with respect to the export of grain to the Soviet Union after that time.

We found ourselves in a situation, for example, with respect to soybeans, where prices had risen from, on the order of \$3 or \$4 a bushel to something on the order of \$13 or \$14 a bushel, and in some bids, as high as \$18 or \$20 for some of the later futures. There was grave risk that we would actually exhaust our supply of soybeans before the next harvest.

The United States took precipitous action in that regard. I might say I do not have the figures in mind for steel scrap, but problems of the same magnitude existed there. And I recall meeting with a number of companies that were faced with a real prospect of having to close down or curtail operations and lay off workers because of the absence of adequate supplies of steel scrap that were going overseas to reap the benefits of the high world market prices.

Those sorts of circumstances lend themselves, it seems to me, to the development of an international consultative mechanism in which customers and suppliers alike have access to information on available supplies, on available demands, on customer commitments so that there is a common base of information upon which buyers and sellers alike can work to ascertain the seriousness of the supply shortage situation that we might be facing in some particular commodity in the years ahead.

Beyond that, it seems to me, important and desirable, if it can be negotiated, to establish rules, or at least general principles, that will define the availability of export restraining devices available to countries faced with circumstances such as I have described. And also, the rules governing what compensation ought to be provided, how the short supplies should be allocated, what the rules of the game ought to be.

The United States has interests on both sides of that issue, as you know. There are a variety of commodities as to which we are major exporters—principally in the agricultural area, although not exclusively; steel scrap being a classic example of an area where we are an exporter in a nonagricultural commodity. But we are also an importer of a great many commodities.

Assistant Secretary Yeutter indicated yesterday, in response to questions, I think from you, Senator Ribicoff, our interests may differ with respect to what one might call supply access arrangements, depending upon whether we are an importer or an exporter. But it seems to me that the exchange of information, and the establishment of some international consultative mechanism, to deal with these difficult problems, is desirable and the sort of thing that other countries are going to be amenable to.

Senator RIBICOFF. They have not been so far.

Mr. WALKER. No; I understand that. But at the same time, we have gone through a series of rather peculiar and radical changes in the makeup of the world economy, Senator, since 1971. The dramatic escalation in the world commodity prices which we experienced during the years 1972, 1973, and 1974 may repeat themselves in some degree. But I think it unlikely that they will repeat themselves to the same degree.

We experienced, beginning about that time—about 1971—for the first time what has been called a synchronization of the economic

events in most of the industrialized countries of the world, where all of the countries—economies moved into a strong expansionist mode; GNP expanding, output expanding.

This placed pressure on world commodities. Those economies then subsequently moved, more or less synchronized, into a recession, and we would expect that process is probably going to continue for a variety of reasons.

Now that means that we can expect to have, in the future, as economies move from the recession that we are now experiencing into a growth situation, some pressure on supplies of a variety of commodities, which thereby makes it, it seems to me, desirable not only for us, but also for our trading partners, to enter into these arrangements.

I would add, however, Senator—and I can expand upon this if you would like me to—I think it very unlikely that we would have swings in commodity prices approaching the magnitude of those which occurred in 1972, 1973 and 1974 again because of the unique circumstances which accompanied those swings in this country.

Senator RIBICOFF. Well, that is oil but—

Mr. WALKER. No; I do not think it is just oil.

Oil is a part of it, of course, but I think the single most important factor that contributed to that series of events was the large balance of payments deficit which the United States had consistently maintained over a period of years, with the result that there were dollars abroad in the hands of foreigners. The value of those dollars was falling. Consequently, as they saw the value dropping precipitously, they exercised their option to either trade in those dollars for stronger currencies—marks or yen, or what have you.

They also found the commodities which the United States was exporting more valuable than the dollars. And so they invested those loose dollars in our soybeans and our wheat and our corn, in our other grains and our steel scrap, and our other products which we were exporting.

Simultaneously, the United States devalued the dollar, and moved ultimately to a floating exchange rate series of alignments. That reduced the cost, if you will, in real terms of these commodities to our foreign customers who were using our dollars to buy that material. This process simply accelerated the growth of demand, and produced still greater pressure upon the prices of these commodities.

It seems to me unlikely, under the floating exchange rate arrangements which we now have, that there is ever again going to be this large pool of dollars available in anywhere near the magnitude that it was available in 1971, 1972 and 1973 for an investment in America's commodities. And the devaluations which contributed to that process, are not likely to happen again.

Senator RIBICOFF. Let me ask you, what specific approach would you take to assure that there will be a fair deal for industry and agriculture together, without one of these areas becoming the price to be paid for benefits to the other?

Now this is always a very, very sticky, tough problem in trade negotiations. How do you think it ought to be addressed?

Mr. WALKER. Senator, I think the issue you raise is the central question addressing the multilateral trade negotiations at the present time.

It is the single most difficult issue—the single most difficult conceptual issue which the United States must address.

I do not mean to duck your question, but I think it is really too early to give you a sense of what the tactics are that the United States ought to use to move towards that objective. As you know, there are a series of working groups, but the TNC has created one of those groups as an agriculture group. The United States is concerned that that agriculture group not become exclusively the forum in which agricultural issues are discussed, but rather, that those issues be discussed in the tariff and the nontariff barrier groups as well; it being our desire that the agriculture subworking group work in tandem with those two groups to identify the specific application of the arrangements that may be agreed to, or preliminarily discussed, in the NTB and tariff working groups to agriculture.

Until that process moves forward farther than it has right now, or at least farther than I am aware of—I have not been privy to the STR cables—I think it is really too early to give you a sense of what the tactics ought to be.

Senator RIBICOFF. You recognize this is a key problem.

Mr. WALKER. Well, yes. It is, as I indicated, I think the central problem with which we are confronted.

Senator RIBICOFF. What industrial sectors, in your judgment, will require special sectoral negotiations?

Mr. WALKER. Well, I am aware that the Senate Finance Committee report identified five sectors in which, to the maximum extent feasible, sectoral negotiations should be conducted. It is my understanding, Senator Ribicoff, that the efforts which took place in the Kennedy round to negotiate on sectors—and some of them are the same sectors that are made reference to by the committee—developed, really, only after there had been very extensive discussions within the tariff working groups at the Kennedy round, and an impasse essentially reached on tariff negotiations in those specific sectors. An effort being made by a number of countries to except, if you will, from the negotiations these particular industries, and thereafter, progress was made in negotiating freer trade rules in those sectors when they moved out of the general discussions and into the sector negotiations.

The Tokyo declaration in this round, as you know, makes reference to the possibility of sectoral negotiations as a complementary negotiating technique. There has been no decision reached as yet—at least, as far as I am aware of—in the tariff working group as to what the formula should be that would be applied in making tariff cuts in this round. And until there is some understanding reached as to what that formula ought to be, it may well be too early to determine which sectors are appropriate to address on a sectoral basis, and depending what they are, how one ought to approach them.

Senator RIBICOFF. Let me ask you—and this is my last question—in my opening statement yesterday, I concluded, and I quote, by saying, “A man without the support of this committee will be suspect in the eyes of his negotiating partners. They will doubt whether he can deliver. I do not believe any man should even want the job without the full support of every member of this committee.”

Now it is obvious that quite a few members of this committee are unhappy with your nomination. I believe most of our trading partners

have finally realized, and it is still hard for them to grasp, the important role that Congress plays in trade negotiations. It is hard for them to understand why a President cannot do whatever he wants to do.

It is obvious, too, that the Special Trade Representative, or his Deputy, who negotiates abroad, represents not only the President and Congress. If there is substantial opposition to you, whether you get confirmed or do not get confirmed, what impact do you believe that would have upon your ability to represent the United States in negotiations, and to find acceptance and respect with the men that you have to deal with on a day-to-day basis?

Mr. WALKER. Senator Ribicoff, I do not think it would have any effect, whatever. The legislative branch of the United States operates on the basis of majority rule, and I think appropriately so, unlike the executive branch. It seems to me that the committee should reach its judgment.

If I am confirmed, then I will speak for the President and for the Congress, for the entire U.S. Government. I think that factor will be more than sufficient to accord me the respect that any American Ambassador, and any American negotiator, ought to expect.

Senator RIBICOFF. Mr. Chairman, I want to thank you and the other members of the committee for your courtesy and indulgence to allow me all of this time. I apologize to all of you for taking so much time.

The CHAIRMAN. The record should show that we came in here at 9 o'clock so that the Senator could ask his questions, because he is managing a major bill on the Senate floor at the same time that the committee is meeting to consider this nomination, as well as the others. The Senator was here 15 minutes ahead of time, and he certainly was entitled, under the early bird rule, to be recognized. And I think both the questions, and the answers of the witness, were very enlightening. I think that all of it helps us to better judge the competence and the abilities of the witness.

Now I am willing to proceed in whatever fashion the Senators would like to proceed. We can either sit under an 8 minute rule, or each person can ask all of the questions he wants to.

What is the will of the committee as to how to proceed? Should we limit ourselves to 8 minutes for the remainder of the session?

Senator TALMADGE. Any way you want to proceed is agreeable with me.

The CHAIRMAN. Why don't we limit ourselves to 8 minutes.

Senator Talmadge was the next Senator in the room.

Senator TALMADGE. Mr. Walker, I have had the privilege of visiting with you in my office, and I appreciate your coming by. I find you are extremely well educated and articulate, and have a highly intelligent mind. I am somewhat concerned, however, about your lack of negotiating experience in this area.

Now as I understand it, we have one Ambassador, who is Mr. Dent, and two deputy trade representatives, you and Mr. Yeutter. Now how are the mechanics worked out? As I understand it, negotiations are now going on in Geneva, at the present time, are they not?

Mr. WALKER. That is correct.

Senator TALMADGE. How many nations are represented there?

Mr. WALKER. Ninety.

Senator TALMADGE. Will that be the totality of the nations that will be represented at the negotiations before they are completed?

Mr. WALKER. It need not necessarily be, Senator Talmadge.

As I understand it, the Tokyo Declaration invited other countries who wished to participate to come to the negotiations, and it may well be that there are countries who will do that.

Senator TALMADGE. In other words, it is optional with a country. It can participate or not participate as it sees fit.

Mr. WALKER. That is correct.

These are not GATT negotiations, and are not limited to members of the GATT.

Senator TALMADGE. Who is on deck over there in charge for the United States at the present time?

Mr. WALKER. I am sorry, Senator Talmadge, I do not know.

Senator TALMADGE. Who will be on deck during the duration of these negotiations? Will Ambassador Dent be there, or will he be in Washington?

Mr. WALKER. As I understand it, Senator—and I have not had detailed discussions on the subject with either Ambassador Dent or Assistant Secretary Yeutter—Ambassador Dent and Assistant Secretary Yeutter, were he confirmed, would be based in Washington, and I would be based in Geneva with responsibility for carrying on the day-to-day deliberations that are taking place in the MTN.

But it is both my understanding, and as reflected in the comments of Ambassador Dent and Assistant Secretary Yeutter yesterday, there will be occasions when either or both of them will be present at Geneva, and participating in the negotiations. And there will be occasions on which I will be back here and deliberating with you all, and with the House Committee on Ways and Means, and with others in the executive branch and the private sector.

Senator TALMADGE. Then for all practical purposes, the principal day-to-day routine in the trade negotiations, if you are confirmed, will be in your hands?

Mr. WALKER. That is correct, Senator Talmadge.

Senator TALMADGE. You would be on deck there at the firing line from day-to-day?

Mr. WALKER. That is correct, Senator Talmadge.

Senator TALMADGE. Now are these negotiations worked out on a piecemeal basis and agreed to on a piecemeal basis, or will you try to agree on parts of a package and then put the whole package together as a final act?

Mr. WALKER. No decision, as I understand it, Senator Talmadge, has been made as to how any agreements that might ultimately be made would be packaged. Whether we would seek to reach agreements on a specific item, or whether we would reach agreement on a specific item conditional upon reaching agreement on a variety of other items, I think it is simply too early to tell.

In part, that results from the fact that, as you know, the United States is not in a position to table any negotiating proposals until the hearings being conducted by the International Trade Commission are completed and their report is received, and the hearings of the office of the STR are completed. So that we have an understanding of what

it is, both that the United States should resist by way of making concessions and those concessions which we should seek.

Senator TALMADGE. When will it be determined whether or not these agreements will be made piecemeal or in a total package?

Mr. WALKER. There is no target date, Senator Talmadge. It is an element that will be present in all of the discussions, and would be the sort of thing, I would think, entirely appropriate to be discussed with this committee before any such judgment is concluded.

Senator TALMADGE. As you know, under the Trade Act of 1974, Congress has to approve any agreement. I am wondering how we can approve a multiplicity of piecemeal agreements without looking at the totality of the package. I do not see how I could approve item A when 24 or 25 other items were totally unknown. The committee or the Congress would not have any idea of what they would be.

Would you concur with that view?

Mr. WALKER. I understand that and I share that apprehension. On the other hand, I think there may be some subject matter that could lend themselves to agreement where there is a reasonable balance of concessions among the major trading partners within the confines of that specific item. It has been suggested—and I do not want to indicate by this comment that I associate myself with those suggestions—but it has been suggested that, for example, in the area of product standards, one of the nontariff barrier targets which the United States has, that if agreement can be reached on that subject that is suitable to us, it would involve a reasonable balance of concessions between ourselves and our trading partners, which could form a single package to be brought back to this country for consideration by the Congress, pursuant to the procedures of the Trade Reform Act, and that that could be reasonably fairly, separated out from an array of other items. I do not know whether that is in fact the case or not. But I make the observation as a hypothetical response to your question, sir.

Senator TALMADGE. You are aware, of course, of the fact that this whole international trade question is so vast and so complex that the most brilliant man in the world would have only a very slight understanding of the totality of it, are you not?

Mr. WALKER. I fully concur with that, Senator Talmadge. I must say to you that I think the—as I approach this issue, one of the factors that plays upon my mind is precisely the matter which you make reference to, and it reemphasizes in my mind the importance of the U.S. Office of the Special Trade Representative, not just me and not just Ambassador Dent, or Assistant Secretary Yeutter, but all of us—to reach out and to seek information from industry, from labor, from agriculture, from this committee, information from every source that we can find, so that we can make as informed judgments as possible, and come up with as well-informed ideas as we can.

Senator TALMADGE. That was exactly the point I wanted to make. During the Kennedy round, when I went over to Geneva, I found that our people there were without advice and without guidance from the best brains in the United States business, agriculture and labor. They were completely in the dark. The best brains in Germany and France and Japan, and all of the other major trading countries of the world, were on deck advising their negotiators from day to day. They had their own input there. And yet, when an American business or an

American labor leader wanted to find out what was going on in Geneva, he had to call one of his counterparts or one of his friends in England, Germany or France. He could find out what was going on, but not from our own representatives. You do not propose to conduct the negotiations in that manner, do you?

Mr. WALKER. I do not, Senator Talmadge. As I indicated in my opening statement, the Trade Reform Act requires us to do better this time, and the national interest requires us to do a better job of consultation this time. And that consultation, incidentally, should be a two-way street, and not just a one-way street.

Senator TALMADGE. Thank you, sir. My time has expired.

The CHAIRMAN. Senator Packwood?

Senator PACKWOOD. Mr. Walker, I have been most impressed in the last 2 days at the way you have answered questions in an area that is obviously not your background at the moment. You are very bright and you are very able, and I think the answer you just put to Senator Talmadge is the reason this committee ought to confirm you. Hopefully, you will have the best brains or experts—call them what you want—in industry and agriculture at your disposal. It is not your fault you cannot be an expert in every conceivable facet of trade negotiations for every industry and every agricultural segment that exists. Your job ought to be that of a manager, a negotiator, a generalist; and for that I would rather have somebody with your background than a career Foreign Service officer, or somebody that has made a career out of business in a particular facet. I think you are bringing to this job the kind of thing I like to see in Government, and that is somebody who is bright and a generalist.

We have appointed people to jobs requiring more expertise with less background than yours for this particular job, and nobody ever seemed to raise that issue. We confirmed Mrs. Hills as the Secretary of Housing and Urban Development when she admittedly, before the hearings of the Banking Committee, said that 10 days prior, when she learned about her appointment, she knew little or nothing about the administration of the Department of Housing and Urban Development; and the majority of the committee found that to be an asset, rather than appointing somebody who had been involved in any of the programs that had been failures. So I think what you have said has more than proved your ability for this job, and I would hope this committee, if they do confirm you, would not feel constrained to say that you do not have a mandate because you were confirmed by 9 to 8, or 10 to 7, or a 12 to 5 vote. I think this committee, we will be big enough to say: all right, we had a battle, we had a vote, he was confirmed, and we will give you the kind of support that you need, even though there may have been some people on this committee who initially opposed you.

I have no questions, Mr. Chairman.

Mr. WALKER. Thank you, Senator Packwood.

The CHAIRMAN. Senator Brock?

Senator BROCK. I would like first, Mr. Chairman, to echo at least in part the remarks of the Senator from Oregon. I think an awful lot of questions were raised, and rightly so, by a number of members of this committee and our colleagues elsewhere in the Congress about whether

or not your background is adequate to the job; and I, for myself at least, have been much impressed by the quality and thoughtfulness, and the cogency of your responses. I was almost tempted on one occasion when you were being questioned on some very specific areas of particular industries to facetiously suggest that we recall Secretary Dent, or Ambassador Dent, so that I could ask him if he sufficiently understood how to manufacture chocolate-covered cherries, to be very sure that he would protect us in that area. But that is not your job.

I was a little surprised—and I would like to ask you this question—I was a little surprised at the amount of questioning undertaken by the Senator from Connecticut, and I am sorry he has gone, this morning, relating to your role and the role of the Special Trade Representative relative to the Congress and the continuing contact and communication and coordination with the members of this committee and the Ways and Means Committee. I was surprised, because I thought more logically those questions should have been directed at Secretary Dent, No. 1, and Clayton Yeutter, No. 2. It is my understanding that the continued advice of the Senate will be sought and is the responsibility of Mr. Yeutter, and not the representative in Geneva. But perhaps you can correct that impression. Maybe it is your job to communicate to the Congress, as well as to handle the negotiations.

Mr. WALKER. Senator Brock, I think that the answer to both of those questions is "Yes." I think that Ambassador Dent and Assistant Secretary Yeutter, being located here in Washington, have as one of their principal roles maintaining close coordination and consultation with the Congress, as well as with the business community and the labor communities and the agricultural community, and that they will be here and have the principal responsibility for doing that. But, at the same time, I think that I have a responsibility to keep the committee informed as to the progress of the proceedings that are going forward in Geneva.

Senator BROCK. I completely concur. I just wanted to make the point that it is the principal responsibility of Ambassador Dent, and he will be held accountable if that responsibility is not met; and that responsibility, if Mr. Yeutter is confirmed, has been delegated prospectively to Mr. Yeutter, to work with this committee and the Ways and Means Committee, to keep us absolutely and clearly and continually informed as to the process of the negotiations and the questions raised.

Mr. WALKER. That is where the principal responsibility would lie. I might add beyond that, Senator Brock, that is my anticipation, and it certainly has been the history of negotiations, that I will be in Geneva, not operating in any way as a free agent, but rather would be operating on the basis of instructions as to the negotiating positions which the United States will be taking which I will be receiving from the Washington office of the Office of the Special Trade Representative.

Senator BROCK. Is it your intention, Mr. Walker, to go to Geneva and to start cutting deals unilaterally?

Mr. WALKER. No, it is not; absolutely not.

Senator BROCK. How long would you stay on the job if you did?

Mr. WALKER. I do not think I would take the job if that were my intention, Senator Brock.

Senator BROCK. I appreciate that. But that is the point, you see. We confirmed Ambassador Dent, and we have given to him the principal responsibility for determining the quality and the thrust and the type of our negotiations. You are, in effect, not only our agent but his, and in direct line with the Senate.

I might make one or two other points. Perhaps I am particularly sensitive when somebody raises the question of age, but I am delighted that you are under 40. I think it is great.

Mr. WALKER. So am I, Senator.

Senator HANSEN. Would the Senator yield? I think in time you will overcome that sensitivity, Senator Brock.

Mr. WALKER. I am afraid that is the case, Senator Hansen.

Senator BROCK. I think there is too much tendency in the world today to judge people by type rather than on their individual qualifications and merit. I might point out, too, in the area of experience that I think the most essential quality we can have in a negotiator is a broad perspective and a broad range of experience. One of the things that bothers me is the suggestion that a man should be highly experienced in a particular area; and that, to me, is by definition limiting of that individual.

It creates a preconditioning, a bias, toward agriculture or toward labor or toward industry. One of the things that intrigued me about your background was the breadth of it—the Office of Economic Opportunity, the Federal Energy Office, the Cost of Living Council. There is no segment of the economy with which you have not had contact and experience, and dealt directly, and I frankly think that is a rather sizeable asset.

Let me ask you a couple of specific questions. During the past several years, the United States has found it necessary—and this follows on the question, I think, the Senator from Connecticut asked—to impose export controls upon a number of commodities because of concerns over shortages and high prices. But this action severely disrupted relationships with our traditional partners, and has cast doubts on the reliability of the United States as a supplier. Is this not an issue which you would expect to come before the MFN talks—and I would like just your own thoughts as to how it could be dealt with. You gave us a very general response earlier. I wondered if you wanted to elaborate a little bit.

Mr. WALKER. Yes, I would be glad to. Senator Brock. I made reference in my earlier answer to the specific sorts of circumstances that arose in 1973, which were areas of, in my personal knowledge, soybeans and steel scrap and subsequently with respect to the grain shipments last year. It seems to me likely that both as to those commodities which we export and to those commodities which we import, we can look for, in the years ahead, conditions to arise in the world economy where there will not be enough to go around, where there will not be sufficient surplus, sufficient at least, to give us the degree of cushion which we would like to have, and which then produces instability and crisis. There has been some discussion—Senator Ribicoff made reference to some of that discussion—that it would be appropriate for the United States to enter into commodity arrangements to try and stabilize prices, to try and stabilize supply. I would have to say to you,

Senator Brock, that I approach that notion with some degree of skepticism. I do not want to—I have no doubt it may conceivably be appropriate in some product or some circumstances to enter into a commodity arrangement. But the history of the United States of trying to control prices, trying to control supply, trying to tinker with demand in this country, which is a good deal more manageable an environment than the global trade in a particular commodity, has not been very good; and as a consequence, it seems to me that we should be very cautious in seeking to interpose a mechanism to try to accomplish that kind of objective. It rarely works when prices go up, it rarely works when prices go down. It works, really, only at the point in time when supply and demand are in equilibrium, and when the target prices and the targets of supplies coincide with what in fact has occurred in the marketplace without regard to the commodity arrangement.

Senator BROCK. I have some other questions, Mr. Chairman. I would just like to respond to that with one statement. I am delighted with your response, because I frankly was much disappointed with the action of the administration when it imposed export embargo. I felt like it was a counterproductive action. It did great violence to my farm community, and I imagined some other Senators have some similar problems in their States; and it had a major disruptive effect in the international marketplace. Now, I am terribly concerned about the suggestions from some people in the State Department that it is in our interest to put the minimum price on commodities around the world. I think that would be horribly damaging to the interests of the American consumers and American farmers, and I hope that we can seek a better path.

Mr. WALKER. Thank you, Senator Brock.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. I think Senator Dole is ahead of me, Mr. Chairman.

The CHAIRMAN. Senator Dole?

Senator DOLE. My remarks will not take the 8 minutes, Mr. Chairman. I share the views expressed by Senators Packwood and Brock. Mr. Walker has strengthened his position. The hearings have been helpful to us as members of this committee, and I do not have any fear about what might happen if the confirmation goes through the Senate and if the rapport with this committee were close. Sometimes because of adversity and struggle you might be a better negotiator for it. It probably is rather nip and tuck right now. I never have counted. It appears that everyone on this committee has an open mind, and certainly you have done an excellent job in responding to questions.

Senator Ribicoff put his finger on it in praising Bill Eberle, who was respected by everyone on this committee. But he was not a negotiator. He had never engaged in international trade negotiations, but came to that office from business, I think through the State legislature in Utah, from sort of a varied background. But the result was that he was very effective. He had the respect of every member of this committee. We were sorry to see him leave. I am not certain why, but it was the indication of Senator Ribicoff. But to me that indicates you can learn if you have the ability and the competence and the resourcefulness, and certainly you have demonstrated that from the positions of responsibility you have had in the past few years.

So, it seems to me that unless we are just hung up on the fact that you are not an experienced trade negotiator, we ought to look at it openly. Look at your responses to the questions that have been propounded, some very difficult, some very pointed, some that we could not answer ourselves, and we are not required to do that. We are just required to ask the questions—we are not even required to do that; the staff will prepare those for us. So we have a great advantage over the witness, and I am very concerned about and interested in agriculture. I see others here like Senator Talmadge and Senators Nelson and Mondale—everyone on this committee in fact—and we were very impressed with Mr. Yeutter, but he has no experience as a trade negotiator. But he has great experience in that one field. So we can look at that and say, that is a plus; and it is.

So, I think what I am suggesting is that you have done a service for us in resolving what may be a rather controversial nomination, but perhaps for the wrong reason. We can lay to rest the fact that you have said very candidly in your statement you are not an experienced negotiator. I pointed out what happened in the Kennedy round when we had experienced negotiators. It was a disaster, and they had a laundry list of qualifications. I do not know how long the hearings lasted; you could probably go back and check the record. Maybe they waltzed into this committee and were rubber-stamped and waltzed out, but that had not been the case for Bill Walker. He has had some very intense questioning, and has responded very well.

I would also indicate—and I think the record has been clear—it has never really been my feeling that the U.S. Chamber of Commerce endorsement amounted to much, anyway, in politics. I have always said, do not endorse me; I have got a tough race. But there was some indications they may have opposed your nomination, and I hope that has been resolved. I think there has been a letter made available for the record, and I have seen a letter that the President has written to Mr. Booth, president of the chamber of commerce, in which the President underscores again that you possess a keen mind and firmness in defending the interest of the United States; and he also points out that some of the earlier professional negotiators have not been as vigilant as they might have been. And that is the point I want to stress in my time.

I would hope that the committee, in its wisdom, will be nearly unanimous in their support. But if not, I do not believe that is a factor.

Just one question. We are now having public hearings being conducted by both the U.S. International Trade Commission and by the Office of the Special Trade Representatives seeking views from the public on what our trade negotiating position ought to be. Now, it occurs to me that this is a duplication. Why do we have both? Maybe it is necessary that we have both. Maybe we have different input when you talk to the STR than when you talk to the members of the ITC. Do you have any comments on that or not, or have any feelings on that or not?

Mr. WALKER. Yes, Senator. The reason both are going forward simultaneously, of course, first is that that is a requirement of statute. But aside from that, this is the same sort of process that was undertaken during the Kennedy round. In fact, the first job that I was given my law firm after I got my law license 12 years ago was to pre-

pare a series of briefs and arguments on behalf of eight or ten trade association clients of the firm before the Trade Information Committee and the Tariff Commission at that time, in preparation for the Kennedy round. The same sort of approach takes place here. The difference in emphasis between the two—and there is some overlap, certainly; and that overlap is, it seems to me, helpful and not hurtful—the difference in emphasis is that the U.S. International Trade Commission is seeking information as to what sort of protection U.S. industry should look for in these upcoming negotiations. To what extent should we limit our concessions? To what extent would concessions we might make injure U.S. industry, U.S. labor, U.S. agriculture?

On the other hand, the focus of the Special Trade Representative's office, in its hearings, has to do with what sort of concession we should affirmatively seek from our trading partners abroad. That is the basic distinction, and the overlap, it seems to me, is not all unappropriate.

Senator DOLE. Finally, because Mr. Yeutter, of course, is recognized as an expert in the field of agriculture, and I would just quickly underscore the importance of agriculture again, not because some of us represent rural areas, but we believe that unless it is a package operation, there is not much to trade off any more in agriculture. We did most of that before. We have done most of that in the past, and we do not want to sacrifice any more in that field. I would hope, notwithstanding again, your lack of experience in agriculture, that you understand and that there is that interest.

Senator Talmadge pointed out yesterday, when you look at our exports, over \$21 billion, and imports of about \$10 billion—the reason we have the favorable balance of payments at any time is because of our agricultural exports. It is just important to the entire economy, not selfishly to our States and farmers. I would hope you would understand that.

Mr. WALKER. Yes, sir.

Senator DOLE. We do not want to trade off. There is nothing to trade off any more. The farmers are down to nil—5 percent, and we just do not have anything left to trade. We want to get something back, not at the expense of the industrial sector, but through hard, tough, firm bargaining, and that is what I think you can do.

Mr. WALKER. Thank you, Senator Dole.

The CHAIRMAN. Senator Hansen.

Senator HANSEN. Thank you, Mr. Chairman.

Yesterday, Mr. Walker, I asked you twice if you felt that the American manufacturer or agriculturalist was at a disadvantage compared to his European and Asian counterpart.

Before I repeat that question, because I did not think either of your answers were responsive, I would make this observation. Earlier before this committee, 2 or 3 years ago, when we were investigating the activities of multinational corporations, we had a number of witnesses testifying how they had taken some of their operations, lock, stock, and barrel from the United States. If they were in textiles, they had gone to Taiwan or Korea. They used to go to Japan, but the cost of labor over there has risen steadily. We find now the Japanese are taking some of that manufacturing capability which is labor-intensive into areas where labor can be acquired more cheaply.

I think of autos and the ability of the Japanese manufacturers to increasingly compete successfully with American manufacturers. I mentioned yesterday how some facets of agriculture had moved from this country, particularly from the Southwest, into Mexico, to take advantage of the far less expensive Mexican labor.

So, I repeat my question. Do you believe that the American manufacturer or American farmer is at a disadvantage, compared with his European, Asian, and Central American counterparts?

Mr. WALKER. I think there is no question, Senator Hansen, but that there are occasions, there are sectors of the economy where that is true. Take, for example, the case which you pose of the automobile manufacturer who, in this country, is obligated by law to include certain safety devices, antipollution devices, and in this manufacturing process has a variety of environmental, health, and safety obligations to meet, which foreign producers do not match.

There is an advantage that accrues to foreign producers that do not have the same sorts of obligations imposed upon them in other areas. They have to put seat belts in, but they do not have to put various other things in.

Senator HANSEN. If I could interrupt you, Mr. Walker, you are misunderstanding me. I am not talking about the attachments and the compliance standards and the emission control standards that apply uniformly, whether the car is made in Detroit or in Tokyo. I am talking about the job of manufacturing cars and the smoke and the pollution that can be tolerated, or is tolerated according to Japanese law in Tokyo, as contrasted with that in Detroit. That is my question.

Mr. WALKER. Of course, and I understand that. But, also on the seat belts, on the attachments, Senator, a company that does not have to make seat belts for all of their cars, but only for those cars that they ship to the United States can amortize the expenses of those pieces of equipment over the entire line of his cars, those that he sells in Japan, Taiwan, or elsewhere, to make up for those that he has to sell in the United States. There is that sort of advantage as well. But clearly there are advantages which producers in foreign lands that do not meet the health and the safety and the environmental conditions that the United States seeks to impose for our society—would show up in world trade. There is no question about that. I agree with that.

Senator HANSEN. My second question is, and this just deals with philosophy—it is not your specific responsibility to address the issue—but, what is your position on the wisdom of extraneous requirements that have been placed upon our trading with other nations around the world?

In order not to be misunderstood, I ask precisely and specifically about the so-called Jackson amendment on most-favored-nation treatment.

Mr. WALKER. The purpose of the GATT, in the multilateral negotiations that are being conducted under the auspices of the GATT, are to bring about a fair form of trade among civilized nations, that is trade on a fair basis, where companies can compete by virtue of their comparative efficiency and their comparative quality, and not on the basis of Government intervention, Government support, or Government constraints of one kind or another—sort of a basic, fundamental, bottom line principle for the mechanism with which we are dealing.

This committee has indicated, and the Congress has indicated through the establishment of an independent office of the Special Trade Representative in the Executive Office of the President, that is independent of other agencies within the Government, its determination that the foreign economic policy of the United States ought to be constructed on a basis of economic considerations. We should look at what we stand to gain and what we stand to lose in an economic sense. I therefore have to say that it is anomalous to put that principle side by side with the principle of the Jackson-Vanik amendment, which inevitably does bring a series of foreign policy considerations into play.

Senator HANSEN. My time is up, Mr. Chairman.

Senator TALMADGE [presiding]. Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

Mr. Walker, I looked over your biography. It is impressive. I note that 12 years ago you graduated from a very excellent law school, the University of Virginia. During the next 12 years, you practiced law for 6 years in Chicago, and then for the next 6 years you had seven different jobs in five different areas.

My first question is why did you leave the practice of law? What motivated you to leave law?

Mr. WALKER. I suppose it is a matter of personal inclination. I guess I was not stimulated, Senator Byrd, by some of the more mundane aspects of the practice of law. I have always been interested in public affairs. I am interested in politics, in the generic sense, and there was an opportunity, I thought, to come to Washington and try and assist, and I wanted to do it. So, I packed up my law books and came to Washington almost 6 years ago.

Senator BYRD. Then, after you came to Washington, I note that you spent a little over a year—about a year and a half—in the Office of Economic Opportunity, during which you held three different positions. Then you were in the area of consumer affairs for a little over a year, then the Cost of Living Council for a little over a year, the Federal Energy Office for about 7 months, and in the Presidential personnel office for about 7 months.

Your changes of position have been quite frequent. I wonder what you have in mind with regard to the new position.

Mr. WALKER. I am signing on for the duration, Senator Byrd. Despite the changes to which you make reference, which are apparent on the face of my résumé, there were a number of themes which flowed through and were essentially a continuum. Beginning in 1971, when I was Deputy Director of the Office of Consumer Affairs, Mrs. Knauer, who is the Director of that Office, was a member of the Cost of Living Council. I, as her Deputy, attended meetings in her absence and was her principal staff support in her Cost of Living Council role. In fact, I attended that first meeting at the Cost of Living Council on August 16, 1971, the day after the President's announcement, when no one really quite knew what wage and price controls were, and I participated actively in those activities.

Beginning at that time through the end of 1973, early 1974, when I went to the Energy Office, even there that was a continuum in the sense that the petroleum price control regulations which we were

administering in FEO had been developed under my—I had had the responsibility for developing them at the Cost of Living Council. So, that was a continuum as well. Allocation was new.

Senator BYRD. Of course, the Presidential personnel office was new.

Mr. WALKER. That was entirely new, Senator Byrd.

Senator BYRD. Now, as you know, the trade bill, passed by the Congress last year, put certain restrictions on the granting of most favored nation treatment to the Soviet Union. Do you favor or oppose that aspect of the trade bill?

Mr. WALKER. I am fully in support of the provisions in the Trade Reform Act, Senator.

Senator BYRD. Then you support the Jackson amendment?

Mr. WALKER. So long as the Jackson amendment is a matter of law, Senator Byrd, it would be my obligation, if confirmed for this position, to enforce it.

Senator BYRD. Do you favor it or oppose it?

Mr. WALKER. Well, I indicated a moment ago that it seems to me there is some anomaly in the efforts on the one hand to insure that the foreign economic policy of the United States—really the international trading policy of the United States—is conducted with a view to what the economic consequences are on the one hand, and on the other hand imposing through the trade bill a series of views as to certain foreign policy objectives that we should obtain. I think if I had my druthers, I would stick with the first principle more than with the second.

Senator BYRD. The Soviet Union, of course, is seeking something from the United States, namely most-favored-nation treatment in regard to tariffs.

Mr. WALKER. Yes, sir.

Senator BYRD. And long-term credits through the Export-Import Bank.

Mr. WALKER. Yes, sir.

Senator BYRD. Now, if the Soviet Union is seeking something from the United States, in your judgment does the United States have the right to say, now in return for that, we ask so and so?

Mr. WALKER. Of course. There is no question about that. The area where there is an opportunity for difference of views as to whether or not the concessions we should seek from the Soviets or from any other nation that seeks concessions from us ought to be in the area where we are talking here, of foreign trade—or whether it ought to be in some political, military, or other foreign policy area.

Senator BYRD. The trade bill also contains a ceiling on the amount of new loans that the Export-Import Bank might make to the Soviet Union. The ceiling is \$300 million, and that comes on top of the \$469 million which the Export-Import Bank already has made to the Soviet Union.

Do you favor a ceiling on loans to Russia?

Mr. WALKER. I find that a difficult question to answer, Senator Byrd. The Soviet Union is becoming an increasingly important factor in international trade, and other countries around the world, the European Community principally among them, have expanded trade substantially with the Soviets, and thereby advantaged themselves to the

extent that they have profited and created jobs and sold products overseas to the Russians.

On the other hand, it seems to me there are very important national security considerations that should tend to edge the United States in the direction of being cautious toward extending MFN toward the Soviet Union. The United States has, or did negotiate a trade agreement with the Soviets in 1972. As a result of a series of events which you are more familiar with than I, that agreement is, I gather, not now going to go into effect. But it seems to me there are some advantages that can accrue to the United States from some trading arrangements with the Soviets; but I would have to balance that against the caution that I see about proceeding in that area.

Senator BYRD. Well, I favor trade with the Soviet Union, except for strategic materials. But it occurs to me that the Soviet Union is in a position to pay for what she buys from us and does not need to obtain huge, long term, low interest rate, taxpayer subsidized loans.

Could you comment briefly on that?

Mr. WALKER. I understand that. There is obviously some anomaly in low interest loans to the Soviets, but at the same time, to the extent that we can thereby stimulate our trade with the Soviets and create jobs and create profits and create economic growth in the United States by use of that technique, it may well be that on balance it is a fair trade-off for us.

Senator BYRD. If I could just ask one final question, Mr. Chairman!

The CHAIRMAN [presiding]. Please go ahead.

Senator BYRD. Do I take it that you do not feel that there should be a ceiling?

Mr. WALKER. If I might, Senator, I do not feel sufficiently comfortable with this subject at this point in time to be able to give you a firm, candid answer one way or another.

Senator BYRD. That is satisfactory.

Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Nelson?

Senator NELSON. I do not have any questions, Mr. Chairman.

The CHAIRMAN. Senator, you are the most considerate of anybody on this committee, to let everybody else hold forth and make their speech and not make a speech yourself. I do not know of anything else that will raise a man's popularity more than listening to other people's speeches and not making a speech himself.

Senator NELSON. I appreciate that, Mr. Chairman.

I figured that was probably the best contribution I was capable of making.

The CHAIRMAN. I am not going to be all that popular. I am going to get my two cents' worth since I was the first in the room and I waited until everybody had his set of questions. I am going to get a few in here.

Mr. Walker, looking back on it, as one who has been on this committee for 20 years, I really feel that looking at what we had to work with in America in trade policy, it is a disgrace that we have done so poorly. I am not criticizing you. You had nothing to do with any of this. As far as you are concerned, I think you could say what I said

about some other problems. I did not make this world. I was born here. That is how I found it, and I will do what I can.

Now, here we have had a surplus of resources; we have had an enormous surplus of capital, more capital than any nation on earth to work with; a highly skilled labor force—at least when I came on this committee we had the most highly skilled labor force in the world. With all that to work with, more wealth than anybody else, here we find ourselves falling behind with these huge and recurrent balance-of-payments deficits. We were in a position to produce practically anything that we wanted, and to export practically anything we wanted to, to produce anything in surplus with the exception of one or two things that do not make much difference—maybe coffee or bananas. And in fact, if we had to, we could even produce those products and export them. So, just looking at what we had to work with, and to see us running big deficits in our balance of payments year after year, and then to see where the situation was so bad that this Government had to keep fraudulent books to try to make it look like we were making money with our balance of trade when we were losing it hand over fist, leaving the freight off the imports when everybody knows that what you pay for something includes what it cost to bring it over here; and then proceeding to pump up the books by the giveaways, put that down as though you were being paid for it and all of that. To see all of that pitiful performance is a disgrace, and it is something that you did not do. I just hope that if you are representing this country, that you are going to be able to help turn some of that around and make some sense out of it.

Now, something has been said about some of these people who were confirmed in the past, that had credentials as negotiators and were doing a lousy job. I could not agree more. Just because this Nation has done a lousy job in the past does not mean it has to be that way forever.

Mr. WALKER. I agree with that, Senator.

The CHAIRMAN. It seems to me that at some point we ought to start doing something right for a change.

Now, we had representatives, back under a previous administration, who were negotiating over there in Geneva to give away this Nation's right to defend itself against dumping, trying to repeal an Act of Congress by an executive agreement. We sent people over there, Senator Talmadge and others, and they came back and said those people are trying to do that. They do not have the right; they do not have the power; if they do that, we ought to turn them down. So, we prepared a resolution and put it as an amendment on an act, so that President would have to sign it into law. So he knew. That way he would have to get the message when he signed it. If he tried to do that, he could expect us to rise up and strike him down.

Notwithstanding that, they did it anyway, and we had to find some bill that was one of the President's pet administration proposals and put an amendment on that bill to make him sign it, to strike down an executive agreement that never should have been signed to begin with, an act of usurpation of the Executive directed this way. I just hope that one of these days we can start doing some things wisely.

Now, for one thing, would you agree with me that we have no basis, no right, if we are respecting the rights of the American people, to

go to some international conference and let a bunch of small countries—a majority of which put together do not have the population or half of the production that we have—proceed to vote us down and subject us to some kind of a rule of a majority-vote-type situation when we are not required to do business that way. All we have to do is just say, “No, we are not going to go along with that”—such as in the case of the majority vote rule in the General Agreement on Tariffs and Trade, which makes us do something we do not think is right or we should not have to do.

Do you agree with that?

Mr. WALKER. Yes, I understand that, Senator Long, and I made reference to it a moment ago. I share your views, and there are several items that are in the trade bill, it seems to me, which arm the negotiators on this occasion far better than they have been armed in the past, to deal with the problems to which you make reference.

Specifically, the provisions in the statute having to do with reciprocal nondiscrimination and the obligation on the part of the Government, within 5 years or at the close of these negotiations, to determine whether or not we have received a reasonably equivalent or “substantially equivalent,” I guess, is the word in the statute, balance of concessions from other developed countries.

The GATT mechanism is designed—one of its principal objectives is to foster trade on a most-favored-nation basis. Yet more than half of the world’s trade is now in channels of “preferential arrangements” which discriminate against the United States.

It seems to me that we have to address that issue, confront it directly and forthrightly. The statute arms us to do just that.

In addition to which you made reference to several other areas where there might be appropriate amendments to the GATT brought about through these MTN talks. Again, it is my understanding, through the statute, that to the extent that these amendments require a change in the practices of the United States, the laws or the administrative practices of the United States, those agreements must come back to the Congress—to this committee, to the Committee on Ways and Means in the House—for submission to the full Congress, and for your approval.

I think that is entirely appropriate.

The CHAIRMAN. Now one other thing I think we ought to do is to get straight what these rules are that we are really operating by. It took me a long time around here to understand that one reason we were in such bad shape is that, if you could compare our trading situation to the prizefight profession, we were, in effect, competing by the Marquis of Queensbury Rules, while the other fellow was competing by the London Prize Ring Rules, where they could hit you behind the head or kick you below the belt or gouge your eyeball, bite your ear off, do just about anything they wanted to, while we were trying to work on the theory that you have 12-ounce gloves and you only hit a man under certain circumstances—do not kick him when he is down, go to a neutral corner, and all of that.

[8-minute bell rings.]

The CHAIRMAN. It is very appropriate that the bell should ring right now.

Senator NELSON. I yield to the Senator my time.

The CHAIRMAN. I just wanted to finish the statement, and then I want you to comment on it and give me your thought on it.

Now what these trade rules, under the GATT, have meant as I understand it is that those countries are going to abide by those rules when it serves their purpose. And, when it does not, they are not going to abide by them.

For example, when they started that chicken war with us, discriminating against our chicken exports which we could produce and send to them far more cheaply than their producers, it took us about a year to tell them, "If you keep breaking the rules we are going to have to react."

I think they thought we were fools that we did not act the first day, just like the President acted last night with regard to seizing that ship, rather than just sitting around for a year and saying, "Well, now, if you do not stop doing that after awhile we are going to have to act."

I think they thought that we were idiots—just a bunch of incompetent fools, that we did not proceed the next day, to say "Now here you are doing this to us—Boom—we are going to react to you."

But, furthermore, not only should we react more promptly when they do that, we ought to recognize that we have the same right to break that rule that they do, and say "Well, I am sorry, but it no longer serves our purpose."

And, if they retaliate, we will understand—yes, we understand that you are going to retaliate. At that price, it is worth it. We did that type of thing with the Canadian Auto Agreement. It took me a long time to find out—I guess 10 years—I hope it does not take you that long to learn that those rules were made to be broken, and the other fellow fully intended to break those rules when it served his purpose.

And we should not hesitate to do the same thing when it serves our national interest.

Mr. WALKER. Senator Long, again I think the statute arms us in a superior way to deal with the sense of frustration which you feel, and which I understand and share. Section 301 of the statute grants the President broad authority to take retaliatory action for unfair and unjustified trade actions by our negotiating partners, and trading allies.

The Senate report makes it plain, in explicit terms, that this is not to be a "dead letter" authority. I agree with that. It seems to me that if we are going to go into a negotiation, we ought to go into a negotiation seriously and prepared to win it; prepared to advantage the United States and not to disadvantage the United States.

We must look at the bottom line on it, and that means that you use the tools that are available at your command. In addition, the amendments to section 337 of the Tariff Act of 1930 have shifted around the responsibilities substantially, and modified the remedies which can be imposed, by giving the U.S. International Trade Commission, indeed, responsibilities for dealing with certain of the unjustified and unfair competitive practices imposed upon us by our trading partners.

It seems to me that that is a step in the right direction, as well.

The CHAIRMAN. Senator Fannin has not had his turn.

Senator FANNIN. Thank you, Mr. Chairman.

Mr. Chairman, what has happened this morning has rather surprised me, I have never believed a person's experience, knowledge, and expertise were barriers to his doing a good job. Maybe I am wrong, but it seems to me our obligation is to determine if Mr. Walker is the best person available for this position, and that is the approach that I have taken as far as this confirmation is concerned.

Mr. Walker, I know that yesterday I asked you what criteria you utilized in your recommendation to the President for nomination to the positions of Deputy Trade Representatives, and you told me you did not have any criteria.

Do you not have criteria for job qualifications?

Mr. WALKER. If I may correct any misunderstanding, Senator Fannin, I did not make a recommendation to the President with respect to the position for which I am nominated.

The President asked me to serve. I did not recommend that and I made no recommendation of any candidate for that position.

Senator FANNIN. Mr. Walker, if you recall the conversation in our office, you said you looked over Mr. Yeutter's qualifications and résumé and you did recommend him.

Mr. WALKER. Yes, sir, I was about to say I did not—and as I did say, I did not recommend myself for this position. I recommended to the President—I did not “recommend” to the President, I “told” the President—that based upon a meeting that Secretary Dent and I had had, that the man who appeared to be best qualified for one of the positions of Deputy Special Trade Representative was Mr. Yeutter and that we did not, at that time, have a recommendation for the second individual. And it was at that point in time that he asked me to accept the nomination to fill the position to which I am now nominated.

Senator FANNIN. You made this statement, although you had a great number of recommendations from different individuals, as far as this position is concerned?

Mr. WALKER. That is correct, Senator.

Senator FANNIN. Now Senator Ribicoff did cover this quite thoroughly, but I would just like to go into it because I think it is very important when talking about qualifications.

He referred to what was stated by the U.S. Chamber of Commerce: “Each trade negotiator should . . .”—they are speaking of the Deputy Special Trade Representative, and Senator Ribicoff quoted, “. . . possess wide experience and knowledge in the area of international economic policy.”

I think we have established that you admit you do not have that particular qualification.

Mr. WALKER. Excuse me, could you read that again, Senator? I did not—

Senator FANNIN. “Possess wide experience and knowledge in the area of international economic policy.” I do not think you maintain that you have had wide experience and that you have knowledge in that area.

Mr. WALKER. I would submit, Senator Fannin, that I believe I do have a very substantial degree of experience in international economic policy by virtue of the responsibilities which I discharged both at the Cost of Living Council, and FEA.

Senator FANNIN. Would you just give me some further thought in that regard? Just what experience have you had that would allow you to claim an affirmative answer to that question.

Mr. WALKER. Yes, sir. The inflation which the United States was experiencing in 1973—1972, really, toward late 1972, 1973, and 1974 was inflation that has been called a commodity inflation.

It was inflation that was brought about not by wage and price spiral, not by a cost push, but rather on the basis of a dramatic escalation in the world prices of most commodities that are traded on world markets.

Consequently, both in designing the structure for phase III and for phase IV, and in the decontrol effort for phase IV in the fall of 1973, our efforts were directed to a very substantial degree in analyzing the international economic situation, in a broad array of commodities, with a view to identifying where the supplies were, what the demands would be, what the flows were, so that we could, to the maximum extent possible, have some handle on what the price prospects were in those commodities.

Senator FANNIN. Well, now, wide experience, I think is vastly different than what you are explaining. But maybe that is a difference of opinion.

But we go to the second criteria referred to the U.S. Chamber of Commerce, "possesses significant background in the sophisticated art of negotiating with foreign governments on economic issues."

Mr. WALKER. Yes; I have not negotiated with foreign governments on economic issues, Senator Fannin. I have engaged in a rather substantial number of negotiations, though.

Senator FANNIN. "Be credible, internationally known and respected abroad."

Mr. WALKER. I think, Senator Fannin, that without doubt if I am confirmed by the Senate for this position, I will be credible to our international counterparts abroad.

Senator FANNIN. "Be credible domestically, known and respected by elements of the private sector most directly concerned and affected by the negotiations"—that was the fourth.

Mr. WALKER. I feel I meet those qualifications, Senator.

Senator FANNIN. Well I just wanted to bring out—this is something that is very important to me. And, as I say, Mr. Walker, I have nothing against you personally but I just do not feel that you have the qualifications for this particular position.

Mr. CHAIRMAN, I yield back the balance of my time.

Mr. WALKER. Senator Fannin, may I just expand upon one of my other answers, to be sure that I did not leave a misunderstanding in your mind?

Senator FANNIN. Certainly, go ahead.

Mr. WALKER. In connection with the President's selection of me to be nominated for the position which you are now considering me for, I indicated that the process that Secretary Dent—then-Secretary Dent—and I had gone through was a very preliminary process of reviewing only those letters that had been sent to us from people here on the Hill, and in the private sector, as suggested nominees to the position.

And, that the way in which the Secretary and I left it after our meeting was that we would return to the subject after he was confirmed, and identify precisely (a) the sorts of characteristics we thought ought to be recommended to the President for the individual to fill the position for which I am nominated; and (b) to identify those individuals who we felt met those qualifications.

In fact what happened was that the President asked me about the status of the subject before we had gotten back together again, and hence his selection of me was made at a point in time when our deliberations had not gone the full route, as they otherwise would have gone.

I did not want to leave a misapprehension in your mind, sir.

Senator FANNIN. Thank you.

The CHAIRMAN. Senator Packwood?

Senator PACKWOOD. I have no more questions.

The CHAIRMAN. Senator Nelson?

Senator NELSON. I have no questions.

The CHAIRMAN. Let me just make one point that a friend of yours made on your behalf, yesterday evening, Mr. Walker. He offered to come testify for you and I think you probably very well know you have a few friends here and there who are aware of the fact that the hearing is being held, and they wish you well.

It was your namesake, Charles Walker—there is no relation, as I understand?

Mr. WALKER. No; there is no relation, but I do know him. I have known him for several years.

The CHAIRMAN. Well, he said that much of what has been worrying this committee would be taken care of if the negotiator, would, rather than make a commitment with the other negotiators, would do what he has done many times in this room, representing the administration and that is to go back and talk to his principals before he made a commitment.

Now we are not the Committee on Agriculture here, but we do have some topnotch horse traders on this committee, I think, and I am sure the Ways and Means Committee have some people—in fact, I know they do—who are pretty good at that sort of thing themselves.

And, as these discussions go along, if the proposed deals that are being suggested are brought back here and discussed with the people who passed the Trade Act, I believe that we will do fairly well. Because I am convinced that where we really get the worst of it so many times is when someone is proposing a trade which is not a good deal, but the fact is that that fellow is over there visiting around Geneva or Paris or somewhere where they take time off for lunch, and they sit around and sip that wine and then socialize and go back in later on and get charmed by those people over there.

And the first thing you know, he has given away half of what we have, and not gotten a blessed thing for it. So it is better that the fellow come back to a bunch of people who have to report to the American people, and who, from time to time, have to be reelected. If he does not get anything for what he has given, he will be told in a hurry back on this end that those people traded you a biscuit for a barrel of flour.

If you cannot make any better deal than that, you had better come home and let somebody else go over there and negotiate.

So you have indicated, and I hope that if confirmed you undertake to keep that commitment, that you will come back and tell this committee and the Ways and Means Committee how these negotiations are going, what your hopes are, now this thing might work out, what the options are, and that you will let us contribute some of our thoughts.

If that procedure is followed, we are going to do a lot better than has been done before. There was a meeting held in the OECD in Paris some years ago, and Senator Ribicoff suggested that several of us go over there. We rather shocked all those Europeans. They wanted to know what were those five American Senators doing over there. Because by the time they got through, they saw that that was a part of the Congress insisting that if the executive branch was not going to be tough about getting an adequate quid pro quo, that the Congress was.

It really helped our negotiators, I think. I think it strengthened their hand. Would you like to say something further, Senator Brock?

Senator BROCK. No; I think we have about taken enough time, Mr. Chairman. I might ask permission to submit a couple more questions for the record, if that is OK with you?

The CHAIRMAN. Well, anybody can submit additional questions, and I would hope that you would respond to them in writing when they are submitted. We might want to interrogate the witness further. I do not anticipate that we will, but I would hope that you would be on call, Mr. Walker, if we wanted to talk to you about anything further on this matter.

Mr. WALKER. Of course, Senator.

The CHAIRMAN. I think you have responded very forthrightly and without reservations to the questions that have been asked of you. We appreciate your appearance here.

Well that, so far as I am concerned, concludes these hearings. I will call an executive session after we have had a chance to think about these nominations.

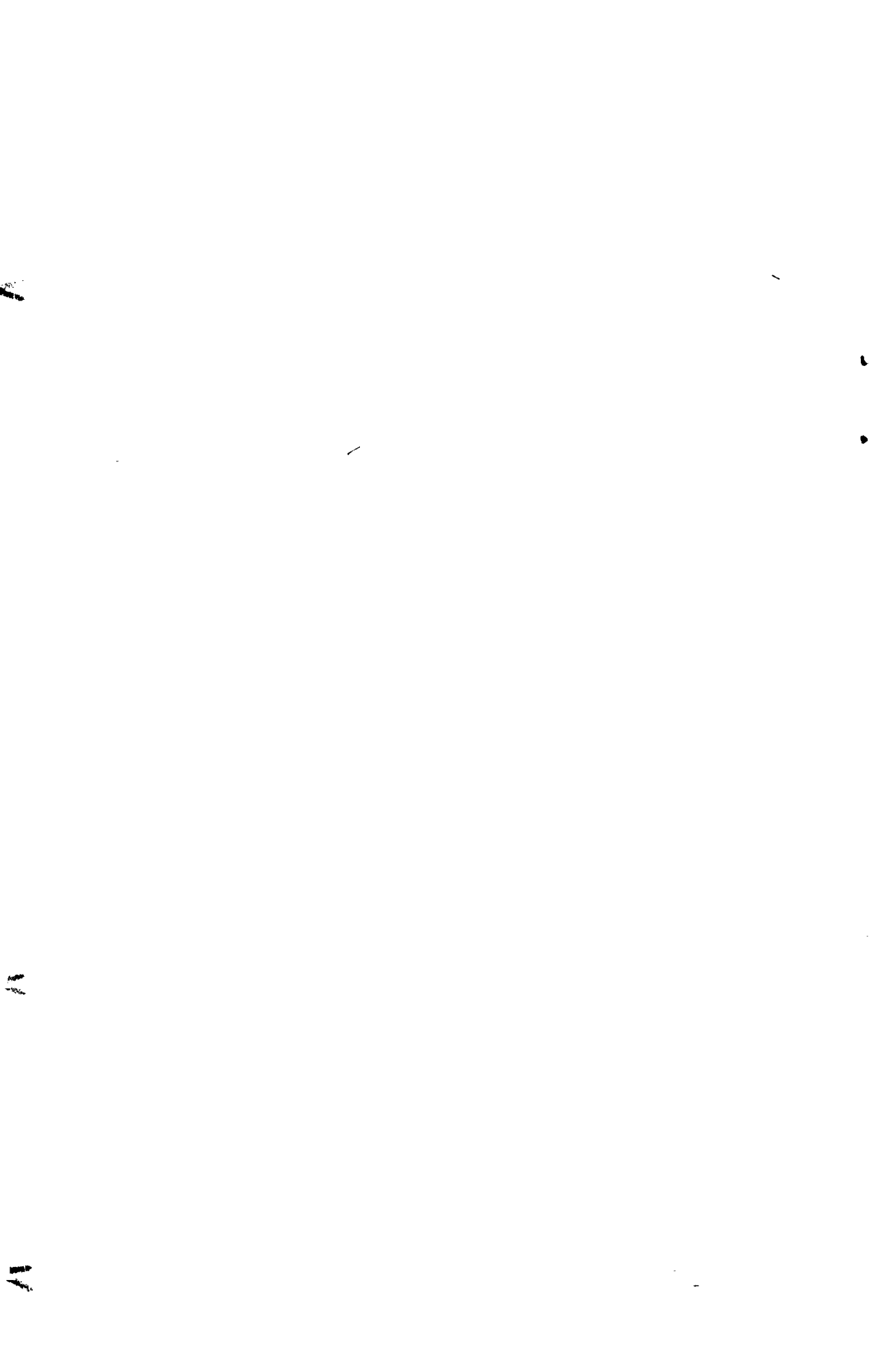
Thank you very much.

Mr. WALKER. Thank you, Mr. Chairman.

[Whereupon, at 11:02 a.m., the committee adjourned, subject to the call of the Chair.]

APPENDIX

Questions of Senator Long and Senator Proxmire Propounded to
Mr. Holmquist



Mr. STERN. At the direction of the chairman of the committee, the hearing of Mr. Holmquist will be continued. First I will ask the questions that have been submitted by Senator Proxmire, and then the questions that the chairman of the committee asked be put to Mr. Holmquist.

QUESTIONS OF SENATOR PROXMIRE

Mr. STERN. Senator Proxmire would like to know if you agree that the Board must have access to all contractor financial data and records needed to evaluate reported profit figures and their reasonableness and will you take whatever steps are needed to insure that the Board's work is not impeded by the lack of necessary information?

Mr. HOLMQUIST. Yes. Obviously, in order to properly evaluate each case before the Board, access must be available to whatever financial data and records are required by the Board for such analysis. Moreover, as I understand it, the Renegotiation Act permits the Board to obtain such information.

Mr. STERN. The Senator would like you to identify any pensions, stockholdings, or other financial arrangements or interests you have in any contractor covered by renegotiation. What are your plans for precluding any financial conflict of interest?

Mr. HOLMQUIST. I have submitted a copy of my personal financial statement to the Finance Committee and it has been reviewed by the Senate Finance Committee staff. A blind trust agreement has been prepared and submitted to the Senate Finance Committee staff and I understand that it is completely acceptable.

Mr. STERN. Do you now own stock in the General Electric Co. and, if so, how much? What do you plan to do with this stock, if you are confirmed?

Mr. HOLMQUIST. I own 400 shares of General Electric Co. stock which has been included in a blind trust which has been reviewed by the Senate Finance Committee staff. Since I also have vested rights in a pension fund with the General Electric Co., I believe it would be proper for me to excuse myself from any Board actions involving this company, and I plan to do so if my nomination is confirmed.

Mr. STERN. One well-known criticism of the renegotiation process is that large conglomerates can conceal excessive profits on one line of work by averaging them over other product lines. This puts the smaller firms at a substantial disadvantage. The record of the Renegotiation Board in past years substantiates the fact that excessive profits are more often recovered from small contractors than from large ones. Do you endorse the principle that large conglomerates should not receive favored treatment over smaller firms in dealing with the Renegotiation Board? What do you intend to do to see that excessive profits on one line of work do not escape renegotiation through the averaging process?

Mr. HOLMQUIST. I endorse the principle that large conglomerates should not receive favored treatment over smaller firms in dealing with the Renegotiation Board. In order to see that high profits on one line of work do not escape renegotiation through averaging; my efforts will be directed toward insuring that the profits of each appropriate segment of a contractor's business is given careful consideration in evaluating the presence or absence of excessive profits as defined in the Renegotiation Act.

Mr. STERN. Past experience has shown that in many cases financial information submitted by contractors cannot be accepted at face value. GAO and DOD auditors repeatedly identify cases where contractor costs are grossly overstated. The Renegotiation Board, however, purports to screen about \$40 billion of renegotiable business a year with a total nationwide staff of less than 200, and a headquarters staff of only 8 or 10 accountants. The Defense Department on the other hand may have as many as 20 to 30 auditors on site full time in major defense contractor plants to check into cost figures on defense contracts. It is Senator Proxmire's understanding that these DOD auditors do not check out any contractor's financial statements to the Renegotiation Board because the contractor submits only annual profit estimates to the Renegotiation Board whereas the defense auditors are concerned with actual costs and profits on completed contracts. As a former financial executive for the General Electric Co. and for Lone Star Industries, do you honestly believe that the Renegotiation Board as presently staffed can effectively scrutinize cost and profit on \$40 billion of renegotiable contracts each year? What steps do you plan to take to insure that contractor statements to the Renegotiation Board are thoroughly audited prior to the Board making its determination?

Mr. HOLMQUIST. It is essential that the Renegotiation Board staff be properly manned if the intent of the act is to be fulfilled. At this point I have not examined this question to determine what I believe the appropriate staffing level should be. This is an area of great concern to me and I intend to give high priority to studying the screening process in order to determine the appropriate analytical approach, the completeness and accuracy of contractor's statements, and the depth of analysis needed in arriving at a proper disposition of the cases.

Mr. STERN. Earlier this year, the Renegotiation Board recommended to the Office of Management and Budget (OMB) a 50 percent increase in the Board's staffing.

Is this increase sufficient for the Board to do a proper job? What was the OMB response? What steps do you plan to take to enlarge the Board's staffing?

Mr. HOLMQUIST. Having had no previous association with the Board, I am unable at this point in time to answer these three questions properly. However, the committee can rest assured that the question of appropriate staffing, as just mentioned, will receive my attention as soon as possible. Recommendation will then be made through proper channels regarding this matter.

Mr. STERN. The Renegotiation Board has been under attack for being ineffective. In response, President Ford last October pledged to reinvigorate the Board.

What specific plans do you have for reinvigorating the Renegotiation Board and to make the renegotiation process more effective?

Mr. HOLMQUIST. Based upon past and current observations, both in the press and by certain Members of Congress, I am very sensitive to the desire to reinvigorate the Renegotiation Board's operations and to make the renegotiation process more effective. As already outlined in my opening statement at the Finance Committee hearing, I will seek the advice and suggestions both from congressional and executive sources in carrying out the mandate of the Renegotiation Act as presently written or as subsequently amended. I firmly believe that in due course it will be apparent that the Board's performance has been reinvigorated, with improved efficiency.

Mr. STERN. The Armed Services Procurement Regulation sets rules for what costs are allowable as a charge against defense contracts. The Renegotiation Board accepts any deduction allowed by the Internal Revenue Service as a legitimate cost against defense contracts. Don't you think that contracts should be renegotiated using the same ground rules on which they must be negotiated in the first place? That is, shouldn't the Armed Services Procurement Regulation or the Federal Procurement Regulation rather than IRS rules be used in determining allowable costs in the renegotiation process?

Mr. HOLMQUIST. It is my understanding that the act now requires that the contractors file on the basis of their Federal income tax returns. At this time, I have not studied this matter and do not feel that it would be proper to express a firm opinion on this complicated question as to whether or not the IRS is the most appropriate basis for contractor filings.

Mr. STERN. The Renegotiation Board has circulated for comment within the executive branch proposed legislation to extend and amend the Renegotiation Act of 1951.

Do you agree with the amendments to the act contained in that proposed legislation?

When can the Congress expect the proposed legislation to be transmitted for introduction?

Mr. HOLMQUIST. I feel it would be inappropriate to comment at this time with regard to legislation that has been proposed by the Board and is still under evaluation. As soon as the Board's legislative package is approved, I shall be looking forward to discussing this matter in detail. It is my understanding that such proposed legislation should be ready in about 60 days.

Mr. STERN. Will you agree to permit any member of the Board and any employee to communicate directly with Members of Congress, to respond to inquiries for information, and to testify before any committee of Congress when invited to do so?

Mr. HOLMQUIST. It is my intent that any Board member or appropriate staff person will be able to respond to inquiries from Members of Congress on official Board matters. In the interest of good management principles and organizational coordination, I will, of course, expect to be apprised of all such inquiries and contracts.

Mr. STERN. Will it also be your policy to permit the Board's professional staff to counsel and advise all members of the Board, and to give the other Board members complete access to the staff so that the other members can fulfill their responsibilities?

Mr. HOLMQUIST. The professional staff of the Renegotiation Board should be available at all times to all members of the Board for advice and counsel on matters within their specific areas of responsibility.

Mr. STERN. Thank you, Mr. Holmquist. Now I will ask the questions the chairman referred to.

QUESTIONS OF THE CHAIRMAN

In the last several years, there has been a great deal of concern about certain aspects of the performance of the Renegotiation Board in carrying out its duties and responsibilities. There are many people that believe it would be more appropriate for the Renegotiation Board to be independent of the executive branch, possibly even becoming an arm of Congress.

Do you have any views in this regard?

Mr. HOLMQUIST. At this time I have no firm views on the question of whether the Renegotiation Board should be part of the executive branch of the Government, or an arm of Congress. It occurs to me, however, that certain conceptual problems would be present should the Board be independent of the executive branch. For instance, the executive branch is responsible for the execution of programs involving funds appropriated by Congress in accordance with procurement statutes; and the executive branch should possess appropriate authorities to recover excess profits, in this case.

Mr. STERN. Various studies of the Renegotiation Act in operation have been critical of the vague guidelines in the act concerning what constitute excessive profits. The act requires the Board to take into consideration the efficiency of the contractor, the reasonableness of costs and profits, the contractor's net worth, the extent of risk assumed by the contractor, his contribution to the defense effort, and the character of his business.

Would you recommend that more specific and objective guidelines be developed for determining when profits are excessive?

Mr. HOLMQUIST. As I understand it, numerous studies along this line have been made, but no specific recommendations have been forthcoming as yet because of the complexity of the problem. The current procedures of the Board provide for an opinion that supports the evaluation of each of these factors on a judgmental basis. I am not prepared at this time to recommend more specific and objective guidelines. This matter will have my serious attention, I assure you, if my nomination is confirmed.

Mr. STERN. The question here is not what exact guidelines you would suggest, but rather whether you think it would be good to have specific guidelines available to contractors.

Mr. HOLMQUIST. To the extent that specified guidelines can be written, yes. But I have to say again, that is not an easy thing to do. I will say the answer is yes, to the extent that it is possible.

Mr. STERN. The Renegotiation Board must determine what profits are excessive on those defense contracts that are negotiated rather than arrived at through competitive bidding. Such information as we have shows that after eliminating excess profits, the profit allowed by the Renegotiation Board as a percentage of sales generally ranged from

10 to 20 percent; but as a percentage of net worth, it often exceeded 100 or 200 percent.

Do you think it is appropriate for a company to be allowed to earn a profit equal to 200 percent of its net worth from noncompetitive contracts with the Government?

Mr. HOLMQUIST. I would say that, taken by itself, 200 percent profit on net worth appears excessive. But I don't believe it would be proper to limit a determination on this one factor alone.

In noncompetitive contracts, I would say that greater weight should probably be given to this factor.

Mr. STERN. So that generally a profit equal to 200 percent of net worth seems excessive to you?

Mr. HOLMQUIST. It certainly raises a question. But I do not think it would be right to say that in every case it would be excessive. There are other factors that must be weighed, along with that one specific point.

Mr. STERN. Under the current Renegotiation Board regulations, the Board makes no attempt to collect profits that it determines are excessive, if the excess profits are less than \$80,000. Do you believe that there should be any minimum amount below which excess profits will not be recaptured?

Mr. HOLMQUIST. I don't know precisely where the cutoff level should be in examining contractors' profits to determine if they are excessive. It is my belief that at some level one would reach a point of diminishing returns in the effort to recapture excessive profits.

Incidentally, it is my understanding that the \$80,000 limit has been increased from time to time as the floor for the purpose of renegotiation has been increased to its present \$1 million level and to take inflation into account.

Mr. STERN. I am not talking about the statutory \$1 million, below which you don't even examine for excess profits. I am talking about cases for which the Board has determined that there was indeed excess profit. No attempt is made to collect the excess profit if the amount of the excess is less than \$80,000. For example, a \$75,000 excess profit is not recaptured.

Mr. HOLMQUIST. I see; I believe that excess profit of less than \$80,000 should be checked, if it is the practicable thing to do. I say again, however, I don't know where this point is because there is a level where the volume and the time required to examine small cases would reach a point of diminishing returns, where it seems to me it would be impractical to require an analysis because of the cost in relation to the possible recovery.

I don't know where that level is. I have had no experience with the Renegotiation Board to answer that question definitively.

Mr. STERN. Based on your experience in industry, what would you say are the most important criteria for judging whether a company's profits on a Federal contract are excessive?

Mr. HOLMQUIST. I would say that in judging whether a company's profits on a Federal contract are excessive, criteria such as the following are important, aside from the criteria, of course, established by the Renegotiation Act: the probability of repeat business; amount of capital investment in relation to the length of time employed; the

amount of research and development to be used that represents a previous investment by the company; the stability of the market for the product; the competitive situation, both foreign and domestic; the stability of the availability of raw materials to be used; the labor supply and the manpower training required; the size and forward momentum of the company; the financial resources of the contractor; the amount of engineering and design changes required; unanticipated security problems that arise; the tightness of specifications; the complexity of a systems or component contract; the termination risk due to fluctuating requirements stemming from Government decisions; legislative changes that might impact on the cost; the type of contract, that is whether it is cost-plus, or fixed price; and the degree of efficiency displayed by the contractor.

Mr. STERN. The items that you mentioned seem generally to have to do with what items are to be considered costs.

Mr. HOLMQUIST. Right.

Mr. STERN. The question here is a more general one: if you look at the various factors that the law suggests be taken into account, which of those would weigh more heavily? For example, you mentioned earlier that you thought profit as a percent of net worth would be a very useful index of whether a profit is excessive.

Mr. HOLMQUIST. Yes. I think return on equity is important. I think return on sales is important. I think return on assets is important. I think all three need to be taken into account along with other factors such as those mentioned before.

Mr. STERN. Would you place more weight on any one of the three than on the others?

Mr. HOLMQUIST. No, I don't think that a general statement of that kind should be made because the weighting of those three indexes might vary from industry to industry and in various situations.

Mr. STERN. As the earlier question indicated, the Board seems de facto to place a great deal more emphasis on profit measured as a proportion of sales because there the range is quite small, whereas looking at profits allowed as a percentage of net worth, there is a very much wider range. It would appear that the past policy of the Board was to look at whether profit is excessive or not more in comparison with sales than in comparison with capital or net worth.

Mr. HOLMQUIST. I'm not familiar with what went into the judgment of the Board members in the past. So, I can't comment on it at all. I even added one measurement to those you mentioned—return on assets.

Mr. STERN. The Renegotiation Act is scheduled to expire at the end of the year. Are there any significant ways in which you think the Act should be modified when it is extended?

Mr. HOLMQUIST. This whole matter is presently under study, as I understand, by the Joint Committee on Internal Revenue Taxation, by its staff; and their recommendations are due in September, I believe.

Mr. STERN. That is correct.

Mr. HOLMQUIST. We expect to be working, of course, closely with them in the study and we will have our own legislative recommendations to discuss with them in due course.

Mr. STERN. In this regard, prior to the last extension in June 1974, the staff of the Joint Committee on Internal Revenue Taxation at

the request of both the Committee on Ways and Means in the House, and this committee, was preparing a report on the renegotiation process.

As I understand it, the staff made an effort to obtain the comments of the Renegotiation Board on the specific recommendations made by the Subcommittee on Government Activities of the House Government Operations Committee, the Commission on Government Procurement, and the General Accounting Office. However, because of delays in receiving the approval of the Office of Management and Budget the Renegotiation Board's specific recommendations were not made available.

In the last extension of the Renegotiation Act the staff of the Joint Committee on Internal Revenue Taxation was again requested to prepare a report by September 30, 1975.

In connection with this report, would you please assure us that you will provide comments and specific recommendations dealing with the Board's independent position on the various substantive legislative recommendations that have been made?

Mr. HOLMQUIST. You have my assurance that the Board will cooperate with the Joint Committee on Internal Revenue Taxation staff in providing appropriate comments and specific recommendations dealing with various legislative recommendations.

Mr. STERN. The Commission on Government Procurement has recommended that the renegotiation process be extended to contracts of all Government agencies, rather than just contracts entered into by certain defense-related agencies. This will greatly expand the coverage and responsibility of the Renegotiation Board. Do you believe that the renegotiation process should be expanded in this manner to all Government contracts?

Mr. HOLMQUIST. I would like to study that question further before giving a definite answer. But it would appear to me that there might be good argument for expanded coverage in order to insure that the Government's purchasing power in relation to supply does not enable contractors to make excessive profits in some instances.

Mr. STERN. Thank you very much, Mr. Holmquist.

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