

**RENEWAL OF FAST-TRACK AUTHORITY  
AND THE GENERALIZED SYSTEM OF  
PREFERENCES PROGRAM**

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**HEARING**

BEFORE THE

**COMMITTEE ON FINANCE  
UNITED STATES SENATE**

**ONE HUNDRED THIRD CONGRESS**

**FIRST SESSION**

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**MAY 20, 1993**

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# RENEWAL OF FAST-TRACK AUTHORITY AND THE GENERALIZED SYSTEM OF PREFERENCES PROGRAM

THURSDAY, MAY 20, 1993

U.S. SENATE,  
COMMITTEE ON FINANCE,  
*Washington, DC.*

The hearing was convened, pursuant to notice, at 9:33 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan (chairman of the committee) presiding.

Also present: Senators Baucus, Bradley, Riegle, Rockefeller, Daschle, Conrad, Packwood, Roth, Danforth, Chafee, Grassley, and Wallop.

[The press release announcing the hearing follows:]

[Press Release No. H-21, May 7, 1993]

## FINANCE COMMITTEE SCHEDULES HEARING ON PRESIDENT'S REQUESTS TO EXTEND FAST-TRACK AUTHORITY AND GSP PROGRAM

WASHINGTON, DC—Senator Daniel Patrick Moynihan (D-NY), Chairman of the Senate Committee on Finance, announced today that the Committee will hold a hearing on President Clinton's proposals to apply expiring "fast track" Congressional procedures to a bill implementing the results of the Uruguay Round of Multilateral Trade Negotiations and to extend the Generalized System of Preferences (GSP) program.

The hearing will begin at 10:00 a.m. on Thursday, May 20, 1993 in room SD-215, Dirksen Senate Office Building.

"President Clinton has asked for an extension of 'fast-track' procedures, with the aim of concluding the Uruguay Round of Multilateral Trade Negotiations by mid-December," Senator Moynihan said. "The Committee will be interested in hearing from the administration and from the business community on the status of the Round and what the prospects are for a successful conclusion."

"The Committee will also want to take a look at what the GSP program has accomplished as we review the President's request for a 15-month extension," Senator Moynihan added.

Section 1102 of the Omnibus Trade and Competitiveness Act of 1988 authorizes the President to enter into trade agreements that would be subject to the expedited legislative procedures (known as the "fast track") set forth in section 151 of the Trade Act of 1974. To make use of the authority, the President is required to give Congress at least 90 days advance notice of his intention to enter into such agreements. The fast-track authority itself expires on May 31, 1993, and the period for advance Congressional notification expired on March 2, 1993. The President has proposed to extend fast-track procedures to the results of the Uruguay Round provided that Congress is notified by December 15, 1993 of his intent to enter into the Uruguay Round agreement before April 15, 1994.

Title V of the Trade Act of 1974, as amended, establishes the GSP program, which provides preferential tariff treatment to imports of selected products from eligible developing countries. The program expires on July 4, 1993. The President has proposed to extend the program through September 30, 1994. The President has also proposed to amend the program to make the newly independent states of the former Soviet Union eligible to be designated beneficiary countries.

**OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN,  
A U.S. SENATOR FROM NEW YORK, CHAIRMAN, COMMITTEE  
ON FINANCE**

The CHAIRMAN. A very good morning to our distinguished witness, Ambassador Kantor, and our guests, and to the public. This is a hearing of the Committee on Finance to consider the President's requests to extend the fast-track authority and the Generalized System of Preferences program.

I have a brief opening statement which I will ask the committee to indulge me. I have not done this before. But I am told I have to say these things and so I will accordingly do so.

Today we have asked Ambassador Kantor to discuss the President's request with us which is the legislation which he has submitted to extend fast-track legislative procedures for consideration under the Uruguay Round and for the GSP which is scheduled to expire July 4.

I would be particularly interested in hearing about the administration's efforts to move the GATT negotiations to conclusion. These negotiations have been going on since the initial ministerial meeting at Punta del Este in Uruguay in 1986. It seems that a decade ought to be enough to conclude proceedings of this kind. I understand that that's your purpose, Mr. Ambassador, to get this round done in this year.

Since 1974 the Congress has regularly granted the President authority to negotiate trade agreements and bring them back to Congress for consideration using the expedited legislative procedures known as the fast track. These really have their origins, of course, going as far back in our history to the Smoot-Hawley Tariff of 1930, which Congress got carried away with and with ruinous results.

We are well familiar with this process and this committee has without exception supported it. I certainly do and I will introduce the President's legislation for fast-track authority in the Senate tomorrow. I hope that the Senate will act in a timely manner.

Now I have concluded my opening statement.

Senator Packwood.

**OPENING STATEMENT OF HON. BOB PACKWOOD, A U.S.  
SENATOR FROM OREGON**

Senator PACKWOOD. Thank you, Mr. Chairman. There is no more important tool for Ambassador Kantor to negotiate any kind of a trade agreement than fast-track authority. I supported it when it first came up under President Ford in 1974. I extended it for President Carter in the late 1970's. I extended it again during Republican Presidencies in the 1980's and I intend to extend it now, hopefully uncluttered and unamended for President Clinton.

There would be no point in renegotiating if you do not have fast-track authority. You are not going to get any deal out of our trading partners without that authority. If they think that you can come back to Congress without that authority and get us to pass an agreement as you have negotiated it, I think they would be thinking wrong and you know that they would.

So I will support it and I will support it clean and without any amendments. I hope we get the extension very soon. I am happy

to co-sponsor that bill and please put my name on it, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator PACKWOOD. On a separate issue, I do remain concerned, Mr. Ambassador, about the side agreements under NAFTA. I do not want to see us turn a trade agreement into an attempt to resolve all of the nontrade issues that we have with our partners. Nor do I want other countries trying to impose upon us their idea of what they think our standards ought to be.

Although this is an unrelated point at the moment, I just want to indicate it as a concern.

Lastly, if I could read a letter from Bill Brock, the chairman of the MTN Coalition. "The MTN Coalition is a broad-based alliance of American private sector interests firmly committed to strengthening a more effective multi-lateral trading system. Our 14,000 members include U.S. corporations of all sizes from a broad spectrum of industries, consumer groups and agricultural interests.

"We advocate a comprehensive and strong conclusion to the Uruguay Round of multilateral trade negotiations under the auspices of GATT. The Coalition supports the President's request for a clean renewal of fast-track negotiating authority for the Uruguay Round of multilateral trade negotiations at the earliest practical time.

"Many of MTN's members have expressed concern about the direction some of the current negotiations appear to be taking. These concerns have been conveyed directly to the administration by our individual members. At this time, however, our members would prefer to see a clean renewal of negotiating authority rather than to seek amendments to the legislation granting the administration fast-track negotiating authority for the Uruguay Round."

I ask that letter be placed in the record, Mr. Chairman.

The CHAIRMAN. Without objection.

[The letter appears in the appendix.]

The CHAIRMAN. Senator Baucus is chairman of the Subcommittee on International Trade. I believe you have a statement.

#### OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA

Senator BAUCUS. Thank you very much, Mr. Chairman. Good morning, Mr. Ambassador. It is a pleasure to see you here this time as it is every time.

Mr. Chairman, I welcome the administration's quest to renew fast-track negotiating authority for the Uruguay Round. Over the past 7 years the Round has accomplished much of the work necessary to promote trade in services and protect works of intellectual property.

I regret to say that it has done less to reduce agricultural export subsidies and reduce tariffs. But I think that with an honest effort on all sides, a good agreement can be reached relatively soon. And I think the administration is sending the right signal, both by sending down the fast-track request and by making it a short extension that shows commitment to a near-term agreement.

However, the Uruguay Round will not cure all of our trade problems. It will have no effect, for example, on informal obstacles and economic structures like Keiretsu, which make the Japanese mar-

ket so unfriendly to imports. We need the market opening power provided by Super 301 to do that.

Thus, while I believe that fast-track authorization is important, I also believe that it should be accompanied by Super 301 as a complementary opening measure. The Uruguay Round, if successful, will lower tariffs worldwide, eliminate or greatly reduce unfair agriculture export subsidies, protect the intellectual property and open markets for our service providers. Those are all worthwhile and important goals. So we must push forward with Super 301 to address problems the Round will not cover.

The second point is that having Super 301 in our quiver bolsters our negotiating position. Our trading partners are trying to weaken America's laws in these talks and we must go in negotiating from a position of strength, not a position of weakness.

The present Dunkel text raises some serious concerns in areas such as antidumping, intellectual property protection, dispute settlements, standards. I will be watching these questions closely as negotiations proceed. We must all remember that no agreement is still better than a bad agreement.

Once again, I am pleased, Mr. Chairman, by the request for fast-track reauthorization. I thank you for holding this hearing and I think it is important we get on with the extension.

Thank you.

The CHAIRMAN. Even as we sit here the world is conceptually changing. If you observed this morning's New York Times, the new international estimates of the guise of world economies has China as the third largest economy in the world, once they break out of that just using exchange rates as a measure of value.

The CHAIRMAN. Senator Grassley, good morning sir.

#### **OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM IOWA**

Senator GRASSLEY. Thank you, Mr. Chairman.

I would like to begin my remarks by stating, that I do not believe fast-track procedures rob Congress of the power to "regulate commerce with foreign nations" as mandated by Article I in the Constitution.

I have heard comments in this body and had an opponent of mine in the last election who has indicated that fast-track authority relinquished to much of the Congress's authority to the executive branch. The fact of the matter is, Mr. Chairman, Congress's role is safeguarded by provisions embodied in the 1988 Omnibus Trade and Competitiveness Act.

Among them are the following:

One: Congress spells out in the act specific objectives that the President must fulfill when he negotiates trade agreements.

Two: The President must obtain special permission from Congress to negotiate any non-GATT agreement, such as the planned United States/Mexico FTA, even if Congress has already given the President general fast-track authority.

Three: The President must consult constantly with Congress during trade negotiations, or the House and Senate can rescind fast-track authority by a majority vote under what is known as "reverse fast track."



Four: Congress ensured a public debate of trade agreements by creating private sector advisory groups made up of representatives from labor, business, agriculture, and government that consult with the President and report to Congress on the economic effect of every trade agreement that the President will negotiate under fast track, and,

Five: A simple rule change in either House of Congress can cancel the President's fast-track authority before, during, or after he negotiates an agreement.

Mr. Chairman, fast-track authority has worked well over the course of the last two decades. I believe it is imperative that we grant President Clinton an extension of fast-track authority that is about to expire to complete the negotiations in the Uruguay Round. In fact, the reality is that the United States cannot effectively promote free trade unless the President has the authority and the credibility he needs to negotiate trade agreements.

Mr. Chairman, our goal should be to retain U.S. leadership in the international economic arena. Whether it be in the GATT, the NAFTA, or a possible Chile FTA, the expiration of fast track means losing economic opportunities for this country. Opportunities to build a better life for all of our citizens do not come often. Shakespeare once wrote, "there is a tide in the affairs of men which, taken at the flood, leads on to fortune." We are riding such a tide, and in fact, it was President John Kennedy that said, "a rising tide lifts all boats."

We are riding such a tide today with both the Uruguay Round of GATT and the North American Free Trade Agreement; 1993 is an important year for international trade—one that will test the cooperation of our trading partners and our executive and legislative branches of government at home.

Coming from a State like Iowa—where ag exports are so important—I know the potential that trade has to maintain a prosperous economy. Our best opportunities will come from a comprehensive GATT Round and the successful completion of the North American Free Trade Agreement. I will conclude by stating a significant element to this debate that should be of concern to all ag State Senators. This element deals with a little known provision which protects farmers from undue trade risks. The provision states that certain agriculture spending reductions enacted in the fiscal year 1990 budget will be nullified if the Uruguay Round agreement is not in effect by June 30, 1993. However, this safeguard will be revoked if Congress does not permit the extension of "fast track." In other words, marketing loans for wheat and feed grains will not be triggered if fast track is denied.

Mr. Chairman, the President has asked for a "fast-track extension" without any amendments. I believe this President, or for that matter any President in the future, should be granted the authority in the manner in which he requested it. I know there are several of our colleagues who plan to offer amendments, some of which I support and have co-sponsored, but I cannot support them being offered on the extension of the President's fast-track request. I feel strongly that the potential of amendments to this extension may drown the extension request and deny the President the authority to pursue avenues of opportunity.

We are all aware that the world trading system today is vastly more complex than it was when the GATT was written in 1947. The negotiating agenda runs the gamut of U.S. interest, both in opening world markets and in establishing rules of fair play in areas vital to U.S. competitiveness. Yet, an open multilateral system is the best guarantee that U.S. export opportunities will continue to expand into the next century and the Uruguay Round is one of the most important initiatives to expand these opportunities.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Grassley.

Ambassador Kantor, you are doing very well so far. Let's see what Senator Roth thinks.

Ambassador KANTOR. No mistakes this morning, Mr. Chairman.

The CHAIRMAN. Senator Roth?

**OPENING STATEMENT OF HON. WILLIAM V. ROTH, JR., A U.S.  
SENATOR FROM DELAWARE**

Senator ROTH. Mr. Chairman, I have good news, too, as I am a supporter of the limited renewal of fast track. As I said some time ago, I was concerned about the two-track system, so I was pleased when the administration did come up with its fast-track request on completing the Uruguay Round.

Frankly, I hope the Senate will move swiftly to approve such an extension because it seems to me that is of critical importance to you in your efforts to complete negotiations.

One question, Ambassador Kantor, that I hope you would address, I would like to know at what point in time our negotiating ability will be hindered by not having the fast-track authority needed to complete the trade talks by the December 15 deadline.

Mr. Chairman, I would just like to underscore what other Senators have already said with respect to a clean extension, whether one is talking about negotiating objectives or other provisions, such as Super 301, which I have supported in the past. I am hard pressed to see where the amendment process will end. So I am hopeful we can keep this legislation clean.

But, Mr. Chairman, I am pleased to support the concept of fast-track renewal.

The CHAIRMAN. Thank you very much, Senator Roth.

Senator Daschle?

Senator DASCHLE. I have no opening statement, Mr. Chairman.

The CHAIRMAN. But we want to make this a unanimous vote. Are you agreeable with this process?

Senator DASCHLE. The jury is still out.

The CHAIRMAN. All right.

Senator Bradley?

Senator BRADLEY. Mr. Chairman, I did have a length statement that I spent last night working on that I was going to read now. But instead, I think I will just pass and say I do support it.

The CHAIRMAN. Oh, no.

Senator BRADLEY. No? Would you like me to read it? [Laughter.]

**OPENING STATEMENT OF HON. BILL BRADLEY, A U.S.  
SENATOR FROM NEW JERSEY**

Senator BRADLEY. I do support a clean fast-track bill, and hope that we will be able to complete the Uruguay Round by the end of the extension. I have confidence that we will. Hopefully, you will get the market access package finished by the G-7 meeting and then you can move on to some of the other issues that still remain unresolved.

So I strongly support it. Move ahead.

The CHAIRMAN. Thank you so much.

Senator Chafee, does that example not inspire you to brevity?

**OPENING STATEMENT OF JOHN H. CHAFEE, A U.S. SENATOR  
FROM RHODE ISLAND**

Senator CHAFEE. It inspires me. I am for the fast-track extension and a clean one. Thank you.

The CHAIRMAN. Thank you, sir.

Ambassador Kantor, we welcome you.

Ambassador KANTOR. Thank you, Mr. Chairman.

Senator WALLOP. Mr. Chairman, I might say I do, too. [Laughter.]

It is a long way down here. I know it. If you do not clean your classes, you will never find me. [Laughter.]

The CHAIRMAN. Forgive me, Senator Wallop.

Ambassador Kantor?

**STATEMENT OF HON. MICKEY KANTOR, U.S. TRADE  
REPRESENTATIVE, WASHINGTON, DC**

Ambassador KANTOR. Thank you, Mr. Chairman. Were it not for the rules and dictates and the necessity of the cooperation of this committee, as a young lawyer I learned when you are winning is the time to pack up your bags and leave the courtroom. But I think I have to stay. But I will try not to blow a big lead here. I will try to convince Senator Daschle that we ought to move forward here.

Mr. Chairman, and members of the committee, I would like to submit my statement for the record. And unless Senator Bradley wants me to read his lengthy statement, I think I will just summarize what I have to say.

The CHAIRMAN. Your statement will be included in the record as if read and you go ahead.

[The prepared statement of Ambassador Kantor appears in the appendix.]

Ambassador KANTOR. Thank you very much, sir.

At the insistence and leadership of the President and with the backing of this committee, beginning with my confirmation hearings in January, this administration has tried with great consultation with the committee, and also in the other body, to move forward and try to engage in the Uruguay Round. I believe we are making progress.

I do not want to overstate the case. I understand the history of these negotiations. They have been going on for nearly 7 years now. I do not want to raise any expectations beyond what they have been raised so far. However, we will have no less than 12

ministerial meetings by the time we get to the July meetings in Tokyo.

It has been agreed by the QUAD—that is Japan, EC, United States and Canada—that we will try to reach at least the outlines, if not the details, of a market access package in industrial products and services and agriculture at that meeting.

If we do, the QUAD believes this is the—

The CHAIRMAN. That is the Tokyo meeting in July?

Ambassador KANTOR. Tokyo meeting, yes, sir; the G-7 meeting.

We believe it will give great momentum and impetus to the Uruguay Round, a Round that I think has great benefits for our country, for our workers and our businesses. It has been estimated that it would add \$1.1 trillion within the decade to our gross product; \$5¼ trillion to the world's gross product; will add no less than \$17,000 in income over those 10 years on the average median income to an American family of four, assuming only a one-third tariff cut, Mr. Chairman, and members of this committee.

What we have attempted to do is, to put market access first. We believed if we could reach an agreement by the G-7 on market access we would be over one of the great hurdles and the area which has the greatest benefit for the United States, and then the other issues which are correctly articulated by Senator Baucus would at least be easier to deal with at that point.

What had been the case in the past 6 years is the Europeans and others had held market access to the end of the process, and the problem of the U.S. negotiators was that the most important aspect for us, market access, whether it be agriculture, industrial products or services, was being held to the end where we did not know what the end game was. Therefore, it was much more difficult to reach conclusions and agreements on the other aspects, whether it be subsidies or whether it be in the sanitary and phytosanitary areas or in areas of antidumping language and so on.

Because of an agreement with President Delors of the EC on March 15, we have been able to reverse that process. Part of our ability, frankly—and I am delighted at what I have heard here, and I appreciate it very much; and I know the President does—part of our ability to move it forward has been the confidence that our trading partners have that fast-track renewal will be authorized by the Congress, and that it will be a clean authorization, and it will be done in time for the G-7 meetings in Tokyo.

The combination of our renewing fast track and being able to reach a market access package agreement will give such momentum to the Round that we can truly finish it by December 15.

Now that is still a tall order. I understand that and I have no illusions after 4 months in this job about how easy or difficult this is. This is heavy lifting.

But we have reengaged or engaged for the first time, let me be precise, the Japanese in this process. We had a meeting in Toronto last week that I think took steps forward. We believe that the Japanese Government understands that they are going to have to take a leadership role if we are going to have to have a successful Uruguay Round situation.

So I would only urge what has already been urged here and add my voice to this on behalf of the administration for a clean fast-

track extension for the purposes of continuing this momentum for a successful Round.

As far as GSP is concerned—

The CHAIRMAN. Before you go on, just for the record and also for our own understanding, would you want to define market access in the terms you see yourself intent upon getting it? Senator Bradley raised the matter and you dwelt on it.

Ambassador KANTOR. Absolutely, Mr. Chairman. Market access covers three areas—services, industrial products and agriculture.

Let me take industrial products as an example. In the industrial products area we are looking at 12 major sectors—chemicals, forest products, metals, textiles and clothing, machinery, equipment, other areas as well, construction equipment, agricultural construction equipment, scientific and medical equipment.

What we are trying to do is lower tariff barriers around the world in these areas. The United States now is about 25 percent or a quarter of the world's economy—three-quarters of which, of course, therefore by definition is not United States. In order to lower tariff barriers, it opens up markets not open to us now because of tariff barriers.

And Senator Baucus, of course, is right. There are nontariff barriers we are going to have to reach in other ways, most of which are not covered in the Uruguay Round, some of which are. The subsidies area, for instance, would cover that if we are successful in getting a good subsidies text.

But the fact is, if we can lower these tariff barriers, in agriculture, and whether it is internal supports or external subsidies or export subsidies with the European community which we are addressing, or whether it is in agriculture, and whether it is current minimum access in agriculture, whether it is lowering the barriers going zero for zero, we are talking about at least 7 of the 12 areas of industrial products now going zero for zero.

Literally getting rid of tariffs will be in the best interest of the United States, our workers and our businesses.

We have made progress. I do not want to report to you today that we have reached agreement, or this is a done deal. It is not. We have got some very tough negotiating to go. But again, that is where fast-track authority, the momentum behind this administration with the Congress, both sides of the Congress, meaning both Republicans and Democrats agreeing, will keep this momentum going.

The CHAIRMAN. Fine. I did not mean to interrupt. I just wanted that for the record. You were going to speak about the GSP.

Ambassador KANTOR. The GSP, as you know, involves about 141 countries, Mr. Chairman. Our proposal involves a cost to the U.S. Government of about \$790 million in terms of lost tariffs.

On the other hand, we believe that this program is a key means for using trade rather than aid to promote economic development in developing countries. The relatively open market of the United States takes about 40 percent of the developing countries' goods.

According to GATT figures, that is the largest open market for developing countries in the world. GSP is also an important trade policy tool. We are able to protect intellectual property and worker rights by using GSP benefits as an inducement for countries, in

fact, to take on those obligations that they might not have taken on under other circumstances.

Let me indicate to this committee, we are in the middle of our review of GSP benefits related to protection of intellectual property and worker rights and we will have very soon an announcement as to actions we will take as to countries which do not meet our standards in those areas.

The CHAIRMAN. We will get such a list?

Ambassador KANTOR. Yes, you will. And I will review it with the committee before we make it public. We are in the middle of that review. And as we were with Special 301, as we have been with construction equipment or failure for the construction/architectural engineering services with Japan until Title VII and Title VII actions with regard to the Europeans, we will be very resolute in that area, Mr. Chairman.

GSP also helps U.S. companies to stay competitive and creates jobs. It works to lower the cost of inputs to U.S. manufacturers and it improves their ability to compete. Hundreds, frankly, hundreds of U.S. companies rely on this program. It also helps to foster market reforms in market economies in central and eastern Europe; and, of course, we would like to open up GSP to Russia and other former Soviet Republics as well. This is something the President has discussed with President Yeltsin and we believe it would have a salutary affect in that regard as well.

The CHAIRMAN. I would just like to ask, will you be asking us in this short-term extension to include the provisions with regard to the Russian Federation?

Ambassador KANTOR. Yes, we will. And that is part of the reconciliation bill right now with the House.

The CHAIRMAN. We cannot do that on our reconciliation.

Ambassador KANTOR. I understand that.

I would be pleased to take any questions.

The CHAIRMAN. Thank you, Ambassador.

I think it is Senator Wallop's turn. Why don't you start the questioning?

**OPENING STATEMENT OF HON. MALCOLM WALLOP, A U.S.  
SENATOR FROM WYOMING**

Senator WALLOP. Thank you, Mr. Chairman.

An encouraging report, Ambassador Kantor. To me, it is the one thing that maybe makes this country different than all the others, is the willingness to be trading while trying to expand markets instead of contracting our market and waiting for them to expand.

But recently officials in Japan voiced their concern that the United States did not have a program to reduce carbon dioxide emissions. And while the United States is pursuing its greenhouse gas emissions reductions as part of the Energy Policy Act, Japan has decided that carbon dioxide is one item that should be our focus, even though methane and other greenhouse gas has 63 times the impact of an equal amount of CO<sub>2</sub>.

I mention this case not by means of singling out Japan, but because it strikes me as important in the context of the administration's pursuit of environmental commissions as part of the NAFTA agreement.

In addition to inappropriate criticism from our trading partners on the greenhouse gas issue, there are 18 U.N. offices which have some jurisdiction under the global climate treaty. I think it is fair to predict that we can expect a good deal of mischief from each of them.

I am very concerned about the position into which we place ourselves when we start subjecting ourselves to scrutiny and potential sanction of other countries for policy decisions which we, ourselves, have decided to pursue.

I am concerned that the function of this panel will not be merely to push national enforcement of national law, but will be the source of ever-increasing standards which will be unaccountable to the American people and will operate in a policy vacuum that is oblivious to the social and economic costs.

The question is, where are the assurances, Ambassador Kantor, that this Commission will not be just another layer of bureaucracy, litigation and headaches for marginal benefits which the American people themselves have not chosen.

Ambassador KANTOR. Senator, I assume you are referring to the Commission that we are addressing today in negotiations in Ottawa with parties to the NAFTA?

Senator WALLOP. Right.

Ambassador KANTOR. We are attempting to balance on one hand the need to harmonize up standards in North America in terms of the environment in order to do two things. One, to address serious issues at the border, which you are well aware of, Senator, in terms of degradation of the environment. Two, to make sure that more restrictive environmental laws and enforcement in the United States are at least addressed in other nations in this free trade agreement, and most particularly Mexico.

And number three, that we begin to harmonize up standards on one hand and then harmonize up the cost of doing business in Mexico in order that they cannot take advantage, in terms of unfair trade competition, of a failure to enforce environmental laws. Our ambitions do not go beyond that.

I think we are trying to reach a balance in these negotiations, which I privately discussed with a number of Senators on this panel. I just talked to Senator Danforth yesterday about that.

It is a delicate balance. I agree with you and I think we have to be cautious in how we approach it. I do not believe there is an inherent contradiction between enforcement in this area, using the proper procedures, under the proper safeguards, and the kinds of concerns that you have voiced.

Senator WALLOP. It concerns me that embracing this as part of the NAFTA agreement it becomes a license for other countries to insist on it as part of the Uruguay Round. Is there an indication other than Japan having singled us out that this may be?

Ambassador KANTOR. No, in fact, just the opposite. It is interesting, there is some concern on our part that as part of the Uruguay Round there was an attempt on the part of some of our trading partners to harmonize down our environmental standards, legitimate standards, based on legitimate, scientific concerns. We, of course, are not going to—we are going to insist that the Uruguay

Round allow for stricter standards, allowing countries to harmonize up.

So we do not see that happening. I am not sure that the statement from the Japanese Government in this regard was not done for other effects. Thank you.

Senator WALLOP. Let me ask you one other thing about the Uruguay Round, that revolves around the issues of energy subsidies out of the European common market. It is our understanding that they authorize an industrial deduction of energy costs up to 20 percent.

No such thing is contemplated under the energy BTU tax that is proposed by the administration. Is that an issue that will be discussed? And do we as a nation have the intention either to try to put our own industrial users of energy onto the same playing ground? I mean, either by providing ourselves with reductions in the cost of energy taxes that are equivalent or by asking them to forswear them.

Ambassador KANTOR. One of the most difficult parts of this negotiation will be subsequent to the G-7 meetings and that will involve subsidies, as mentioned by Senator Baucus.

We, of course, have been a great advocate in these discussions, both administrations, of disciplining subsidies. As you know, the European Community, just cited, by the way, by GATT, has a number of subsidies in areas like steel, agriculture, and other areas. This is just one that you are mentioning, that in fact gives what I would call an unfair trade advantage to their businesses and, of course, has an adverse affect on employment in this country.

We are deeply concerned about that and we would like to have more discipline in subsidies as a result of the Uruguay Round rather than less. That is one of the major conflicts in discussions between the European Community and the United States as we go forward. We probably will not engage in that in a meaningful way until after the G-7 meetings in Tokyo, since we have agreed to try to reach the market access package agreement prior to that time.

Senator WALLOP. Thank you, sir.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Wallop.

Senator Packwood?

Senator PACKWOOD. Mr. Ambassador, where is the line when you do trade agreements or extend most-favored-nation status beyond which you do not go in attempting to impose other conditions? We are mad about China on weapons proliferation in civil rights. We want to impose on the NAFTA agreement some kind of labor and environmental standards.

I have real misgivings about tying nontrade standards to it. But what is your guideline for what you say is a legitimate appendage to a trade agreement and what is not?

Ambassador KANTOR. That is a difficult question and an interesting one. It is like the definition of love. You know it when you see it, I guess.

The fact is that in each of the cases that you mentioned and in others, we have—

The CHAIRMAN. May I say, that formulation was originally put by a Supreme Court Justice and it did not concern love. [Laughter.]



**Ambassador KANTOR.** I understand that, Mr. Chairman, from my law school days. The fact is that I was trying to be delicate. [Laughter.]

I would not want to offend anyone, especially early in the morning. I usually get to about 3:00 in the afternoon and then I have offended a number of countries and a number of people.

What you try to do, it seems to me, what this administration is trying to do is understanding that whether it is worker rights or the environment or other areas which are legitimate concerns, and have trade-related impacts, that you try to enhance our position in trade and address these issues as you proceed.

**Senator PACKWOOD.** Well, let me ask you a quick question then. Whether or not they do or do not, how does the abuse of civil rights in China relate to trade?

**Ambassador KANTOR.** Well, let me indicate just one area. The use of prison labor, the abuse of human rights, the use of child labor, has a direct and pernicious effect on trade with this country.

**Senator PACKWOOD.** Whether you imprison dissidents or not probably has no effect.

**Ambassador KANTOR.** Well, it may or may not. The fact is, there will be areas where trade, foreign policy concerns, and security concerns all overlap. China is a perfect example. Frankly, let me be honest to tell you, I am not sure in that case where one begins and one ends.

But I think it would be irresponsible not to consider it as a whole package. It is not as if you can separate out trade and deal with China on one hand and then ignore concerns like proliferation or shipments of missiles to Pakistan or human rights concerns on the other.

I think it is a matter of balancing, good sense, common sense, as you move forward.

**Senator PACKWOOD.** Let me switch to another subject. Under the GATT agreement, nations can limit or prohibit the export of raw materials in short supply and it does not violate GATT—if you do not have enough to satisfy your own needs, and if it is done in conjunction with some kind of conservation program. A couple years ago we banned the export of logs off of Federal land. There is no question we are trying to conserve them. We are going through that battle right now. There is no question it is GATT legal.

However, on the zero to zero negotiations, Japan is attempting to get elimination of our ban on log exports in exchange for zero to zero tariff reductions on wood products. Can you give me your view on it?

**Ambassador KANTOR.** I will give you my very strong view, which I articulated in Toronto. The Japanese did raise that issue. Their reason was they said they wanted to protect their forests in Japan. That was the reason.

**Senator PACKWOOD.** By taking our forests.

**Ambassador KANTOR.** Well, I said that if they took more of our finished wood products, frankly, Senator, they could protect their forests more adequately in Japan and that was the end of the discussion.

**Senator PACKWOOD.** I think that is a good answer.

**Ambassador KANTOR.** Thank you.

Senator **PACKWOOD**. Yesterday I met with the Dole and Chiquita banana people and I thought they had a very legitimate concern about what Europe is doing to them under the pretext of the Dunkel text of favoring either those few territories over which European countries still have sovereignty or their former colonies.

We do not produce bananas in this country, but because it is not our ox that is gored—although these are American companies—we sometimes do not pay too much heed. I think it is a bad step. If allowed, the European countries can make the same argument for a whole variety of other agricultural products. Can I get your view on this?

Ambassador **KANTOR**. Yes. We have taken a very strong position in opposition to it. And there is opposition in the community itself to the policy that is led to the so-called dollar banana dispute.

We believe this is something we are deeply concerned is a growing trend in the community, although I would have to say that Trade Minister Brittan is trying to fight this trend, whether it is in using variable levies or export subsidies or internal supports in agriculture or minimum access or current access, or aggregation or disaggregation.

The whole agricultural area, subsidies to steel, the potential of subsidies in other areas like in oil seeds which would not be in keeping with the spirit of the Blair House Agreement and would be something we would oppose strenuously, as well as the Broadcast Directive which inhibits the use of U.S. audiovisual material on television.

There is a trend in Europe, given the bad economy, and given that union, to move in directions in some cases that are not helpful in terms of opening markets and expanding trade. This is just one of them and it is something we have indicated not only our discomfort with, but our opposition to.

Senator **PACKWOOD**. I do not know if Senator Baucus got this same thing. Remember when you and I had that meeting with those European industrialists. I got that feeling right then that this is what they were coming to because they were all talking of some kind of a European common market with protection as barriers against the rest of the world.

Thank you, Mr. Chairman.

Senator **BAUCUS**. Thank you.

Ambassador **Kantor**, I would like your views on the degree to which you believe our trade policies should have essentially three prongs—that is multilateral, bilateral and unilateral. The present issue before us is multilateral, fast-track extension of the Uruguay Round.

What do you think about using other tools to accomplish American objectives to open markets and achieve a more level trading system worldwide? What specifically do you intend to do in those other two areas, other than multilateral?

Ambassador **KANTOR**. Let me divide it this way. Stop me if I am not really reaching your question, Senator. One is, of course, reaching agreements to open markets as in the Uruguay Round and in the NAFTA supplemental agreements. And the agreement, for instance, we reach with Korea in opening their telecom area or the

agreement we reach with the Europeans in opening up heavy electrical equipment, is one way to do it.

Now it is interesting in the Korean situation and the European situation, we used U.S. trade laws to, let's say, convince the Europeans and the Koreans it would be in their best interests to open these markets and to expand trade in that fashion, as you know, and you are very well aware.

I believe it is a continual, constant coordinated commitment by this government to use not only our trade laws, but to enforce trade agreements to continually make sure markets are open which are in our best interests.

We have since World War II, had the largest open market in the world and continue to have that. We need to insist that our trading partners do the same. We need then to enforce the laws on the books and we need to go further.

Let me indicate what we have done in that regard. One, as you know, we invoked sanctions in terms of the Europeans' pernicious Article 29, which restricted government procurement in heavy electrical equipment and telecommunications.

Two, we have been very resolute in Special 301. We cited three countries and put immediate action plans into place for the first time with regard to two others.

Third, we have moved on Japan in terms of their failure to open up their government procurement of construction and also their failure to buy super-computers.

Senator BAUCUS. I appreciate all that. What I am really trying to get at is, how much we have to do in addition to the Uruguay Round. For example, we may not accomplish all that we would like to accomplish in the Uruguay Round. You are trying to put together a market access agreement. I do not know if you will be able to the Europeans to agree to drop their 14-percent tariff, for example, in semi-conductors or get Japan to drop its tariff on processed forest products entirely.

What do you think? Are you going to be able to get that?

Ambassador KANTOR. We are making progress. Without going into detail in an open hearing, we made progress in Toronto. Let me indicate we did not get everything we wanted yet, but let me say we made significant progress and especially in the two areas you just mentioned.

Senator BAUCUS. What about intellectual property? You are getting developing countries to agree to provisions along the lines, say of the intellectual provisions in the NAFTA, which are much better than the Dunkel text?

Ambassador KANTOR. In that area, we need to address the areas of full national treatment and contract rights and pipeline provisions. The Dunkel text is not adequate right now. That is part of the—one those areas like subsidies—that we need to address in addition to market access. That is one of those areas I think you were referring to that really does inhibit trade. It needs to be addressed in a firm manner.

We have tools right now to address them in an adequate way, but not as effective I think as if we could do it also in the Uruguay Round. For instance, Special 301 would be an indication or use of GSP is another way to do it. We are using both.

But we would like to see a stronger Dunkel text and we will negotiate that subsequent to the G-7 meetings in Tokyo.

Senator BAUCUS. Do you agree that no agreement is better than a bad agreement?

Ambassador KANTOR. Yes.

Senator BAUCUS. Now this gets to the previous area of Potter Stewart's definition of obscenity or redefinition of love. What in your judgment is a bad agreement?

Ambassador KANTOR. If we were unable to reach a market access agreement that was in the best interest of American workers and American business—

Senator BAUCUS. What now?

Ambassador KANTOR. In the best interest of American workers and American business. In other words, to not have enough market opening. If we did not get enough zero for zero areas, if we did not really reduce tariffs in some critical sectors, two of which you mentioned just about 45 seconds ago.

If we were able to get stronger language in the intellectual property area, the TRIPS area as they call it in the vernacular, if we could not do something about disciplining subsidies in a much more resolute manner than is currently in the current Dunkel text, if we are not able to reform certain draft rules in the so-called MTO, multilateral treaty organization, if we could not do those things, and in the agricultural area make sure we got tariffication to lower tariff barriers as well as get current and minimum access and disaggregation, then I would say that we could be bordering on an agreement that would not be in our best interest.

Senator BAUCUS. Do we need Super 301?

Ambassador KANTOR. We support Super 301 in this administration. It would be helpful. The President supported it early on in his campaign as you know. We continue to support it. I believe it was effective when it was in place. I think history, if you go back and read the history, shows that it was.

We have taken some steps in this administration that have not been done before that are somewhat like Super 301 by self-initiating a full review of all agreements for compliance and then we will make decisions based upon that.

Senator BAUCUS. Next on the list here is Senator Daschle.

Senator DASCHLE. Thank you, Mr. Chairman.

Mr. Ambassador, I am interested in the methods that we have available to us unilaterally to begin dealing with some of the competitive problems we have in agriculture. What is the administration's position with regard to using market loans for wheat and corn as the Secretary of Agriculture has have the discretion to do, beginning June 30, with our failure in GATT thus far?

Ambassador KANTOR. Well, one of the areas we have been discussing, and we have had a conversation about this, and we are currently engaged in discussions with the Canadian Government has to do with the durum wheat problem, one that is very serious to this administration.

We are currently discussing this with our Department of Agriculture who are cooperating fully not only with us but have been meeting with their Canadian counterparts and we are seriously considering what can be done in that area in order to address the

use, we think, of subsidies by the Canadians in order to, in fact, capture markets in Mexico and other places.

That would be one area we would address as an example.

Senator DASCHLE. But that is not what I am addressing. Obviously, I know you have to deal with the durum question, and there are a lot of ways that we can approach Canada on the problems we have had, both with respect to the Canadian Free Trade Agreement and in other areas.

But the law requires, the 1990 Budget Act requires, that we do two things if we fail in GATT. It set a deadline last year for using \$1 billion more in export programs to increase the availability of U.S. grain to markets abroad.

Secondly, if no agreement on GATT is reached by June 30 of this year, the Secretary has the discretion to implement marketing loans for wheat and corn. Frankly, I am becoming increasingly frustrated, increasingly disappointed, at our seeming lack of focus with regard to the tools that we have available to us in agriculture, the lack of any clear direction, the lack of any clear message to our trading partners about our determination to use these tools.

I think agriculture so far has not only taken a back seat, it is somewhere in the trunk when it comes to our priorities in trade, and I think it is time we start looking a lot more carefully, a lot more consistently, in a lot more focused way at addressing these problems in the future.

I do not know what the administration position is. Here it is almost May 30, we have a month to go, and there really has not been a good deal of discussion about this. So I would really hope that you would take a close look at it and, consistent with whatever policies the administration may be contemplating, make it clear in the very near term what our intentions are, whether we are going to implement the marketing loans, and what affect it may have on the markets, especially domestically, in the future.

Ambassador KANTOR. Senator, we will do that. But let me take that one step further. We have spent an enormous amount of time in our discussions thus far on the Uruguay Round with regard to agriculture. We believe it is a critical area. Agriculture experts are 10 percent of total exports, about \$40 billion last year.

Whether it is the discussion over aggregation versus disaggregation, current or minimum access, discussion over tariffication, our not only willingness and our ability, but our advocacy, opening up agricultural markets, especially in the European community, we have I think have paid as much attention to it, probably more attention than any other sector.

Senator DASCHLE. Well, I hope you are right. I have not seen the results, and I have not seen much public attention given the issue. As you know, the law requires that, because of our failure to reach an agreement on the Uruguay Round last year, we must increase export enhancement by \$1 billion. This year the President's budget increases it approximately \$500 million over the minimum—an amount, by the way, that merely equals the level of funding provided in recent years. So we are at least 50 percent short of what the law stipulates with regard to export enhancement this year and next.

As I said, we still do not have much of an understanding of where we are going with regard to the use of marketing loans for wheat and corn. It is our only salvation.

So I must tell you that frustration continues to mount. I see very little attention given it. And it has to reflect votes that I cast with regard to fast track, with regard to a lot of other trade-related issues. Agriculture needs a lot more attention, visible attention.

I do not care what you are doing in the back rooms. I think it is time to send farmers in our country some clear understanding that you understand their issues, you are sensitive to them, and that they have a lot higher priority than they have been given so far.

Thank you and thank you, Mr. Chairman.

Senator BAUCUS. Thank you, Senator.

Senator Chafee?

Senator CHAFEE. Thank you, Mr. Chairman.

First, Mr. Kantor, I would point out that you are very conscious, that the attitude of this committee toward fast track is not necessarily reflective of the Senate as a whole. I checked on the votes on the fast track the last time we did it, which was its extension in May of 1991, and 80 percent of this committee voted for the extension of fast track. Whereas, in the Senate as a whole, 59 percent voted for it.

Now you have a good margin and you have no reason in my judgment to believe the Republicans would not stay with you because we believe fast track is the right thing to do, and I think you get the Democratic Party to the great extent that you did in the past. But I just think, as you are very aware, that you have to pay attention to the body as a whole.

On another topic, I noticed in today's paper that it stated that China now has reached the status of the world's third largest economy. I must say I am very concerned about China MFN. I have always been for it. It is very important, I believe. And I do not understand the hesitancy on the part of the administration. Maybe there is not hesitancy. I am not sure what the time deadline is when you folks have to make a decision on extension of China MFN.

Do you know that date offhand?

Ambassador KANTOR. Yes, sir, I do. I think it is June 3 and we will meet that time table.

Senator CHAFEE. By that you mean you will meet it in either asking for the extension of the MFN or not?

Ambassador KANTOR. Yes, sir.

Senator CHAFEE. Well, I certainly hope that you will. I have grave reservations in this business of using trade as an instrument to achieve every other type of gain, whether it is environment or human rights or whatever it is.

I mean is it not true that we currently have MFN with Iraq? I know the answer to the question. [Laughter.]

Ambassador KANTOR. I think you are correct.

Senator CHAFEE. We do. We have most favored nation with Iraq—as a matter of fact, we have MFN with every nation except, I believe, North Korea, North Vietnam, and maybe two or three others.

Now, on Japan. I do not understand the approach that we seem to be taking toward Japan. It seems to be, if I understand it, that Japan sells us a lot more goods than we buy from them. And, therefore, that there is something inherently wrong with deficit and what we seek is equality.

In other words, they must reduce their trade surplus with us. It seems to me what should be considered the problem if there is something wrong, is that we do not have adequate market access. But that problem of market access I do not think should be equated with the level of trade with Japan, regardless of whether it's a surplus or a deficit.

If the criteria is whether or not we run a deficit of trade with another nation, then we should remember that what is sauce for the goose is sauce for the gander. The United States has a trade surplus with Australia and the EC. Why should they not come to us and say, we do not like this situation. We want equality and we demand it.

Australia, for instance, could say to the United States, we demand that you buy from us as much as we sell to you. What is the difference with Japan in that illustration?

Ambassador KANTOR. Well, the difference is, is how the trade surplus comes about. I do not disagree with you; the mere fact that you might have a trade deficit with a particular country in a particular year may or may not raise alarm bells.

But if you look at the content of the deficit, what makes it up, and then you analyze the Japanese market and the inability of American companies to penetrate that market, whether it be in government procurement or the private market, you begin to realize the content of the deficit and our inability to penetrate those markets becomes a critical factor.

That is why we are so concerned and that is why we are taking this, what I believe to be, a new approach to trying to deal with both sectoral problems and as they intersect with structural problems.

Let me give you an example. In 1992 the Japanese exported \$96 billion in merchandise goods into this country. Roughly 65 percent of those were in six areas—computers and super computers, semi-conductors and electronics, autos and auto parts.

If you look at the Japanese market in those six areas, those are high-value added goods representing high-skilled, high-wage jobs in this country, you will find either in government procurement and/or in the private sector, those markets are not open, as open, to our companies and our workers as our markets are to the Japanese.

That's the problem. The fact you are right, the mere existence of a trade deficit may be troubling, but it is the content of the deficit and the reason why it has been created that creates the bigger problem. And that is why we are addressing the Japanese situation so directly.

Frankly, what we are looking for here is measurable success, mutuality of obligation, and comparability of action. I do not think it is unreasonable for us to want that out of our most important bilateral trading partner.

Senator CHAFEE. Well, my time is up. But I just want to say this, Mr. Chairman. All of what Mr. Kantor has said I agree with. But

that has nothing to do with whether there exists a trade deficit or a trade surplus. If we cannot sell our auto parts in Japan because there is a structural impediment then that is wrong. I do not care whether we have a four to one trade surplus with Japan. Is that not true?

Ambassador KANTOR. Senator, you get no argument out of me on that thesis.

Senator CHAFEE. So I get disturbed when I see the suggestion that if Japan buys as much from us as we buy from them, everything is automatically honky dory. I do not think that has anything to do with it.

Ambassador KANTOR. Thank may or may not be the case. But I think the President was extremely precise and very articulate in his meetings with Prime Minister Miyazawa and his public discussion of this issue in addressing what I have just tried to speak to in addressing your question.

You are right. The mere existence in a particular year of a trade deficit or surplus may or may not be indicative of a problem. But when we analyze the Japanese market, especially in these key areas—and financial services certainly would be another—we find we have deep rooted problems: the Keiretsu system, the failure of government procurement, locking out U.S. companies.

Auto and auto parts are one of the most difficult areas and I use "difficult" very delicately.

Senator CHAFEE. Finally, Mr. Chairman, I will say that as you know we in our own laws—highway construction, for example—we have "Buy American" provisions ourselves. So we do not come at this with totally clean hands.

Thank you, Mr. Chairman.

The CHAIRMAN. But the point that Senator Chafee makes needs to be reasserted, that it would be unusual for us to have a trade relation with any single country in which there was an exact balance of what we sell ourself.

Ambassador KANTOR. Absolutely. And what you would hope is, from year to year, depending on various economic forces and so on that we would be both competitive enough, and we would have open markets between trading partners, where some years we'd have a deficit, some years we'd have a surplus. That's what we're trying to reach.

If you look at our relations with the European community or with Canada, that has really been the case. That has not been the case with Japan.

Senator PACKWOOD. Could I add a fact to that, Mr. Chairman? This is on merchandise trade deficit alone, not counting services. If you subtract oil and cars, we have a surplus in world trade. Cars are our own fault. We threw away the market in the mid-1970's because our manufacturers did not grasp what the market was. To their credit, they have come around. They are starting to pick up ground.

Ambassador KANTOR. They have done quite well. In fact, they have invested—Senator Riegle would know the figures—\$70 billion over the last, what, 5 years, Senator, something like that in auto industry development.



American cars and auto parts are competitive with anyone in the world. That is why it becomes even more—why we have focused even more precisely on this area as well as the others I have mentioned, as we begin to engage the Japanese in these sectoral and structural discussions.

Senator **PACKWOOD**. The comment, I might add, about oil specifically and energy generally is that this country is not energy short. Japan is energy short. We have more natural resources than almost any country on earth. But any time we go to explore for oil any place, Congress passes a law that says we cannot explore for oil there. It is no wonder we import oil.

The **CHAIRMAN**. We will get that passed. [Laughter.]

Senator **Grassley**, you are next.

Senator **GRASSLEY**. Thank you very much.

I think I would like to start where Senator **Daschle** left off. And partly my question may be a statement of what my understanding of the law is and then your affirmation or correction of my statement. By the way, I support everything that Senator **Daschle** said, that we need to use all the tools that we have.

I think we if we do not show the rest of the world that we have a deeper pocket and more staying power than they do and that we are going to use the tools, then we are going to be seen as a paper tiger in the whole debate. I think your administration is starting out to change that attitude. But I think you have a big hole to come out of because of the last maybe 20 years of our negotiations that we really have not been tough enough.

Now I know that is kind of playing with gasoline on a fire and you have to be very careful how you do it. But what Senator **Daschle** said about these tools, am I not right under the 1990 law, if we do not have fast track and the GATT negotiation is going on, then there is no authority for these to trigger in.

Ambassador **KANTOR**. I think that is correct, Senator.

Senator **GRASSLEY**. So I guess I would plead with Senator **Daschle** that we have to have fast track in process or the weapons he wants to use cannot be used anyway. That is my interpretation.

Ambassador **KANTOR**. That is my interpretation of the law now. I will stand corrected if someone has a different interpretation.

The **CHAIRMAN**. Now this is important. I believe it is important. Senator **Daschle**, Senator **Grassley**, do you understand the matter in the same way?

Senator **DASCHLE**. Well, Mr. Chairman, I would only say that obviously we have had fast track and we have it today.

Senator **GRASSLEY**. But I want to use those tools that you want to use. But if we do not have fast-track reauthorized, then those tools cannot be used.

Senator **DASCHLE**. Well, I do not want to take the Senator's time. But my only point is that we have not used the tools we clearly do have to the degree that the law requires. What good is fast track in the future if we are not using existing tools to their full effectiveness?

Senator **GRASSLEY**. Well, the only thing is, you and I are going to work to try to impress upon this administration that they ought to use those tools. And if we do not vote for fast track and get it

reauthorized, then they can say they do not have the authority to use them.

The CHAIRMAN. May I just say, sir, the first thing is to vote for the budget package. Then you have gained the attention of the administration. [Laughter.]

Senator CHAFEE. You will get a lot of attention if you vote against it.

Senator GRASSLEY. It will take more persuasion on the part of the Chairman than that for me.

The CHAIRMAN. But we have made a beginning. May I understand the negotiations are underway?

Senator GRASSLEY. No, I do not even want to suggest that.

Now, again, on agriculture. I do not want to put you in a position of using exactly the same words that the previous administration and Carla Hills used, but at least I want you to use agriculture the way I state it as a benchmark. If you disagree, then just say you disagree.

But if you accept it, then where are you coming out in your negotiations on agriculture compared to the linchpin principal that helps agriculture as a linchpin for an entire GATT agreement. And if we did not get a good agriculture agreement, then there is not going to be any GATT agreement at all.

Now the previous administration was involved with this Blair House Agreement, which I think now on reflection is a very good agreement. Are you going to change the Blair House Agreement as part of the process that deals directly with agriculture? That is part of the overall question about how you see agriculture.

I would really like to have you tell me, if I can suggest an answer to you. But again, this is a benchmark for you to agree or disagree with, that you still consider agriculture a linchpin for an overall GATT agreement. If we do not get a good agriculture agreement, we are not going to get any GATT agreement at all, and that you think that there are flaws in the Blair House Agreement.

I hope that those are the things you can tell us.

Ambassador KANTOR. You said a linchpin. I would agree with that.

Senator GRASSLEY. Okay.

Ambassador KANTOR. Not the linchpin. A linchpin. I do not know if an agreement—

Senator GRASSLEY. Okay, I may have said a linchpin. I think they were telling us the linchpin.

The CHAIRMAN. I want to explain about this. I think there can only be one linchpin. [Laughter.]

Senator GRASSLEY. That is what I was afraid of, Mr. Chairman. And they use the word "the linchpin." So I misstated.

The CHAIRMAN. That is a little bit like saying what the centers of our position is.

Ambassador KANTOR. There are three critical areas of market access—services, industrial products and agriculture. Each of them are critical to the success of a Uruguay Round as far as we are concerned. We intend to get a good agreement in each of these areas.

The failure in any one of these areas would be a negative blow to a successful Uruguay Round.

Senator GRASSLEY. I think I can accept that.

Ambassador KANTOR. That is number one.

Number two, as far as the Blair House Agreement is concerned, we have insisted, again and again, that the Europeans undertake their obligations and fulfill their obligations prior to the end of June under the Blair House Agreement.

As you know, up until we insisted upon that—and we said we would reopen Blair House in its entirety unless they did so—they were not moving on that, Senator. They have now implemented three of their four obligations. The fourth they will implement in June they have assured us. They must do that or Blair House will be reopened.

More important, I think you would agree, are the market access provisions. That is critical to our agricultural community. We can compete with anyone in the world as long as markets are open and these tariff and nontariff barriers begin to come down through tariffication.

But that also means we have to have current access and minimum access rules that make sense, and we do not engage in what they call aggregation. We have disaggregation. So we do not go across in sort of average cuts across the board. We deal with products as they exist. Because what happens in certain areas is that when you get into aggregation, you affect current access.

In other words, you start at a lower level than you are today in terms of market access. So we are addressing those issues. We believe the opening of markets around the world to U.S. agricultural products is a critical factor in making this agreement successful.

Senator GRASSLEY. Now the French on May 7 put out a memorandum about agriculture. They are pushing us again. They do not like the Blair House Agreement. They are pushing for what they call rebalancing. I hope we are not going to go that direction.

Ambassador KANTOR. No, sir, we are not. Obviously, I would not want to speak to the internal deliberations of the European community. That memorandum, of course, was addressed to the community itself. There were some very important parts of the memorandum that were helpful, including the new Prime Minister's call for a successful Uruguay Round and their commitment to this market access move we're making prior to the G-7.

On the other hand, they did talk about rebalancing. It is something that is worrisome to us. But I think we will let the community address that first before we have to address it.

Senator GRASSLEY. The reason I emphasize so much agriculture, and I am done asking questions, but remember now as we might be getting to a GATT agreement—and I do not know whether we are or not, but we might be—I do not think we can make the same mistakes with agriculture that we made with the Tokyo Round when agriculture was basically sold out for the sake of an agreement.

Ambassador KANTOR. I do not disagree with that.

Senator GRASSLEY. Thank you, Mr. Chairman.

Senator BAUCUS. Thank you, Senator.

Senator Conrad?

**OPENING STATEMENT OF HON. KENT CONRAD, A U.S.  
SENATOR FROM NORTH DAKOTA**

Senator CONRAD. Thank you very much.

Maybe I could have this letter handed to Ambassador Kantor. First of all, I want to welcome you, Ambassador Kantor.

Ambassador KANTOR. I am always worried with that kind of opening, Senator.

Senator CONRAD. It is going to go downhill from here.

Ambassador KANTOR. Oh, no, we agree on more than we disagree.

Senator CONRAD. First of all, I want to say to you I personally appreciate the attitude that you have brought to this difficult task because the attitude you have brought to it is fundamentally different than the attitude we have had in all the rest of the time I have been here.

So I want to say sincerely to you, I appreciate the difference in attitude. I think, as one of the other Senators said, I think Senator Grassley, you have been handed a live grenade. You have been handed just a mess. And so you reap the whirlwind. You get all the frustration that comes from the mishandling of the agricultural sector that we have seen in the Canadian Free Trade Agreement, in the GATT negotiations thus far, in the NAFTA negotiations thus far.

The letter that I have just handed you is a point-by-point answer to Mr. Michael Wilson the Canadian Minister for International Trade. Mr. Wilson sent you a letter that suggests our complaints with respect to the Canadian Free Trade Agreement and what is happening with the flood of wheat into this country is really a political problem on our side.

He has that wrong. It is not a political problem. It is a problem of substance. They have gone from zero percent of our market to 25 percent of our market and they have done it not because they are better competitors. Because if they were better competitors, we would have no complaint.

They have invaded our market in a very substantial way because of flaws in a previous agreement. Not your fault. It did not happen on your watch. It happened on the watch of Mr. Clayton Yeutter.

Let me just say that in this letter we provide a point-by-point refutation of the suggestions that we are getting from the other side. In the Canadian Free Trade Agreement the transportation subsidy on east bound grain that amounts to 50 cents a bushel was, according to the terms of the Canadian Free Trade Agreement, supposed to be a matter of consultations between our two countries to seek its elimination. Those consultations have never been completed.

The Canadian Wheat Board sells in secret, while we sell in the open—you can discover our prices every minute of every day on the grain exchanges. Under the terms of the Canadian Free Trade Agreement there were supposed to be consultations so that we would have transparent pricing, so we would know what they were doing with the Canadian Wheat Board.

Those consultations under the previous administrations were never undertaken. It never happened.

And finally, although the plain language of the agreement is that neither side is to sell below acquisition price, we have now found out that because of secret negotiations—again by a previous Ambassador, not by you, you are not at fault; it was Mr. Yeutter who, apparently, gave away the store in secret—that part of the acquisition price by our Canadian neighbors does not count. Only a fraction of their acquisition price counts, despite the plain terms of the agreement.

Now as I say, the letter I have provided provides a detailed point-by-point refutation of what Mr. Wilson has asserted in his letter to you. I hope that you will review this letter carefully and respond appropriately to Mr. Wilson.

Ambassador KANTOR. I appreciate that, Senator. I saw Mr. Wilson in a bilateral meeting—they call it in theory I am learning now—we sat down and had breakfast together before our meetings in Toronto.

Senator CONRAD. I hope he paid.

Ambassador KANTOR. Yes, he did. I am not sure I violated the ethics law though. I am never quite sure. I always have to be careful who buys me breakfast. But I think he could do so. I did not eat very much anyway.

I want to tell you this was number one on our agenda in our bilateral discussions. With all the cooperation we are getting from the Canadian Government on the Uruguay Round, and we are getting that, on the other hand, we have not moved them on this question.

We are dead serious about it and I told him we are dead serious about it. I have told him that his letter, we did not agree with any part of it whatsoever. This is a real problem, not a political problem. I said the same thing you said.

I was not as articulate or as informed or as detailed as you are here. But I can tell you, we have addressed this and engaged the Canadians on this. We mean to do something about it. And we have a number of tools at our disposal that I do not need to specify. You and I have talked about that. I have talked with Senator Daschle about that. And we are going to move on this if the Canadians are not willing to do so.

There was some language in this letter, which you are well aware, which held out at least a scintilla of hope they are willing to move in the right direction. But I can tell you I did not make, I am sorry to say, much progress in the meeting in Canada.

Senator CONRAD. Well, I know I have gone over my time, Mr. Chairman. I would just say to you, we feel very strongly that this is not a political case. This is a case on substance and we feel strongly that is the case that ought to be made.

Ambassador KANTOR. Frankly, Senator, the facts are irrefutable.

Senator BAUCUS. Thank you very much, Senator. Your point is very well taken and I heard you in conjunction with NAFTA to look to the EEP with respect to Mexico.

Ambassador KANTOR. Maybe next time I should buy breakfast and I will make more progress.

Senator BAUCUS. And also CVD against Canada. That is critical. Senator Riegle?

**OPENING STATEMENT OF HON. DONALD W. RIEGLE, JR., A U.S. SENATOR FROM MICHIGAN**

Senator RIEGLE. Thank you, Mr. Chairman.

I want to say to the Trade Ambassador that I support the President's requirement to extend the fast-track negotiating authority on the Uruguay Round for another 9 months. But I feel very strongly and agree with remarks that I am sure that Senator Baucus has made earlier, that a Super 301 item has to be included in that.

Time is a wasting. So while I am supportive of the extension, I think that it is justified, I do not think we can let this opportunity pass without dealing with this other issue. Now let me tell you why I say that.

You had a colloquy earlier with Senator Chafee. And if I heard him right, I would just ask for the numbers, because my recollection is that we had a substantial trade deficit last year with Canada, nearly \$8 billion.

Ambassador KANTOR. But it is coming down.

Senator RIEGLE. Well, it may be coming down. But \$8 billion over a 12-month period of time is a pretty big drain. The point is, we do not have a surplus in our trade relationship there. But the real problem is with Japan.

And as you know from the trade figures announced yesterday—I have in front of me today's Wall Street Journal article on it—the trade gap last month was in excess of \$10 billion for 1 month. And over half of that was with Japan, just one country.

And if you look, since 1980 Japan has taken out of the United States in trade account over \$500 billion, over \$.5 trillion. And there are all these barriers to entry that we know about that are legend in Japan that discriminate against our products and our imports as they do other nations.

And, frankly, the supine administration we had before really did not do anything about it. In fact, the President went over, President Bush went over, and had a meeting that got a lot of publicity. But the problem is worse today than it was then, substantially so.

In fact, for the month of March, the trade deficit with Japan alone was in excess of \$5 billion. That is just taking money and jobs right out of this economy. What is so interesting, as this Wall Street Journal article says, that the March trade numbers are likely now to reduce the Commerce Department's estimate for total economic growth in the first quarter.

Now why are they saying that? Because there is a direct relationship between an adverse trade balance and low economic growth in the United States, and higher unemployment.

Now in Japan, I would just say to my colleagues, do you know what the unemployment rate is in Japan right now? It is 2.25 percent. I do not know what it is in Rhode Island. I know it is substantially higher than that across our country.

What is happening here because of these unfair trade practices and these engrained patterns is that they are taking our jobs to their country, leaving us with high unemployment and they have very low unemployment.

Ironically, they just announced a stimulus program this year, Senator Baucus. The Japanese did—\$114 billion. Now half of that

can be paid for with the trade surplus they will have with the United States. But they are going to spend \$114 billion to stimulate their economy because their unemployment rate is all the way up to 2.25 percent.

We could not get \$16.3 billion in job stimulus through here, even after the President reduced it to \$12 billion. We could not get any help on the other side on that issue. So we have a very serious problem there.

I want to say to you that I appreciate the effort that you are making, Mr. Ambassador, with respect to confronting the Japanese trade problem.

And, quite frankly, this President cannot succeed with his job growth pledge in this country unless this trade problem is dealt with. I have seen other news accounts today that talk about trying to reduce this deficit down to a rough balance over maybe a 3-year period of time or something on that order. That is the kind of goal setting that needs to take place.

And if we can get a Super 301 provision in place, which you need—I know you may not want it on the Uruguay Round extension, but it has to be there or not at all—you need the tools. And if you do not have the tools, I do not think you are going to get the performance out of the Japanese that you need. That is an urgent matter.

And, finally, I just want to say one other thing. I want to bring to the attention the members of the committee the story in the Wall Street Journal today, on page A16, headline, "Mexico Mounts a Massive Lobbying Campaign to Sell North American Trade Accord in the U.S."

It outlines all the hired guns in this town that the Mexican Government has hired at very high rates of pay to ram this thing through here. I find this distasteful in the extreme. It is part of why this country is in serious economic trouble.

I think when the American people find out what is going on with respect to the attempted railroad job on NAFTA, paid for by the Mexican Government, coming in here and buying all the lobbying talent here, including former trade representatives who sat right at your table, is one of the most highly paid agents now for the Mexicans on this issue. This is exactly what is wrong with this country in this area.

I realize there will be people on the other side of the isle who feel very strongly that we ought to sort of ram this thing through. But anybody that reads this, I think, is going to have serious second thoughts about it.

Ambassador KANTOR. I might make two quick points.

Senator RIEGLE. Please, sir.

Ambassador KANTOR. I appreciate our meeting yesterday. I think we made some progress on other issues.

Senator BAUCUS. If you could be brief, Mr. Ambassador, in your comments.

Ambassador KANTOR. What is that?

Senator BAUCUS. Please be brief in your response.

Ambassador KANTOR. Very briefly, this administration has taken a position that no one in this trade office at a high level, including myself, when we leave, if and when we ever leave, can ever in their

life time represent a foreign government, as you know. We have 5-year bans in other areas that go way beyond the law. And the President has been extremely focused on that as you know. That is number one.

Senator RIEGLE. I think it is a great step forward.

Ambassador KANTOR. Number two, the goal of Super 301 which we support, we support Super 301, was an intense focus on priority countries and priority practices which relate to barriers. That was exactly what we are doing in our Japan framework approach. It is a priority. It is the priority, as you know, and we discussed that yesterday.

Senator RIEGLE. Thank you.

Senator BAUCUS. Thank you, Senator.

Senator Rockefeller?

**OPENING STATEMENT OF HON. JOHN D. ROCKEFELLER IV, A  
U.S. SENATOR FROM WEST VIRGINIA**

Senator ROCKEFELLER. Thank you, Chairman Baucus.

Mr. Ambassador, a couple things. I'm glad to see you are accompanied by your distinguished lawyer, Ira Shapiro.

Ambassador KANTOR. I never go anywhere without him, Senator.

Senator ROCKEFELLER. That is good advice. As the President should never go anywhere without you, you should never go anywhere without Ira Shapiro.

A couple things. I want to try to be helpful to you generally on the fast track. I, too, want Super 301, the Trade Agreement Compliance Act, that kind of thing. I do not know how this quite works out.

I think when it comes down to it, getting fast track and getting it done in time is the first priority. And if that, therefore, meant that there had to be a clean bill, which is not a concept that disturbs me, that would imply then that perhaps the administration would be willing to work with those of us who want to see 301 and TACA and some other things in bill form.

People who are worried about this, like Senator Riegle, are concerned that with NAFTA and fast track for the GATT Round there is not going to be that much time for other issues. Health care and a lot of other things, there is not going to be that much time during the rest of the year.

So I would like to get a sense from you that you would be willing to work with us on those problems, trying to figure out a strategy to make that happen.

Ambassador KANTOR. Absolutely. We support both of the issues that you just articulated. We would be willing to work with you and try to find a vehicle that would be appropriate, helpful, meaningful and effective.

Senator ROCKEFELLER. Also, you have your goals for the Uruguay Round, which are well known. And I would guess it would probably be helpful to you, would it not, to have the Congress state those goals in a nonbinding fashion, but in a sense to strengthen your hand?

Ambassador KANTOR. I think our goals are so well known, and the 1988 Act, of course, sets out as you know goals for negotiation. If we open it up, it might lead to a slippery slope of other concerns



here that would slow down the process, that would inhibit the momentum that we have created. And although I would not be adverse to goals, I am worried about what it would bring in terms of other amendments and other concerns that either persons of this committee or in the Senate itself might have.

Senator ROCKEFELLER. I understand that. I understand what you are saying. Just one final quick question. There was an interesting article the Post this morning about United States-Japan relations in trade, et cetera. I can remember back when people were reviling the Gephardt Amendment, which set targets—so many years, such and such a percentage.

The Japanese in particular were really hitting that badly. Then there was a series of sectoral missiles thrown back and forth, trade negotiations, et cetera. I can remember talking with a series of Japanese business leaders, all of whom were saying, frankly, they wished that there was a target, rather than having these lobs of missiles.

You know, they do operate best and it has worked when they have a quantitative goal out in front of them. So I would be interested in your comments about the Post story this morning and your thoughts.

Ambassador KANTOR. Well, my first comment is in this town you have about 24 hours lead time between a meeting in the White House and a story in the Washington Post and the New York Times. That is my first comment.

The second is that I believe the history is clear and the record is clear. When we insist upon measurable success we get results.

Senator ROCKEFELLER. You do better.

Ambassador KANTOR. And when we do not, we do not get results. I hate to be simplistic. But I think it is inescapable when you look at what happened with regard to Super 301 when it was enforced, and when you look at the semi-conductor agreement.

I have had the same conversation with Japanese business leaders that you have had. I believe that this administration, under the President's leadership, is moving in the right direction.

Senator ROCKEFELLER. Thank you, Mr. Ambassador.

Thank you, Chairman Baucus.

Senator BAUCUS. Thank you, Senator.

Do any other Senators have any questions?

Senator CHAFEE. Are there others?

Senator BAUCUS. Well, we have a panel afterwards.

I would just like to ask one general question, two general questions. One, Mr. Ambassador, in a larger context, you know, what is our negotiating leverage? You are a very skillful, sharp negotiator. Europeans, Japanese, other countries, have skillful, sharp negotiators.

We Americans were unable to persuade Europe the course we wanted to take in Bosnia. It is going to be very difficult for us, past experience as an example, to persuade the Japanese to agree to the framework agreements that we would like to have. The Japanese are very upset with the success of the semiconductor agreement, for example. They are very much unlikely to agree to other kinds of agreements unless we are very, very skillful, very creative.

So in larger context, what is our leverage? You know, how are we going to persuade other countries to open up their markets? You know, we have had a lot of good talk here. You know, we do this and that. Those are our objectives. Those are our goals and so forth. But the final analysis: What does it come down to? How are we going to as Americans achieve these objectives of opening markets say in Europe which is becoming more unified?

You know, the Danes did agree to the Maustrecht treaty yesterday. There is going to be a vote in Britain very soon. I suspect that will be successful. Japan is not going to back off. In your judgment, what does it come down to?

Ambassador KANTOR. Well, I think it comes down to what I described in the first hearing I ever had in this committee when this committee was kind enough to confirm me or send my confirmation to the full Senate. The other half of my job is enforcement, enforcing trade agreements and enforcing our laws.

To the degree that we do that, to the degree that we do it in a fair and reasonable manner, but we do it, we open up negotiating opportunities for ourselves and for the world. We lead global growth and I believe in it. The President believes in it. We are going to continue to do that.

I think you need only look at the examples with Korea on Telecom or the Europeans on heavy electrical equipment to understand that it does work.

You are right about this. Their negotiators are probably smarter than I am. But the fact is, we have the largest open market in the world and everyone wants access to this market. If they want access, we want comparable action on their part as well.

Senator BAUCUS. Well, this next question is not necessarily a lead-in, but I do, in view of the question I last asked, ask you to think very favorably about Super 301 as additional leverage. I strongly believe that if we have that in our arsenal—

Ambassador KANTOR. I will say this clearly. This administration supports Super 301. I would like to work with you and Senator Rockefeller and other members of the committee on both sides, to see what would be the proper vehicle in order to make that.

Senator BAUCUS. One question in another area, and that is GSP. As you know, Poland and Cyprus are examples on countries which we support with financial foreign aid as well as GSP preference, but are also countries which allow blatant copyright piracy.

Are you going to enforce to the extent possible the provisions of GSP which link GSP to protection of intellectual property rights?

Ambassador KANTOR. Absolutely.

Senator BAUCUS. Because the past administration did not do so.

Ambassador KANTOR. Absolutely.

Senator BAUCUS. Thank you.

Senator CHAFEE. Mr. Chairman, we seem to have our line of sight interrupted by this light.

Ambassador KANTOR. I will scoot over a little, Senator.

Senator CHAFEE. One of the problems being on this side of the aisle, we do not get photographed, just the back of our heads usually. [Laughter.]

Ambassador KANTOR. Frankly, Senator, I would be more than happy if they would turn the camera in your direction.

Senator CHAFEE. I am sorry that our friend, the Senator from Michigan has left. He appeared and launched some thunderbolts from Mt. Olympus and then unfortunately had to depart.

Let me just say this, the suggestion is that NAFTA is being rammed through this place. Well, just let's take a look. The NAFTA negotiations started in September 1990, 2½ years ago. President Bush signed the agreement in December 1992. So this business that it is being rammed through is just sheer nonsense.

If you want an example of something that is being rammed through, take a look at a tax bill that came in here in March with \$272 billion and has to be out of here by June 18. Now that is fast track. That is really moving. So let's not hear anything about the NAFTA being rammed through. Everybody in this committee has had plenty of time to think about it. It is nothing new to us and I do not concur in the suggestion that there is ramming through taking place here.

Thank you.

Senator GRASSLEY. Mr. Chairman?

The CHAIRMAN. May I say to my friend, Senator Grassley, that if he could make just a brief comment because we do have a panel and we have other matters. We have to proceed.

Senator GRASSLEY. Okay, I will do that. I want to make reference to an article by Lane Kirkland, May 19. He suggest an alternative to NAFTA, which is a North Atlantic Free Trade Agreement.

I guess my question is whether or not Labor's proposal is being given serious consideration and do you feel that this editorial is indicative of Labor's position that no matter what you do with side agreements in NAFTA that Labor may not support NAFTA.

Ambassador KANTOR. I hope not, Senator. We are working as hard as we can to get as broad a base support from all sides for the NAFTA with these supplemental agreements.

Mr. Kirkland's article is interesting. The Uruguay Round, of course, would cover a number of the areas which he cites in the article. There will be rounds beyond the Uruguay Round and, of course, we are trying to open markets and expand trade. So, therefore, to that degree I would agree with the article.

I think our plate is quite full right now. It would be a little difficult to take up that negotiation at this point.

Senator GRASSLEY. But you do not have any reason to know that with the side agreements that they might not support NAFTA?

Ambassador KANTOR. Well, let me say this. I think I have an uphill battle in that regard with my friends from the Labor movement. But we will continue to engage them in conversation and debate over this issue and hope that we can convince them that the NAFTA with supplemental agreements will grow jobs in this economy, which it will, will help American business, and is in the best interest not only of Labor but of the American people.

Senator GRASSLEY. I yield.

The CHAIRMAN. Thank you very much.

Mr. Ambassador, we thank you so much. You have come here. You have been very open, very informative. We will hope to get this legislation for you and we wish you the greatest success with it when we do.

Ambassador KANTOR. Thank you very much, Mr. Chairman. Thank you members of the committee. I appreciate it.

The CHAIRMAN. We now have a panel of business executives who would like to offer some views on this general subject. We asked a wider range of interested persons and these three gentlemen are those who came. Would the panel come forward?

Mr. Robert Cizik, who is chairman and chief executive officer of Cooper Industries and chairman of the board of the National Association of Manufacturers.

Mr. Cizik, I do have that pronunciation correct?

Mr. CIZIK. Cizik.

The CHAIRMAN. You say Cizik.

Mr. CIZIK. It is a soft "c," sir.

The CHAIRMAN. Henry Parker, who is the former managing director of the Chubb Group of Insurance Companies, testifying on behalf of the Coalition of Service Industries. Mr. Parker. And Michael Gadbow, vice president and senior counsel for international law and policy of the General Electric Co., testifying on behalf of the Coalition for GSP Renewal. Mr. Gadbow, good morning to you. Mr. Cizik, if you would begin, sir.

**STATEMENT OF ROBERT CIZIK, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, COOPER INDUSTRIES, INC., AND CHAIRMAN OF THE BOARD, NATIONAL ASSOCIATION OF MANUFACTURERS, HOUSTON, TX**

Mr. CIZIK. Thank you, Mr. Chairman. As chairman of the National Association of Manufacturers let me say that we value and appreciate this opportunity to explain our views before this committee.

NAM believes that President Clinton's request for new fast-track authority currently embodied in H.R. 1876 is one of the most important initiatives now pending before Congress. We support it and we urge this committee to approve it as soon as possible and without amendment.

The CHAIRMAN. Without amendment?

Mr. CIZIK. Without amendment.

We also support the administration's request for a renewal of the Generalized System of Preferences program, the GSP. Since 1948 the General Agreement on Tariffs and Trade and the organization that has evolved from it have been the linchpin—there is that word again.

The CHAIRMAN. You said "the" linchpin.

Mr. CIZIK. I did say the, sir. If I had it incorrect, I did not after your comment.

Has been the linchpin of American trade policy. Since 1986, completing the Uruguay Round has been the primary American trade policy objective. NAM has strongly supported that objective throughout this period. We are in agreement with this administration, as we have been with previous administrations on the premises that underlie America's work in the GATT.

These are that (1) American manufacturers and the United States generally benefit from a rule-based open international trading system, that is from the GATT; (2) the GATT system will prove difficult, if not impossible to retain, unless the rules of the GATT

are significantly improved; and (3) in addition to expanding the scope of the GATT, trade barriers around the world need to be reduced and the opportunities for American exporters expanded.

And finally, there is no policy option available that would do as much to encourage world growth as would a successful conclusion to the Uruguay Round. NAM supports the President's fast-track request for the simple reason that we see no hope of finishing the Uruguay Round without it.

No one, however, should construe our support for fast-track renewal as an endorsement of the current negotiation document which is frequently referred to as the Dunkel draft.

NAM would almost certainly oppose a Uruguay Round package that was based on the Dunkel draft as it stands today. In our view, the purpose of fast-track legislation is to give our negotiators the tools they will need to secure the necessary improvements.

Ambassador Hills was aware of the defects of the Dunkel draft and Ambassador Kantor is clearly aware of them as well. I suspect that each member of this committee, like almost every member of NAM, and there are 12,000 of them, has a list of changes that need to be made.

While our trading partners need to know and understand United States objects, we believe it would be a mistake for Congress to try to provide statutory criteria for these negotiations. To add new criteria now would be to render complex and difficult negotiations more so and would, we expect, increase the likelihood of a serious disappointment.

As you will see from the written version of my testimony, however, we believe changes must be made in the Dunkel draft provisions on protection for intellectual property rights and the chapters on subsidies and antidumping and in other areas.

Moreover, it is critical that the market access provisions be substantial and beneficial to American interests. In a very real sense, the Uruguay Round, though urgent, is yesterday's news. Its topics are the topics of the early 1980's. The United States and the other members of the international trading community need to get on with the business of the 1990's.

To cite but one example, we need to begin the negotiations over the linkages between trade policies and environmental policies around the world. If the Uruguay Round fails, we will have no effective forum in which these issues can be addressed.

Last week an EC official told an NAM group that the current negotiations, those to be authorized by new fast-track authority, are the last shot the world has for finishing the Uruguay Round. That shot must be successful, and the negotiating authority the President has asked for is a sine qua non of success in this area.

The CHAIRMAN. Please continue.

Mr. CIZIK. Again, I urge you to approve it.

Finally, Mr. Chairman, I would simply like to restate that the NAM does support the administration's request for an 18-month extension of the GSP program. We believe that the GSP system is working well and that it benefits both developing countries and American companies.

My colleague from General Electric, Mr. Gadbow, will elaborate further on this issue, and I would like to associate myself with his views. I thank you very much.

The CHAIRMAN. We thank you, sir.

[The prepared statement of Mr. Cizik appears in the appendix.]

The CHAIRMAN. We will hear from all of you before we go into questions. So, Mr. Parker, you are next.

**STATEMENT OF HENRY G. PARKER III, FORMER MANAGING DIRECTOR OF THE CHUBB GROUP OF INSURANCE COMPANIES, TESTIFYING ON BEHALF OF THE COALITION OF SERVICE INDUSTRIES, INC., WARREN, NJ**

Mr. PARKER. Thank you, Mr. Chairman. I clearly welcome this opportunity to testify in support of President Clinton's request to renew fast-track negotiating authority. The authority, as clearly has been so eloquently stated earlier this morning, will allow negotiators to resume the Uruguay Round and set a very useful deadline we think for conclusion of the talks.

We support GSP renewal as well.

I am former Managing Director of the Chubb Group of Insurance Companies. But today I am speaking on behalf of the Coalition of Service Industries. The Coalition represents a group of large multinational companies engaged in a broad spectrum of service businesses.

Mr. Chairman, services are the fastest growing component of the U.S. economy. We employ collectively over 77 percent of the work force in the United States. We account for 9 out of 10 new jobs. We produce almost 70 percent of GDP in the United States and we even account for one-third of total U.S. exports.

The CHAIRMAN. That is an impressive statement, I must say.

Mr. PARKER. Thank you, sir.

Now this notion, however, that the service provides universally low paying, low scale jobs that have grown at the expense of better manufacturing jobs is, sir, simply not true. There are many of us, frankly, that find such comment which we have seen in the press and elsewhere insulting.

The tens of millions of people employed in industries such as banking, telecommunications, health care, data processing, advertising, accounting, insurance, transportation and tourism, to name just a few bear witness.

From a global perspective the United States is the world leader in services trade. And more importantly, the private services balance has been in constant surplus for more than 20 years and reached a record high of \$59 billion in 1992, significantly offsetting the more publicized merchandise trade deficit of \$96 billion.

I think a very current example that Senator Riegle mentioned earlier this morning is the \$10.2 billion trade deficit which is, in fact, a merchandise only trade deficit for the month of March.

Now that figure is misleading simply because it excludes the services trade surplus earned in that same period and we do not know the amount of that in that period because it is not calculated month-by-month.

Progress made by GATT negotiators toward achieving a strong services agreement is significant, but the proposed draft as it

stands now falls short of success. Critical issues remain unresolved, especially with respect to liberalization commitments by our foreign trading partners.

Renewal of fast track provides the only means of restarting negotiations to complete the agreement by December. A final services agreement needs four elements. It needs a tough binding framework of rules. It needs strong annexes for financial services and telecommunications. It needs substantial liberalization in a broad group of industrialized and developing countries. And it needs a mechanism particularly to prevent free riders.

The Dunkel draft, we believe, fulfills several of our criteria, and annexes on financial services and telecommunications are well underway. But as efforts to complete the Round accelerate, we are concerned, Mr. Chairman, that the United States will be asked to settle for less.

What we do not want; clearly, what you do not want, what the members of your committee do not want, is an agreement which would have the affect of locking the U.S. market open in many service sectors while locking closed the markets of many of our trading partners.

That situation would provide a free ride under the principal of most-favored-nation for countries wanting the benefits, but without making any commitments to liberalize trade. And the Coalition's member companies, should that happen, simply could not support such an agreement.

The Coalition's member companies very much want the Uruguay Round to succeed. We operate in upwards of 100 countries worldwide and we do, in fact, contribute to that \$59 billion services trade surplus, sir, recorded last year.

Fast track authority extension is the only means, we believe, of achieving that goal and we urge your approval of the extension of the President's fast-track authority so that the services industries can continue to enlarge its trade surplus, helping to achieve equilibrium in the U.S. balance of payments, and to enlarge our job creating functions already, sir, at 9 out of 10 new jobs in the United States.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Parker appears in the appendix.]

The CHAIRMAN. Mr. Parker, you seem rather diffident in your views. But that is all right. With practice you will become more confident. [Laughter.]

Thank you very much. Both Senator Packwood and I were struck with the proposition that we have never been a manufacturing based economy that we moved from a majority in agricultural work force to services.

Mr. PARKER. Thank you for reading that, sir. That is a correct statement.

Mr. CIZIK. I would like to say, Senator, that 16 percent of the jobs in the United States are manufacturing jobs. Not that I want to disagree. The service side of the economy is very important, but manufacturing is also.

The CHAIRMAN. We agree with all of you. We very much support that manufacturing is very important.

Senator PACKWOOD. I want to throw in agriculture, too.

The CHAIRMAN. Agriculture, absolutely. And logging. [Laughter.]

Mr. Gadbow, we welcome you, sir. I note you are senior counsel for international law and policy of General Electric; and you are here, of course, for the Coalition for GSP Renewal. Mr. Cizik said you would speak particularly to that.

**STATEMENT OF R. MICHAEL GADBAW, VICE PRESIDENT AND SENIOR COUNSEL FOR INTERNATIONAL LAW AND POLICY, GENERAL ELECTRIC CO., TESTIFYING ON BEHALF OF THE COALITION FOR GSP RENEWAL, WASHINGTON, DC**

Mr. GADBAW. Yes, Mr. Chairman. I am here on behalf of the Coalition for GSP Renewal. And while I want to address specifically GSP, I also want to associate my views with those of my colleagues in support of the fast-track extension which we think is critical to bringing the Uruguay Round to a successful conclusion.

I would like to say first of all the coalition consists of companies, such as General Electric, trade associations, such as the Pharmaceutical and Manufacturers Associations, and the Coalitions of Associations such as the International Intellectual Property Alliance.

The Alliance includes groups such as the publishers, software makers, computer makers, technology associations, motion picture association, music publishers, the recording industry. Together, we represent more than 1,700 companies with U.S. revenues of \$600 billion and over \$7.1 million jobs

Let me explain why we think GSP should be extended. General Electric looks at this issue from the perspective of a U.S. exporter. In 1992, GE exported \$8.8 billion and added a net positive surplus to the U.S. balance of trade of \$6 billion.

GSP beneficiaries are some of our best customers. Whether it is Mexico or Malaysia, India or Indonesia, the economies of the developing world are growing rapidly and generating enormous infrastructure needs. These needs play to our export strengths, whether it is aircraft engines or power generation equipment, locomotives or medical equipment. The exports that we sell to these economies are producing jobs in Schenectady, in Erie, in Milwaukee, in Cincinnati, in Greenville, and in thousands of other locations of GE's suppliers.

The connection between GSP and U.S. exports is not a coincidence. GSP helps to generate foreign exchange revenues that these countries need to buy our products. But more importantly, the GSP program helps to generate sustainable economic development which in turn stimulates demand for U.S. products, long after these countries graduate from GSP eligibility.

There is also a more subtle reason for extending GSP that was mentioned earlier today. That is, that our competition, our major competition in foreign countries, operates from bases that provide GSP. And if the United States is the only developed country that opts out of the GSP program, U.S. exporters will suffer because our competition will be very quick to take advantage of that fact in pursuing our customer base.

Equally important, the Coalition represents interests, Associations and companies that benefit from the leverage GSP provides to obtain improvements and intellectual property rights regimes in developing countries.



The record is clear that GSP has been a very important incentive to get developing countries to improve these regimes. The issue before you is a rollover of the GSP program, which we support. But we also want to make clear that we support the long-term extension of the program. We hope to work closely with this committee and with the Congress to ensure that both the rollover and the long-term extension are obtained.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Gadbow appears in the appendix.]

The CHAIRMAN. Thank you, Mr. Gadbow. That is the base. As I recall, we had this exchange with the Ambassador that we are requesting about a 15-month extension. That is the term, your rollover is the phrase you use, as they develop a more permanent area. Because we do not want trade arrangements like this to be subject to our not always impressive procedural arrangements so that every 18 months you have to calculate whether you still have a customer on a certain basis in January.

We have July 4 as the expiration date of the GSP and in effect, if I can say to Mr. Cizik and to Mr. Parker, as you know, the President's negotiating authority under fast track has in effect expired because he would have had to send us an agreement a month ago or something.

Mr. CIZIK. That is right.

The CHAIRMAN. We have to get two bills and they have to be clean bills. But I think we have had a very persuasive statement from exporters to the fact that they want these bills and this Senator very much agrees.

Senator Packwood?

Senator PACKWOOD. Mr. Gadbow, any suggestion as to how we pay for it?

Mr. GADBAW. Senator, I understand the administration has worked out and found the resources to pay for it. I am not an expert on that subject.

Senator PACKWOOD. Most of the witnesses who appear before us are not.

Mr. GADBAW. That is right.

Senator PACKWOOD. On that portion of the subject.

Mr. GADBAW. But we do think it returns the cost of the program many times over in terms of the benefit that it gives to U.S. exporters and that generates a certain amount of income.

Senator PACKWOOD. You know, I am going to vote to extend it. But I wish you would not use that argument about it pays for itself. Every single person that comes in to see us, whether it is billions for education or worker retraining or whatever, tells us that it pays for itself.

To the poor Budget Director, it is money out this year and next year but he does not see the money in this year and next year. I think we could almost operate the entire economy on the basis of pay off in the future so long as we could borrow the money now. But somehow it never seems to work out right in the future.

Mr. GADBAW. I appreciate that.

Senator PACKWOOD. Mr. Cizik, let's say we get the market access. Do you have any fears that while against this deadline we

may get the market access agreement and perhaps reach a satisfactory agricultural settlement, but that somehow the antidumping and intellectual property will get lost in the mix?

Mr. CIZIK. Well, there are several aspects that you have to have some fears about, Senator, being lost in the mix. I think it is important that this Congress, that the business community, make clear to our negotiators what they expect them to negotiate for us in these agreements.

Clearly, as we have already stated, the Dunkel draft is not acceptable. And I think we just have to insist upon this. The intellectual property part of this is extremely important in this day and age.

The CHAIRMAN. Mr. Parker found it partly acceptable.

Mr. PARKER. Correct, sir.

The CHAIRMAN. Do you have a difference of views here.

Mr. PARKER. Oh, I did not say it was totally unacceptable. It is a good base from which to begin, sir.

The CHAIRMAN. I am sorry, sir.

Senator PACKWOOD. Mr. Parker, as with the Chairman, I'm delighted with your statement. I do not know why we forever exclude services when we start talking about balance of payments. It is money. I mean you do earn money for this country.

Mr. PARKER. Very real money.

Senator PACKWOOD. It is money that can be spent for all kinds of infrastructure in this country. However, every month we see that the trade deficit figure is missing what you provide.

Mr. PARKER. That appears on page 1 of the Wall Street Journal. And quarterly the United States produces what is called the sum of the two, the merchandise deficit and the service of the surplus called balance of payments in foreign account, and that appears maybe on page 68 of the Wall Street Journal.

Senator PACKWOOD. If you can find it.

Mr. PARKER. If you can find it. Right, sir.

Senator PACKWOOD. How do we solve the free rider problem?

Mr. PARKER. Real tough. I am personally in favor of attaching a Super 301 to the fast-track renewals, Senator.

Senator PACKWOOD. Let me hear you. You would attach it?

Mr. PARKER. I would, provided you gentlemen were satisfied that other riders far less desirable were not also attached and, therefore, a Pandora's box would be opened.

As I say, if you felt in your judgment that that would happen, then I would think that it would be best not to open that box by attaching it.

The CHAIRMAN. It would happen.

Mr. PARKER. I would then withdraw my support of attachment of it.

Senator PACKWOOD. There was an earlier reference when the Ambassador referred to the eye of the beholder. Other amendments less worthy are indeed in the eye of the beholder. When they are offered, they somehow in the eye of the beholder have an immense importance.

Mr. PARKER. Right, sir.

Senator PACKWOOD. I have no other questions. A good panel, Mr. Chairman.

The CHAIRMAN. A good panel indeed. And it is very important that we have your support and that the trade representatives and the office has your counsel. Of course, you all send members, representatives to be present at these negotiations and they have the advice of your counsel I am sure. I trust that is true.

Mr. PARKER. We appreciate your holding these hearings, sir.

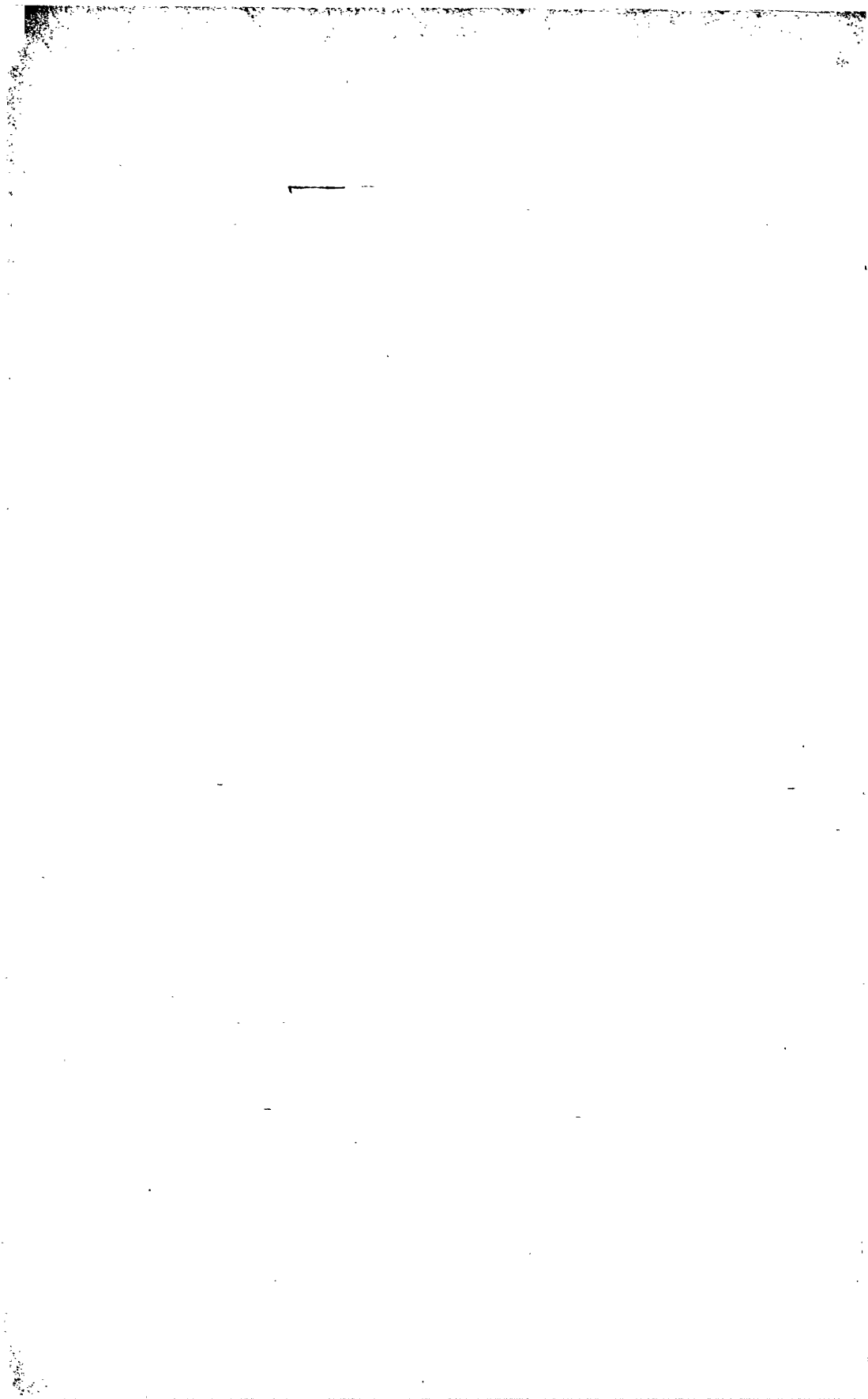
The CHAIRMAN. We thank you very much. They just need to find us 51 votes, but that is another matter. That is our job. You have given us your good advice and we appreciate it very much.

Mr. CIZIK. Thank you, sir.

Mr. PARKER. Thank you.

Mr. GADBAW. Thank you.

The CHAIRMAN. We thank all. We thank our diligent Reporter.  
[Whereupon, at 11:35 a.m., the hearing was adjourned.]



# APPENDIX

## ADDITIONAL MATERIAL SUBMITTED

### PREPARED STATEMENT OF ROBERT CIZIK

Mr. Chairman, Members of the Committee, I am Robert Cizik. I am the Chairman and Chief Executive Officer of Cooper Industries of Houston, Texas, and I am the Chairman of the National Association of Manufacturers. It is on behalf of NAM that I appear before you today. It is an opportunity that we greatly value, Mr. Chairman, and very much appreciate.

NAM believes that President Clinton's request for new fast-track authority, currently embodied in H.R. 1876, is one of the most important initiatives now pending before Congress. We support it, and we urge this committee to approve it as soon as possible and without amendment. We also support the Administration's request for a renewal of the Generalized-System-of-Preferences program.

Since 1948, the General Agreement on Tariffs and Trade (GATT) and the organization that has evolved from it have been the linchpin of American trade policy. Since 1986, completing the Uruguay Round has been the primary American trade policy objective. NAM has strongly supported that objective throughout this period. We are in agreement with this Administration, as we have been with previous administrations, on the premises that underlie America's work in the GATT. These are that:

(I) American manufacturers and the United States generally benefit from a rule-based, open international trading system, that is, from the GATT, but that

(II) The GATT system will prove difficult if not impossible to retain unless the rules of the GATT are significantly improved.

(III) In addition to expanding the scope of the GATT, trade barriers around the world need to be reduced and the opportunities for American exporters expanded.

(IV) There is no policy option available that would do as much to encourage world growth as would a successful conclusion to the Uruguay Round.

It is now clear that the Uruguay Round will not produce all that we had hoped it might. On the other hand, it does continue to offer the promise of a strengthened, reinvigorated GATT.

NAM supports the President's fast-track request for the simple reason that we see no hope of finishing the Uruguay Round without it. No one, however, should construe our support for fast-track renewal as an endorsement of the current negotiating document, which is frequently referred to as the Dunkel Draft. NAM would almost certainly oppose a Uruguay Round package that was based on the Dunkel Draft as it stands today. In our view, the purpose of fast-track legislation is to give our negotiators the tools they will need to secure the necessary improvements.

Before commenting, Mr. Chairman, on NAM's concerns with respect to the Dunkel Draft, I should like to make a few observations about U.S. trade generally. The United States is the world's largest trading nation. We are consistently the world's largest importer and in most years the world's largest exporter. Roughly 80 percent of both our imports and our exports are manufactured goods.<sup>1</sup> In a very real sense, a discussion about the future of American trade is a discussion about the future of American manufacturers.

<sup>1</sup>In 1992 manufactured goods accounted for 77% of U.S. exports and 81% of U.S. imports. Source: U.S. Department of Commerce *U.S. Merchandise Trade: December 1992. FT-900 (92-21)*.

The second point I would note, Mr. Chairman, is that geographically American trade is quite diverse. Of the \$448 billion worth of American products that were exported in 1992,

- \$131 billion—about 29 percent—were shipped to North American destinations, i.e., to Canada and Mexico;
- \$114 billion—about 25 percent—were shipped to our major trading partners in Asia;
- \$117 billion—about 26 percent—were shipped to Western Europe, and
- \$86 billion—about 19 percent—were shipped to other destinations, including South America and Africa.

These numbers should serve as a reminder that, in trade, American interests are global. Those interests will be served far better by an effective global system than they would by a series of undisciplined regional arrangements.

Undeniably new regional arrangements will continue to evolve around the world. Indeed, it is our strong hope that there will soon be an occasion and reason for NAM to explain to this Committee its strong support for the North American Free Trade Agreement (NAFTA). One of the great strengths of NAFTA, of course, is that it is dynamically compatible with the GATT. It conforms to GATT requirements, and it anticipates future GATT improvements. Other arrangements in Asia, Europe and Latin America are not likely to follow this model—or to promote U.S. interests—unless there is a strong and effective GATT whose views and principles must be taken into account by all parties.

#### THE DUNKEL DRAFT

As I have said, Mr. Chairman, we do not regard the Dunkel Draft in its current form as acceptable. Ambassador Hills was aware of its defects, and Ambassador Kantor is clearly aware of them. I suspect that each member of this committee, like almost every member of NAM, has a list of changes that need to be made. While our trading partners need to know and understand U.S. objectives, we believe it would be a mistake for Congress to try to provide new statutory criteria for these negotiations. The 1988 criteria were good ones. To add new criteria now would be to render complex and difficult negotiations more so and would, we expect, increase the likelihood of a serious disappointment.

I would, however, like to highlight some of NAM's goals and concerns with respect to the Uruguay Round negotiations of the next six months.

**Market Access.** Success in these talks is critical. If tariffs and other barriers to American exports are not further reduced worldwide, American industry is unlikely to support the Uruguay Round agreements. We support the Administration's efforts to establish free-trade worldwide in certain sectors. This is the "zero-for-zero" initiative in which we are seeking zero tariffs abroad in exchange for zero tariffs here. We expect to see significant increases in U.S. exports of a number of products from semiconductors to steel to paper and beer if this effort is successful.

Some market-access progress has already been made in that the current Dunkel Draft largely eliminates certain forms of protection that have been used extensively in the past to the detriment of American producers. These include, among other things:

- quotas erected in certain countries and justified on the basis of balance of payments difficulties; and
- subsidies to investors that are tied to using local rather than imported inputs.

These are important improvements, but they are far from enough.

**Intellectual Property Protection.** The new language on the protection of intellectual property may well prove to be one of the great achievements of the Uruguay Round. It will only win the kind of support from our members that it needs, however, if the current deficiencies are removed. These relate primarily to product coverage and to the phase-in periods that India and other developing countries have unwisely insisted upon.

A Uruguay Round with strong language on intellectual property would be a victory to the United States, but one with some costs. It will make it much harder for the United States to justify, either internally or to the world, the use of non-GATT remedies for violations of U.S. patents and other intellectual property rights. This means that we should insist on broad acceptance internationally to a strong code before we ourselves agree to it.

**Subsidies and Countervailing Measures.** This is an exceedingly complex area, and this is not the place for a lengthy discussion of the subsidies issues. There are four points, however, that I would like to highlight. The first is that, in general,

changes in the current subsidies code and in U.S. countervailing duty law can be justified only insofar as they relate to overall improvement in international subsidies discipline in this area.

Second, our negotiators need to be extremely wary of broad new categories of permissible subsidies, such as, for example, the sweeping authority for regional subsidies contained in the Dunkel Draft.

Third, the Administration needs to be extremely careful that the agreements made in this area accurately reflect the needs of American business. New language on research subsidies may be in order, but the United States must understand the implications for this country of whatever we agree to internationally.

Fourth, everyone concerned must be aware that this is not an area in which U.S. interests can be traded off for perceived goals in other areas. NAM associates itself with the 1990 report by the Advisory Committee on Trade Policy and Negotiations on this subject, which concluded with these observations:

If progress cannot be made, the status quo vis-a-vis subsidies and countervailing measures would be very disappointing to the ACTPN and could influence ACTPN's evaluation of a final Uruguay Round package. *Anything less than the status quo would clearly be unacceptable to the ACTPN.* We remind the negotiators that there is an outcome worse than failure; namely failure that is politically labeled a success. Above all, this must not be allowed to happen. (Emphasis added.)

**Antidumping.** As I am sure the members of this committee know, this is an extremely sensitive area for American manufacturers and somewhat contentious within NAM. I believe our negotiators understand that the Dunkel Draft language governing national antidumping laws must be improved. We would not wish to see a GATT dispute settlement system that did not defer to the decisions of the U.S. agencies that administer our antidumping and countervailing duty laws. We hope the language in the final Uruguay Round agreement on standards of review will meet this particular concern.

#### RELATIONSHIP TO OTHER TRADE INITIATIVES

In recent months the Uruguay Round has been all but obscured by other initiatives. Yet each of these has some relationship to the Round, and it may therefore be useful to review briefly the more important ones.

**Japan.** Almost certainly, we will need to preserve the ability to negotiate bilaterally with Japan and with certain other countries. Even the best possible Uruguay Round will not address issues such as those covered in the Structural Impediments Initiative. Yet these are issues that we will need to continue to be able to pursue with Japan. In any event, the character of the U.S.-Japan relationship will be affected by the outcome of the Round, and there are some issues it would be better to pursue with Japan in a strengthened GATT. On the other, our negotiators need to ensure that we do not unnecessarily limit our ability to deal with Japan on non-GATT issues outside the GATT framework.

**China and Russia.** Both of these countries share the aspiration to become full Contracting Parties to the GATT. American business wants both of them to be successful. In that context, I would note that we regard the negotiations that are currently going on with the Chinese over their re-admission to the GATT as extremely important. These talks offer hope of further market liberalization in China. In addition, we believe that some of our future negotiations with China will be easier and less risky for American business if they occur in a GATT context rather than in a bilateral one.

Russia poses a different but related problem. We would like to see Russia and the former Eastern bloc countries prosper. Their hope of prosperity depends in part upon their ability to trade with a prosperous world, relying on widely understood rules. In other words, these countries need the GATT, even though some of them do not yet belong to it but are only observers. **Mexico and Latin America.** As noted earlier, there are numerous links between NAFTA and the Uruguay Round. These relate not only to the fact that they address many of the same issues. The two agreements are also intertwined in terms of their meaning and possible outcome. If NAFTA fails, the outlook for the Uruguay Round will be bleak, though it is today somewhat hopeful. Alternatively, if the Round fails, NAFTA will no longer be just a model for other agreements with Latin America. It will be the only available option for countries around the world seeking closer ties to the United States. In short, it would render the NAFTA follow-on process politically unmanageable.

## NEW ISSUES

In a very real sense, the Uruguay Round, though urgent, is yesterday's business. Its topics are the topics of the early '80s. The United States and the other members of the international trading community need to get on with the business of the '90s. To cite but one example, we need to begin the negotiations over the linkages between trade policies and environmental policies around the world. If the Uruguay Round fails, we will have no effective forum in which these issues can be addressed.

Last week, an EC official told a NAM group that the current negotiations—those to be authorized by new fast-track authority—are “the last shot” the world has for finishing the Uruguay Round. That shot must be successful, and the negotiating authority the President has asked for is a *sine qua non* of success. Again, I urge you to approve it.

Finally, Mr. Chairman, I would simply like to restate that the NAM does support the Administration's request for an 18-month extension of the GSP program. We believe that the GSP system is working well and that it benefits both developing countries and American companies. I believe my colleague from General Electric, Mr. Gadbaw, will elaborate further on this issue, and I would like to associate myself with his views. Thank you.

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 PREPARED STATEMENT OF SENATOR DAVE DURENBERGER

Mr. Chairman, I am pleased that we are holding this hearing today. It is important for Fast Track to be extended so that this Administration can conclude a successful Uruguay Round Agreement by the end of the year.

I have always been inclined to support opening world trade markets because I believe free trade will enhance the economy and lives of the people of Minnesota and the U.S.

With 17 percent of Minnesota's manufacturing jobs linked to exports, MN ranks ninth among states in manufacturing employments linked to exports. Export trade is worth more than \$8 billion to my state's economy—more than 18 percent of Minnesota's production. In addition, import trade plays a vital role in Minnesota's economy. In 1990, import and export activities just in the Port of Duluth-Superior supported nearly 3,000 Minnesota jobs.

I was an early supporter of the U.S.-Canada Free Trade Agreement. However, we have learned some very valuable lessons since that agreement was implemented. As you move forward with the GATT, Mr. Ambassador, I hope you will keep in mind the problems we have had with respect to durum wheat, softwood lumber, and live hogs.

The United States needs markets for its products—and the NAFTA and the Uruguay Round agreement will help us expand market access abroad. We need the new disciplines of these agreements to create new opportunities for US exports. This is especially true in America's agriculture sector where new technology continues to increase our competitiveness and productivity.

Ambassador Kantor, the United States—indeed the World—needs the Uruguay Round to succeed. If Fast Track is approved you would have only six months to achieve what has eluded negotiators for the past seven years. It has not been easy, but I am hoping that this final deadline will force our allies to the table to negotiate the best agreement possible. I wish you luck. You will need it.

I would also caution you to beware of the environmentalists' call for a “Green GATT.” We are all for efforts to improve the environment here and in other nations. We have committed ourselves to a side agreement on the environment that would encourage Mexico to improve its enforcement of the environmental laws it already has on the books. But we must be careful not to wind up with a side agreement that is so tough that we cannot live with it. A tough agreement may pick up SOME support, but it could risk the support of even more, and raise the fears of our trading partners that the U.S. continues its past efforts to impose our own laws extraterritorially on other nations. I am very nervous about efforts to use trade as a weapon to solve many of the other pressing problems of the world. Trade is just too important to jeopardize in this way. In this increasingly competitive global economy we have to fight for foreign markets. We must not weaken those opportunities by tying trade to other issues which, of course, are important, but they should be considered separately. I recognize that we have committed ourselves to negotiate a side agreement on the environment and on labor issues, but I want to again caution Ambassador Kantor that we must not go too far. Independent commissions with the authority to impose trade sanctions would, in my view, place trade agreements—particularly the NAFTA—in a tenuous position.



Remember that free trade promotes environmentalism. It is very simple. By permitting poor countries to export shirts and shoes, they will be less likely to cut down their rainforests to export logs.

The higher the quality of life a country has—the better health care, the better educational systems—the more likely that they will develop public concern about the environment that will translate into tougher laws and more effective enforcement of the law. Free trade and market access will help provide developing nations with this quality of life.

Lastly, Mr. Ambassador, I want to communicate my support for the 15 month extension of the GSP (Generalized System of Preferences) program. The GSP program grew out of the concept of "trade not aid." By providing a market for developing nations in order to spur development, the United States is doing far more than writing a check. GSP creates long-term development and jobs in developing nations and deserves support.

I do however, have one problem with GSP which is an issue we debated during the last Congress. The current regulation requiring a three-year waiting period for rejected petitions is too frequently waived. Last year there was a waiver of a petition denied on Goya Cheese from Czechoslovakia—the result being legal costs which heavily burdened the dairy industry.

It is my belief that the three-year waiting period for rejected GSP petitions should be codified into law in this legislation. I am prepared to offer such a provision as an amendment, and believe that such an amendment has significant support among committee members.

I look forward to working with you Mr. Ambassador, and the members of this committee on these important trade matters.

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#### PREPARED STATEMENT OF R. MICHAEL GADBAW

Mr. Chairman, I Michael Gadbow Vice President and Senior Counsel for International Law and Policy for General Electric Company. I testifying today on behalf of The Coalition for GSP Renewal. While I here to support the extension of GSP, I would also like to take this opportunity at the beginning of my testimony to associate myself with others, such as the National Association of Manufacturers, who support the extension of "fast track" authority for the successful conclusion and implementation of the Uruguay Round.

The Coalition for GSP Renewal consists of individual companies, such as General Electric; trade associations, such as the Pharmaceutical Manufacturers Association; and coalitions of associations, such as the International Intellectual Property Alliance. The Alliance includes the Association of American Publishers, the American Film Marketing Association, the Business Software Alliance, The Computer and Business Equipment Manufacturers Association, the Information Technology Association of America, the Motion Picture Association of America, Inc., the National Music Publishers' Association, Inc. and the Recording Industry Association of America.

Taken together under the umbrella of the Coalition for GSP Renewal, we represent more than 1,700 companies with diverse interests in all 50 states. Our U.S. revenues exceed \$600 billion and employment is over 7.1 million. Revenues from foreign markets exceed \$50 billion.

General Electric looks at the GSP program from the perspective of a major U.S. exporter. In 1992, GE exported \$8.8 billion in U.S. manufactured products and contributed a net \$6 billion positive surplus to the U.S. balance of trade. GSP beneficiaries past and present are some of GE's best customers. Whether it's Mexico or Malaysia, India or Indonesia the economies of the developing world are growing rapidly and generating enormous infrastructure needs. These infrastructure requirements play to GE's export strengths in everything from aircraft engines and power generation to locomotives and medical equipment. Moreover, these export markets support high-skilled high-paying U.S. manufacturing jobs in factories in Schenectady, Erie, Cincinnati, Milwaukee and Greenville, and the thousands of locations of GE's suppliers.

This connection between GSP and U.S. exports is not simply a coincidence. At the most basic level, GSP exports helps generate the foreign exchange needed to purchase U.S. products. More importantly, the GSP program contributes to sustainable economic growth that stimulates demand for U.S. products continuing long after a country graduates from the GSP program. We have seen this process work in the four Asian tigers and we see it now working in many of the current GSP beneficiaries whose growth rates far exceed those of the developed world. For GE, this

helps to explain why international sales over the last five years have grown annually by an average of 15% while domestic sales grew at 1.1%.

There is a more subtle reason for extending GSP that should not be ignored. All of our competitors from major developed countries benefit from their own GSP programs in pursuing export sales. No countries I know of want their bilateral trade relationships to be a one way street. Foreign purchasers are more likely to buy U.S. exports if the U.S. also imports from those countries. United States exporters from our farms and factories, our recording and film studios, our laboratories and our publishing houses all face competition with companies from our major trading partners on virtually every export sales opportunity we have. If the United States is the only developed country to opt out of the GSP program, U.S. exporters will certainly suffer.

In addition to facilitating U.S. exports through the benefits of bilateral trade, U.S. firms represented through this Coalition include manufacturers that utilize the duty-free benefits of the U.S. Generalized System of Preferences (GSP) as a means to improve the international competitiveness of their U. S. operations. Because GSP is product-specific and excludes import sensitive items, GSP duty-free treatment lowers the costs of manufacturing in the United States helping to keep U.S. producers internationally competitive.

Equally important, the Coalition also consists of associations and companies that benefit from the leverage the GSP program provides to obtain improvements in the intellectual property regimes of beneficiary developing countries as well as in resolving specific market access and other trade policy problems. As GSP helps attain the goal of adequate and effective protection of U.S. intellectual property rights abroad, revenues from foreign markets can go up dramatically.

There have clearly been instances where the GSP has been a contributing factor in beneficiary countries' consideration of whether to take action to improve protection of intellectual property rights. Mexico, Singapore and Malta provide the clearest examples of the GSP having encouraged countries to improve IPR protection; other instances where the GSP played a favorable role in facilitating countries' willingness to respond to U.S. concerns on IPR would include Brazil, Argentina, Chile and, to a lesser extent, Indonesia. In each case, the availability of GSP benefits made it more palatable for the countries concerned to take specific actions to improve intellectual property rights.

While the Coalition fully supports an extension of GSP, the immediate issue is the need to have a short-term "rollover" of the GSP. The Coalition for GSP Renewal believes it is vital to avoid any lapse in the GSP program, and fully supports the Administration's proposal for reliquidation of entries should any hiatus in the program occur. Loss of GSP duty-free treatment would immediately increase costs for U.S. companies and eventually for U.S. consumers. If the GSP is allowed to expire, even if only temporarily, it will be of diminished value to developing countries, thereby giving the United States reduced leverage to attain valuable objectives.

Mr. Chairman, GSP is a program that generates direct and substantial benefits to U.S. exporters. It provides a valuable incentive in obtaining market access and intellectual property protection. On behalf of the Coalition, we look forward to working with this Committee and other Members of Congress to achieve a short-term "rollover" of the program. The Coalition intends to support passage of authority for a longer-term GSP program that strengthens U.S. competitiveness and promotes development of free enterprise in emerging and developing economies. Finally, the role that the GSP could play in aiding the republics of the former Soviet Union is among the issues which must be considered in the context of a longer-term extension of the GSP program.

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#### PREPARED STATEMENT OF SENATOR ORRIN G. HATCH

Mr. Chairman, in my judgment, it may be the spectacle of the "Quad" nations' bickering, rather than Fast Track renewal, that keeps most GATT member nations from seriously coming to closure on the Uruguay Round.

I intend to support Fast Track, and I would like a clean bill. But the negotiation objectives offered by Senators Rockefeller and Danforth have merit, especially those dealing with intellectual property. I hope we can accommodate them some other way although I, for one, do not think Fast Track is the appropriate vehicle.

#### EC, US, CANADA AND JAPAN STILL AT ODDS

The forthcoming Quad meetings in Paris and Tokyo, working toward the July 6-7 summit in Tokyo, *must* lay the groundwork for progress in concluding the Uruguay Round. The obstacles are daunting, however.

Japan's \$136 billion trade surplus is probably the major stumbling block. I know that many of my colleagues join me in saying that the 770 tariff reductions offered last week by Japan missed many of the most important sectors, nonferrous metals, such as copper, and processed foods and health foods, among them. As one who has clung to hopes that we could avoid unilateral retaliatory measures, and could remain a masthead for global free and fair trade, I have to say that, for the first time, I now find myself looking more and more closely at Super 301 renewal arguments.

Canada, like Japan, faces a difficult political complication in fashioning its trade position. I respect that dimension; in the final analysis, trade may be the most difficult type of foreign policy settlement to achieve because it directly affects the economic livelihoods of so many diverse domestic interests. But Canada was allowed to exclude many subsidy considerations from the US-Canadian Free Trade Agreement with the expectation that a more universal rule could be achieved in the Uruguay Round.

There are two sets of issues regarding US-EC negotiations that concern me in particular. The first deals with audiovisual product exclusions, the other with non-transparent, non-tariff barriers in the telecommunications sector that, in due respect, I don't see the USTR addressing.

—Audiovisual products warrant no less market access than other intellectual properties. In fact, the European Court of Justice, on May 4th of this year, struck down Spain's attempt to limit the screening of foreign films subtitled in Spanish. In the case *Federation of Film Distributors v. Spain* [ECJ 5CH, 4 May 1993], the Court found the Spanish restrictions to be contrary to the Treaty of Rome—which prohibits discrimination against film providers by reason of nationality. It is completely unfair, Mr. Chairman, for the EC to practice cultural enlightenment among its own members while promoting the nefarious "cultural component" clause in the Dunkel Draft—I encourage Ambassador Kantor to continue to work for its expungement, and admire his commitment as demonstrated so far.

—Let me turn to my second issue, Mr. Chairman. Ambassador Kantor, like Ambassador Carla Hills before him, warrant our praise for demanding access to the telecommunications sector, and for urging zero-zero tariffs on electronics. Unfortunately, I am finding that even these achievements may not be enough.

I refer to a letter from a Utah company called the Phonex Corporation. I meet regularly with information technology businesses in my state, of which there are nearly 1200. During my April 27th meeting in Salt Lake City, the Phonex Corporation Chief Operating Officer, Nick Smith, advised me of a problem that other meeting constituents were quite familiar with. It seems that, despite *thousands* of EC orders on Phonex's books for its telecommunications and electronic equipment, EC Postal, Telephone and Telegraph (PTT) authorities were excluding Phonex products from their markets, citing health and safety reasons, some associated with the recent charges cellular telephone users were prone to brain tumors.

In other words, Mr. Chairman—and I invite this matter to your attention, Ambassador Kantor—products that were already cleared by such indisputably reliable sources as the U.S. Underwriters' Labs, and the Federal Communications Commission, as well as Canada's Standards Agency and its own Communications Commission, were *still* being denied market access in the EC. This is not the type of non-tariff barrier transparency that the EC has committed itself to. I am hopeful that you will bring Phonex's case to the negotiation table and will provide whatever additional information you may require.

#### U.S. ENVIRONMENTAL DEMANDS WILL OBSTRUCT TRADE AGREEMENTS

Of course, Mr. Chairman, we, the United States, may also be contributing to the specter of non-cooperation in reaching a settlement, as I mentioned in my opening paragraph. We have a real problem of our own in the form of the North American Commission on the Environment (NACE), which many would like to see become a standard for all trade agreements, to include GATT's Uruguay Round.

I have made my position on NACE well known. I suspect that it will be shared by many GATT nations, incidentally. Simply stated: I am opposed to private citizen rights of action, regardless of nationality, against the environmental laws of other nations. The US NACE proposal, in effect, makes every Canadian, Mexican and American citizen a "private attorney general" in attacking any signatory nation's environmental laws through judicial and administrative processes. Imagine applying this principle to the Uruguay Round nations!

Mr. Chairman, it is clear that environmental concerns will be part of every future trade agreement. On this point I agree with Ambassador Kantor. But the public citi-

zen rule is deceptive jingoism—it has no proper role in the global negotiations for worldwide commercial agreements.

Mr. Chairman, I extend my welcome to the witnesses, and thank the chair for the privilege of presenting my views.

#### PREPARED STATEMENT OF MICHAEL KANTOR

Mr. Chairman: It is my pleasure to appear before you to discuss the Administration's proposals to extend authority to complete the Uruguay Round of multilateral trade negotiations, to apply Congressional "fast track" procedures to a bill implementing the Uruguay Round agreements, and to extend the existing Generalized System of Preference (GSP) program.

On April 27, the Administration transmitted to Congress draft bills for both the renewal of fast track authority for the Uruguay Round and the extension of GSP for developing nations, including the Newly Independent States of the former Soviet Union. Our goal is to accomplish both of these objectives by the beginning of July.

#### THE URUGUAY ROUND

Completing the Uruguay Round is the single most important step we can take to open foreign markets around the world to U.S. manufactured goods, agricultural products and services. Our most significant trading partners have underscored their commitment to complete the Round this year. We have a narrow window of opportunity that we must seize now for the benefit of all nations. While it may be a difficult task to complete this Round by expanding trade at a time when the world economy is not expanding, the President believes that is precisely the time when we must do it.

The Uruguay Round is of primary importance because the General Agreement on Tariffs and Trade—the GATT—remains the foundation of the global trading system. These negotiations are now in their seventh year. To bring them to conclusion we need to make progress in market access by agreeing to remove the barriers to trade in manufactured goods, services, and agriculture—and we intend to finish the Round by December 15.

Some countries are waiting for the United States and the European Community to show leadership in this area before making their own contributions. For our part, we and the European Community have accepted responsibility and have agreed to aim for an outline on market access. We will only be successful, however, if others—like Japan and the developing countries—are full participants.

It is quite significant that our trading partners have chosen not to delay discussion of Uruguay Round issues while awaiting Congressional deliberation on fast track. Because Congress has historically been a strong supporter of these negotiations, hopes remain high that fast track will be renewed and that the Round will be completed notwithstanding the frustration and disappointment of not having completed the agreements earlier.

I hasten to add that the desire to complete the Round by December 15, 1993, should in no way signal a willingness to pursue an agreement that will be anything short of a significant gain for the United States. President Clinton has directed me to pursue an agreement with our trading partners that meets U.S. negotiating objectives. However, if we are to complete the negotiations by year end and achieve our objectives, we do not have a moment to lose.

Our major trading partners now are ready to negotiate agreements to conclude the Round and they recognize our concern that substantial work in Geneva will be necessary before results are acceptable.

Recent events indicate that we can work together with the European Community and move forward to complete the Round. I have now met four times individually with EC Commissioner Brittan, three times with Canadian Minister Wilson, and twice with Japanese Minister Mori. In addition, we have agreed to an intensive schedule of meetings, just to focus on completion of the Round. We will meet again in early June.

Our most recent meeting was last week in Toronto. The meeting was hosted by Canadian Trade Minister Wilson and focused on Uruguay Round market access issues. President Delors, Prime Minister Miyazawa, Prime Minister Mulroney and President Clinton asked us to work diligently toward an ambitious market access package with a view to announcing tangible progress at the Economic Summit in July in Tokyo.

If we succeed in negotiating a good market access agreement, representatives of these four parties believe that we will be able to return to the bargaining table in Geneva to complete the two major tasks remaining: (1) to conclude market access negotiations in goods and services with the 115 nations participating in the Round, and (2) to improve the draft "Final Act" in areas identified by the United States and other countries such as antidumping, subsidies, trade-related intellectual property rights (TRIPs), certain environment-related issues in the texts on technical barriers to trade and sanitary and phytosanitary measures, subsidies, textiles and institutional issues including the establishment of a multilateral trade organization.

The discussions in Toronto were encouraging. The parties made a concerted effort in all the key areas of the market access negotiations. While it would be inappropriate to go into the details here, let me say that the discussions were aided by the intensive bilateral effort that the EC and the United States have undertaken to significantly narrow remaining differences.

It was apparent to each of us that Japan has yet to make its full contribution to the negotiations on market access. I remain hopeful that as the host country for the G-7 Economic Summit meeting, Japan will demonstrate its commitment to the success of these negotiations. I will be meeting with my counterparts at least two more times before the G-7 meeting in July to pursue an agreement.

I hope that here at home the Congress will complete its consideration of "clean" fast track renewal legislation so that we may take advantage of this renewed interest in completing the negotiations by December 15.

#### RENEWAL OF "FAST TRACK" AUTHORITY FOR THE URUGUAY ROUND

The Administration's fast-track proposal would require the President to notify the Congress no later than December 15, 1993, of his intent to enter into such agreements, and to enter into such agreements no later than April 15, 1994—in effect providing us with an additional ten and one-half months to conclude the Round.

The President proposed a renewal of fast track authority for the Round to build confidence in the negotiating process, to build the momentum needed to strike the final bargain, and to enable the United States to play a leadership role in concluding the Round this year.

The Administration's proposal for fast track renewal legislation dealing solely with the Uruguay Round has sent an important signal to U.S. trading partners about the priority that the Administration attaches to a strong and open multilateral trading system, and its determination to complete the Round.

We proposed a "clean" fast track bill, free of terms or conditions, so that we can preserve our negotiating flexibility, and so that we can expedite the legislative process in order to conclude the Round this year. I believe it is critical to have Congressional approval of fast track in advance of the G-7 meeting so that the real outstanding issues, rather than our domestic process, remain the focus of attention in completing the Round.

I want to emphasize that while the Administration is seeking this authority only for the Uruguay Round, the President is deeply committed to negotiating a free trade agreement with Chile. The Administration will seek a separate extension of fast track authority for future agreements of this type after consulting fully with Congress on this matter.

#### RENEWAL OF GENERALIZED SYSTEM OF PREFERENCES (GSP)

The Administration has also transmitted to Congress a proposal for the short term renewal of the Generalized System of Preferences (GSP) program. Our proposal would extend GSP, which now expires on July 4, 1993, for another fifteen months—to September 30, 1994. During that fifteen month period, the Administration looks forward to working with Congress to develop a proposal for the long-term extension of the GSP program. The Administration's GSP proposal would also eliminate the statutory ban on GSP for the former Soviet Union, which prevents Russia and other successor states to the former USSR from being considered for GSP benefits. This proposal would allow us to implement President Clinton's commitment to Russian Federation President Yeltsin to grant GSP status to Russia.

The Administration strongly supports both the short-term and long-term extension of the GSP program for several reasons:

- First, GSP is a key means of using trade rather than aid to promote economic development. The relatively open market of the United States has always been of vital importance to developing country exporters. In fact, according to recent GATT figures, about 40% of all LDC exports to developed countries go to the United States; this is twice the level of their exports to Japan, and significantly more than they ship to the entire European Community.
- In short, the United States has long been the world leader in promoting economic development through trade, and the nearly \$17 billion that is shipped annually under our GSP program is an important component of that leadership. The fact is that GSP benefits help create markets in developing countries—and that helps not only the people living in those countries, but creates new opportunities for U.S. exporters.
- Second, GSP is an important trade policy tool. GSP benefits can be used as leverage to foster reforms in areas such as intellectual property and worker rights in beneficiary countries. I am committed to using this tool to maximum effect to achieve our trade policy goals in developing countries.
  - Third, GSP helps U.S. companies stay competitive and create jobs. GSP works to lower the cost of inputs to U.S. manufacturers, improving their ability to compete in international markets—particularly with other industrialized economies who source such inputs through GSP schemes of their own. Literally hundreds of U.S. companies, large and small, in areas from toys to electronics, rely on GSP benefits in this way.
  - Fourth, GSP helps foster market reform in nascent market economies in Central and Eastern Europe. By enhancing export opportunities in these still fragile market economies, GSP helps give momentum to the reform process. That is why President Clinton promised President Yeltsin that we would work to grant GSP to Russia.

This concludes my formal testimony. I thank you for the opportunity to appear before you and look forward to working with the Committee on these and other trade issues.

[SUBMITTED BY SENATOR BOB PACKWOOD]



America's Leadership  
in the  
Multilateral  
Trade Negotiations

May 19, 1993

The Honorable Bob Packwood  
United States Senate  
Washington, D.C. 20510

William E. Brock  
Chairman

Harry L. Freeman  
Executive Director

Barbara W. North  
Director

Dear Senator:

The MTN Coalition is a broad-based alliance of American private sector interests firmly committed to a strengthened and more effective multilateral trading system. Our 14,000 members include U.S. corporations of all sizes from a broad spectrum of industries, consumer groups, and agricultural interests. We advocate a comprehensive and strong conclusion to the Uruguay Round of multilateral trade negotiations under the auspices of the GATT.

The Coalition supports the President's request for a "clean" renewal of fast track negotiating authority for the Uruguay Round of multilateral trade negotiations at the earliest practicable time.

Many of MTN's members have expressed concern about the direction some of the current negotiations appear to be taking. These concerns have been conveyed directly to the Administration by MTN's individual members. At this time, however, MTN's members would prefer to see a "clean" renewal of negotiating authority, rather than seek amendments to the legislation granting the Administration fast track negotiating authority for the Uruguay Round.

Sincerely,

William E. Brock  
Chairman

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## PREPARED STATEMENT OF HENRY G. PARKER III

Mr. Chairman and members of the Committee, I welcome this opportunity to testify in support of President Clinton's request to renew fast track negotiating authority. The authority will allow negotiators to resume the Uruguay Round of multilateral trade talks, and sets a very useful deadline for their conclusion.

I am a former managing director of the Chubb Insurance Group, and today I am speaking on behalf of the Coalition of Service Industries (CSI). The Coalition represents a group of large multinational companies engaged in a broad spectrum of service businesses.

CSI was a leading advocate of putting services on the multilateral agenda long before the current Uruguay Round was launched in 1986, and the member companies have been steadfast supporters of the GATT talks ever since.

The need for a strong multilateral trade agreement for services is supported by the economic data on the U.S. service sector. In the United States, the service sector is the fastest growing component of the economy, employing over 77 percent of the workforce, accounting for nine out of ten new jobs, producing almost 70 percent of GDP, and even one-third of total United States exports. Every state has more people employed in service jobs than in manufacturing, agriculture or mining.

Now this notion that the service sector provides universally low paying, low skill jobs that have grown at the expense of better manufacturing jobs is simply not true. In fact, it is insulting even to suggest that. The tens of millions of people employed in such industries as banking, telecommunications, health care, data processing, advertising, accounting, insurance, transportation and tourism, to name a few, bear witness.

In fact, in terms of employment, the United States has never been a manufacturing based economy. The majority of the U.S. workforce moved from agricultural employment to service jobs beginning in 1910.

From a global perspective, we are the leader in services trade. Services exports from the U.S. have grown steadily over the past several years, from \$77 billion in 1986 to \$167 billion in 1992—an increase of 116 percent. What we in the Coalition call the "private services balance,"<sup>1</sup> has been in surplus for over 20 years, and reached a record high of \$59 billion in 1992, significantly offsetting the merchandise trade deficit of \$96 billion.

The \$10.2 billion merchandise trade deficit for March announced yesterday is a misleading figure on a balance of payments argument because it excludes the services trade surplus earned in that same period.

According to the GATT Secretariat, the United States exports more services than any other single country, and we can only maintain this advantage through a strong, fair multilateral trading system.

Thus far, the progress made by GATT negotiators toward achieving a strong services agreement is significant, but the proposed draft as it stands now falls short of success, in our view. Critical issues remain unresolved, especially with respect to liberalization commitments by our foreign trading partners. Renewal of fast track provides the only means of restarting negotiations to complete the agreement by December.

In our view, it is imperative that the final services agreement include four elements:

1. A tough binding framework of rules,
2. Strong annexes for financial services and telecommunications,
3. Substantial liberalization across a wide range of commercially important industrialized and developing countries, and
4. A mechanism to prevent free riders.

The draft agreement, the so-called Dunkel draft offered in 1991 by the GATT Director-General Arthur Dunkel, potentially fulfills our first two criteria. The draft does set forth a framework of rules for trade and investment, and annexes on financial services and telecommunications are well under way. However, most of the rules only take effect with respect to specific sectors and commitments listed in each country's schedule. The negotiations to establish those schedules of commitments have not been completed, and so it is virtually impossible to determine the commercial value of the agreement as it stands now.

We have been assured by U.S. negotiators that the work of securing commitments from our trading partners is well in hand, and we support their efforts to do so.

<sup>1</sup> The private services balance excludes receipts and payments on investments and government transactions from the Current Account.



But let us be clear. Elimination of existing barriers to U.S. service companies operating abroad is essential if a services agreement is to produce tangible commercial benefit to the United States.

As efforts to complete the Round accelerate, we are concerned that the United States will be asked to settle for less. We have already begun to hear from many sides that this Round represents just the first part of a process toward achieving liberalization in subsequent negotiations.

We view the negotiations a bit differently. We believe that the rules are meaningless without commitments spelling out which sectors and under what conditions they apply. And commitments to remove market barriers are equally meaningless unless accompanied by rules to assure that new barriers are not put in place as the old ones come down.

A minimalist agreement would have the effect of locking the U.S. market open in many service sectors, while locking closed the markets of many of our trading partners. The situation would provide a free ride, under the principle of Most-Favored-Nation, for countries wanting the benefits accrued by signing the services agreement without making any commitments to liberalize trade. The Coalition's member companies would not support such an agreement.

Mr. Chairman, the Coalition's member companies very much want the Uruguay Round to succeed. Most of our members operate in upward of 100 countries worldwide, and contribute to the \$59 billion services trade surplus recorded in 1992. Obviously, bi-lateral or even regional trade agreements present a less efficient alternative of opening markets to U.S. service exports.

Finally, the GATT's future as a viable trade organization depends to a great degree on a successful Uruguay Round. Since the Round started over six years ago, 18 countries have joined the GATT, and others are in line to join in the future. Since GATT was formed in 1948, tariffs have fallen from an average 40 percent to 45 percent to roughly 5 percent and world trade increased more than twenty-fold. Growth in trade, under GATT, has grown more than 250 percent over output gains. We must continue, not reverse, this process.

The world, at an admittedly slow pace, seems to be moving toward more open trade. For services, this is critical and we believe it should be encouraged. The Uruguay Round would represent the first multilateral discipline for services trade, and would extend the benefits to us that have cleared the way for trade in products and commodities since the late 1940's.

Services have come a long way. Twelve years ago, we were the forgotten afterthought of the Tokyo Round. Seven years ago, our cause faced tough opposition from around the world.

Today, we have a comprehensive set of services rules in the Dunkel draft and it is poised on the brink of real success if the commitments can be secured. Fast track authority is the only means of achieving that goal.

Our support for the final agreement cannot be assured at this time. But without a renewal of fast track, our long efforts cannot be rewarded, and the U.S. service sector will be stymied in its efforts to globally expand through trade and investment. And it is the U.S. employment picture and our balance of payments on current account which will suffer.

Thank you very much, Mr. Chairman.

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## COMMUNICATIONS

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### STATEMENT OF THE AMERICAN ELECTRONICS ASSOCIATION GENERALIZED SYSTEM OF PREFERENCES (GSP)

#### *Background*

The Generalized System of Preferences (GSP) is a multilateral program designed to reduce the dependence of developing countries on foreign aid. The United States is one of twenty-seven industrialized nations participating in this program, which operates under the sponsorship of the United Nations Conference on Trade and Development (UNCTAD).

The U.S. program provides duty-free entry to roughly 3,000 products from 130 beneficiary countries. Originally authorized by the Trade Act of 1974, the U.S. GSP program began operation in 1976. It was extended in 1984, and authorization for the program is currently set to expire on July 4, 1993.

The GSP program benefits developing countries by providing duty free treatment for many of their exports. The program benefits the United States in important ways, as well. Of most significance is the program's focus on encouraging economic growth in the developing world through "trade not aid." In addition, the program helps U.S. companies to keep manufacturing facilities in the U.S., and still compete successfully against foreign-made finished products, by lowering the cost of certain imported components. It also provides opportunities for the development of economic, political and social links between the U.S. and beneficiary countries and, in so doing, opens new markets to U.S. exports. Finally, the program provides a significant foreign policy tool that can be used to encourage developing countries to conform to internationally recognized standards (e.g. in areas such as intellectual property rights protection and workers rights enforcement).

#### AEA POSITION

AEA is a strong supporter of the GSP program. Although we recognize the need to review the program and consider ways to improve its operation, we feel strongly that the program should not be allowed to lapse while such a review is undertaken. Therefore, we urge the Administration and the Congress to act swiftly on an extension of the program.

#### ABOUT THE AEA

AEA is America's largest electronics association with 3,000 member companies, representing the entire U.S. electronics industry, and operating through 21 regional councils. While AEA's membership includes the industry's largest and leading companies, more than 80 percent of AEA's membership consists of small, entrepreneurial companies with fewer than 200 employees.

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### STATEMENT OF THE AMERICAN MUSHROOM INSTITUTE

The American Mushroom Institute ("AMI") submits this statement in response to the solicitation of comments by the United States Senate Committee on Finance, in connection with its May 20, 1993 hearing on extension of the Generalized System of Preferences ("GSP").

## I. BACKGROUND

The AMI is a national trade association representing virtually all of the American mushroom industry. It is composed of over 100 growers of mushrooms representing approximately 90 percent of both the fresh and processed markets, and about a dozen mushroom processors of canned and glass-packed product.

In June 1990, two petitions were filed as part of the 1990 GSP Annual Review requesting duty free treatment for the importation of processed mushrooms. The petitions were submitted by the Pillsbury Company, a U.S. company owned by a British parent, Grand Metropolitan PLC, and by the Debrecen Canning Factory in Hungary.

In the 1990 Annual Review, the Hungarian company submitted a seriously deficient petition and took no further role in the proceedings. The Pillsbury Company, attempting to obtain duty-free treatment for processed mushroom imports from Indonesia, did all of the work on behalf of the petitioners. The American Mushroom Institute vigorously—and at great expense—opposed the petitions, and at the end of the 1990 Review, the petitions were denied.

In July 1991, the President announced the Trade Enhancement Initiative for Central and Eastern Europe, which among other things, revived those GSP petitions from Central and Eastern Europe which had been denied only three months earlier in the 1990 Annual Review.

Even though the Hungarian petitioner had not taken part at all in the previous review, the petition was automatically revived by the President's Special Central and Eastern European Review ("SCEER"). As a result, the AMI was forced to gear up again to fight the same battle it had only recently won. The difference, of course, was that the SCEER petitioner—Hungary—would not have been the primary beneficiary of GSP; the real beneficiary in fact would have been Pillsbury, the primary importer of Indonesian mushrooms, which might have obtained indirectly through the SCEER what it could not have won directly with its own petition.

After USTR and ITC prehearing briefs were filed, hearings were held, and posthearing briefs prepared, the Government of Hungary suddenly and without explanation withdrew the mushroom petition of the Debrecen Canning Factory, thus effectively ending the matter.

As a result of having to engage in GSP proceedings twice within little more than a year, and of having to expend substantial resources in order to preserve the viability of the mushroom industry, the AMI believes that it has learned a great deal about the GSP process, and submits these comments in order to share its experiences and its very expensive education.

The primary areas in which AMI wishes to offer comments in connection with any extension of the GSP include:

- (1) The so-called "Three-year rule;"
- (2) Third party beneficiaries of GSP petitions;
- (3) The role of the ITC;
- (4) Beneficiary-Developing Country ("BCD") support of petitions;
- (5) Statement of Reasons for Decisions.

## II. THE THREE-YEAR RULE

The regulations under which the USTR handles GSP petitions make it clear that the same products cannot be considered within a three-year period of a previous review. This is obviously a sensible provision that affords some protection to domestic companies from repeatedly having to engage in similar proceedings year after year.

The regulations, at 15 CFR §§2007.0(a)(1) and 2007.1(a)(4), do not suggest that the three year waiting period is anything but mandatory. As set forth in §2007.0(a),

- (a) An interested party may submit a request (1) that additional articles be designated as eligible for GSP duty-free treatment, provided that the article has not been accepted for review within the three preceding calendar years . . .

Notwithstanding this provision, the SCEER ignored the rule and revived several petitions that would have been otherwise prohibited. There was no suggestion that there had been any significant change of circumstances with respect to the products in question. Nor was there any attempt to limit the application of any GSP benefits that might be awarded to the subjects of the SCEER, and not include such major GSP producers as Indonesia and Thailand. Consequently, the domestic industry had no choice but to once again marshal its resources to protect its vital interests, and it had to endure significant expense before the Hungarian petitioner decided it was no longer interested in GSP for this product.

Ostensibly, the three year rule was "waived," for purposes of SCEER, and USTR has argued that the President has the authority to arbitrarily waive this mandatory rule. It is the understanding of AMI that this very issue was the subject of correspondence between legislators and the USTR during the 1984 GSP renewal, and the USTR opposed a mandatory provision in the legislation, promising that the three year rule would be rigorously observed.

Because of the history of this provision, AMI urges that the three-year rule be included in any extension legislation, and that absent a strong prima facie showing of a significant change of circumstances with respect to the product involved, the three year rule should be mandatory.

### III. THIRD-PARTY BENEFICIARIES

There is something fundamentally askew when a petitioner from Hungary—a small, developing producer and nominal exporter—files a petition but cannot obtain duty free status unless major world producers are also given the same benefits. Yet this is the way current law is administered. For example, with respect to the SCEER, granting duty-free status to mushrooms from Hungary was tied to granting similar status to Indonesia and Thailand, both of which would have had a very significant impact on the domestic industry. Similarly, the domestic industry has to react to a Hungarian petition not only in terms of the effects of imports of Hungarian processed mushrooms, but also in terms of the effects of imports from other countries.

In practice, there appears to be some flexibility in the administration of this aspect of the law, and yet the parameters of any such flexibility are not well understood. Whatever discretion is to be allowed to the executive in granting GSP status for various products should be clearly spelled out in any extension statute. If such a provision were adopted, many countries could profit from the GSP program, yet domestic industry could be protected from imports of countries which are technically qualified for GSP but in fact do not need its benefits.

This policy could be effected by an alteration of the so-called "competitive need" limits, or by directing that the GSP process formally take into account, as part of the proceedings, the conditions of the affected industries in the GSP countries that are the leading exporters of the subject products, with the explicit understanding that they would be excluded from any granting of a petition.

### IV. THE ROLE OF THE ITC

Currently, the GSP process requires that parties engage in two separate, but extremely similar proceedings before the USTR and the ITC. The ITC then renders its advice, the most salient parts of which are confidential, to the USTR.

There is simply no reason why the ITC advice should be confidential. The ITC is capable of error or simply bad advice, and only the parties to the proceeding are in the best position to analyze the ITC advice and offer substantive comment on it.

Moreover, because the ITC often does not employ the most current data available, an opportunity for those affected to comment on developments since the ITC cutoff date is especially important. While theoretically this opportunity is available through comment on the public portion of the ITC analysis, without access to the confidential portion of the report, useful comment is made that much more difficult.

In addition, there does not seem to be any defensible reason why, in the same GSP proceedings, the standards and procedures for obtaining confidential treatment for submitted information should be different for the ITC and the USTR. It would not seem to be a difficult thing for the two agencies to agree on what constitutes confidential information for purposes of GSP proceedings and to agree on the procedures for recognition of confidential treatment.

Extension legislation should provide that ITC advice be publicly available in toto except for the most rigorously defined business confidential information.

### V. BDC SUPPORT OF PETITIONS

Under the current law, any "interested party," however its interest is defined, has standing to submit a petition for duty-free treatment for any product. In many cases, petitions are submitted by domestic companies, such as parent companies, joint venturers, importers and others.

Often, when petitions are submitted by other than the GSP country or GSP producer, the actual benefits will be enjoyed primarily by others than the BDC. An importer submitting a petition will often simply be increasing its own profit margins, rather than delivering any significant benefit to GSP countries. This is similarly true for other domestic petitioners.

Consequently, it would be appropriate to require by statute, in any case where a petitioner is not headquartered in the BDC, that the petition contain a formal, explicit endorsement of the BDC government or a BDC producer. This would at least assure that the BDC is aware of the petition, the economic and political issues the petition raises, and the potential benefits that could accrue to the BDC. Otherwise, there are and could continue to be numerous situations where the true beneficiaries of duty-free treatment are third parties, not the BDC. Also, if this proposal is not adopted, domestic industries can continue to be hurt without GSP benefits being recognized by BDC's.

#### VI. STATEMENT OF REASONS FOR DECISIONS

Currently, the decisions on petitions in GSP reviews are simply published as final—there are no statements of reasons, no explanations. Thus, there is no way for the public or interested parties to know what factors were taken into consideration, how they were weighed, whether the statutory and regulatory standards were observed, and so on.

On issues that can have such a dramatic and devastating effect on domestic industries, a failure to articulate reasons for decisions is simply indefensible. Even if GSP is (wrongly) viewed as something akin to an "entitlement" for BDC's, there should still be an obligation to *domestic industries* and the public for USTR to state the basis for granting or denying a petition, and to show at least that the most basic statutory thresholds had been met. Such a statutory requirement would contribute to the legitimacy of the GSP decisions, and remove any sense that they are totally whimsical, "political," and discretionary.

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**STATEMENT OF ANALIT USA, INC. AND QUÍMICA DINÁMICA, S.A. DE C.V.**

Mr. Chairman:

My name is Leslie Alan Glick, a partner in the law firm of Porter, Wright, Morris and Arthur in Washington D.C. and I am submitting this statement in support of the administration's proposal to renew the Generalized System of Preferences on behalf of my clients, Analit USA, Inc. and Química Dinámica, S.A. de C.V.

Analit USA, Inc. (Analit) is a U.S. corporation located in McAllen, Texas. Analit handles the United States activities in connection with the marketing of the chemicals manufactured by Química Dinámica, S.A. de C.V. Química Dinámica, S.A. de C.V. (Química Dinámica), an affiliate of Analit, is a Mexican Corporation located in Monterrey, Mexico. Química Dinámica employs approximately 150 people in Mexico. Química Dinámica produces strontium carbonate, strontium nitrate and other chemical products in Mexico. Strontium nitrate is used primarily for pyrotechnic purposes, and is purchased in the United States by both military and non-military consumers. Military applications include tracer, ammunition, military flares, and distress signals.

There is no active mining in the United States of the raw material that is used to manufacture strontium nitrate. Mexico is one of the three largest producers of celestite, the raw material used to produce strontium nitrate. There have been no active celestite mines in the United States since 1959, even though there are U.S. companies that produce strontium nitrate from imported celestite.

Mr. Chairman, Analit and Química Dinámica both strongly believe that receipt of GSP benefits have benefited the U.S. as well as the developing countries it has helped. The economies of border towns such as McAlister are very dependent on trade with Mexico that has been greatly stimulated by the GSP program. While the proposed North American Free Trade Agreement (NAFTA) will provide many benefits as well, the effective date and even the passage of the NAFTA are now uncertain. In addition, even if NAFTA is implemented, the GSP program should continue to include Mexico, since it will be many years before all duties are fully eliminated under NAFTA.

The benefits accorded to products such as strontium nitrate under the GSP system are passed on to U.S. manufacturers and consumers. As noted earlier, there is no mining of celestite in the United States. The only American company that produces strontium nitrate has decided to locate part of its production in Mexico so as to be closer to the source of the raw material. Therefore, the benefits of the GSP program inure to many segments of the United States population. Canada, Europe and Japan all have GSP programs in effect and the failure of the United States to renew its program would be a major embarrassment in terms of the standing and prestige of the United States as a world leader. While there are some costs involved in terms of lost customs duties, these costs are minor compared to what the U.S. has spent to promote democracy and free market economies in such countries as Panama, Granada, Guatemala. If GSP is not renewed, the U.S., undoubtedly, will find that it must spend money in the form of direct aid to many developing countries to promote the goals that are now being carried out effectively by the GSP program at a much lower cost.

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## STATEMENT OF ARTHUR ANDERSON & CO, SC

Mr. Chairman and distinguished members of the Committee.

Thank you for the opportunity to present this testimony in support of extension of the fast track trade agreement consideration process to allow for the completion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). Of particular interest in this round is the General Agreement on Trade in Services (GATS). My name is Lawrence A. Weinbach. I am Managing Partner--Chief Executive for Arthur Andersen & Co, SC.

### *Our Firm*

The Arthur Andersen Worldwide Organization (Andersen) is a global professional services organization with over 62,000 employees in 318 locations in 72 countries. Last year Andersen earned over \$5.5 billion in revenue. Client services are provided through two business units: Arthur Andersen for audit and business advisory services, tax services, and corporate specialty services; and Andersen Consulting for strategic services, integration services (systems integration and management), information technology consulting and change management services. Arthur Andersen & Co, SC is the worldwide organization's coordinating entity.

### *Overall Support for the GATT*

For global businesses such as Andersen, there is no efficient alternative to an effective rules-based global trading system, such as the type envisioned in the GATT. "Go-it-alone" policies contradict the reality of economic interdependence and would reduce international businesses to pawns in a "beggar-thy-neighbor" game. Preferential trading arrangements and regional trading blocs cannot effectively meet the changing needs of markets and firms that span regions. Such a trading environment creates an inefficient patchwork of regulation and protection that impairs the economic development upon which both nations and businesses are dependent.

A successful Uruguay Round will:

- conclude agreements in all negotiating groups, providing maximum scope for all participating countries to be "winners";
- achieve real liberalization of trade, fair treatment for all participants, and speedy, effective dispute resolution and enforcement of trading rights; and
- encourage developing economies, newly industrialized economies and the newly market-oriented economies of the former Soviet bloc to become full participants in the growth of global trading.

### *The Services Sector*

A comprehensive and effective services agreement is an integral part of a successful Uruguay Round, and the potential of a more efficient allocation of resources resulting from the liberalization of services trade is enormous. Consider the following:

- services account for over 50 percent of the world's economic output;
- services trade, notoriously underestimated, exceeds world agricultural trade by 70 percent; and
- service industries account for 40 percent of the world's accumulated value of foreign direct investment.

The potential spin-off effects are awe inspiring as well: just think of the efficiencies in manufacturing resulting from reduced costs for accounting, advertising, engineering, distribution, transportation, insurance, technology, finance and all the other services that help make products available to consumers. Trade liberalization will make the service sector an even more powerful engine of worldwide growth and job creation.

***Services in the Draft Final Act***

The standard for judging the Uruguay Round services agreement remains the degree to which it assures that markets will be open for service providers to compete on a fair and equitable basis. Where markets are already open, we want assurances that they will remain open; where market obstacles and discrimination exist, we want them removed.

In this light, it is crucial to keep in mind that the Dunkel text is only part of the final services package. It provides a set of trade and investment rules, most of which only take effect with respect to specific sectors and commitments listed in each participating country's schedule. Thus, until negotiations on these schedules are completed, it is virtually impossible to determine the commercial value of the agreement. Without an extension of fast track, these negotiations will never take place and a great opportunity will be lost.

***Framework of Rules***

While imperfect, the framework of rules set out in the Dunkel text is a significant step in liberalizing services trade. We had originally advocated that the agreement embody a set of binding across-the-board obligations; exceptions from which would have to be carefully justified and negotiated. As it is, the proposed agreement limits these general obligations to transparency and the way in which governments recognize other countries' licenses and certification of service providers. In addition, the Most-Favored-Nation (MFN) obligation would apply across-the-board, except for a one-time option to exempt specific measures, and the dispute settlement and enforcement provisions would apply.

The obligations the agreement imposes with respect to commitments scheduled by contracting parties are now the substance of the services framework. These obligations include market access and national treatment, as well as rules on domestic regulation, monopolies, and payments and transfers.

Among these rules applicable only to scheduled services, of particular importance to Andersen are those on market access, national treatment, and payments and transfers.

1. Market access: we believe service providers should be permitted to service all markets through cross-border transactions or through a commercial presence in the marketplace.
2. National treatment: we believe foreign service providers should receive the same treatment as domestic providers with respect to government regulation and their legal rights.
3. Payments and transfers: we believe it is critical to the functioning of a service firm to be paid for services rendered, to make investments, to repatriate earnings and to contribute to joint costs.

***Initial Service Commitments***

The pace of the negotiations of services to be scheduled (and thereby subject to the above rules) has been disappointing. Despite the hard work of US negotiators, many of our trading partners have been reluctant to discuss seriously their services commitments. Fewer than half of the GATT member countries have even bothered to table their first offer on services. For the most part, the offers that are on the table are grossly inadequate: including few services of economic importance and seldom offering more than retention of existing barriers. It should be noted that the US offer, while relatively comprehensive, includes little in the way of rollback of barriers.

Part of this reluctance has been understandable. As a whole, the Uruguay Round has been stalled over issues such as agriculture and merchandise tariff reduction, generating little enthusiasm for negotiation in other areas. For example, an agriculture-exporting nation has little incentive to give the US its "bottom line" in services until it knows how the agreement will help its farm exports.



**Fast Track Extension**

The example above demonstrates why an extension of fast track to December 15 is crucial to completion of the Round. First of all, those eight months are needed to do the job necessary to negotiate good services commitments from each of our trading partners. Remember, there are over 100 nations involved in these talks and only 45 or so have even tabled offers. There is a lot of work to be done, and this extension will allow that work to be done unhurriedly.

Secondly, the impasse in the areas of agriculture and tariffs must be broken. Setting the December 15 deadline and forswearing further extensions will give the Round the jump-start it needs. Our trading partners need to know we will take the time necessary to bring home a good agreement, but our patience has a limit.

**An Accounting Annex**

During this Round, Andersen has worked to include in the final agreement an annex covering accounting services. The proposed annex has three goals:

1. promotion of more open markets for accounting services by committing all countries to include accounting and related sectors in their schedules,
2. facilitation of cross-border provision of professional accounting services by setting out guidelines and procedures for negotiation of agreements for mutual recognition of professional qualifications and competence, and
3. encouraging the wider use of international accounting standards as the basis of a common language for financial reporting.

The first element of the annex is designed to eliminate restrictions on competition and practice that serve no public interest, only needlessly increase the costs, and limit the choices of accounting services. The second element will increase choice and quality of accounting services by facilitating movement of providers, while respecting the right of each nation to ensure the quality of service. The final element would be an important step in establishing a global financial language, cutting the cost of raising capital around the world, and improving the ability of regulators and others to compare financial information of complex global enterprises.

**Summary**

The Uruguay Round of the GATT has been an ambitious undertaking since its inception in 1986 and its importance to the US and world economies has been well-documented. Despite the frustrations of the past few years, the progress on an agreement including the new areas of services, agriculture, intellectual property and others truly has been remarkable. A good agreement is within our grasp, but can only occur if fast track is extended.

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**STATEMENT OF THE CANNED & COOLET MEAT IMPORTS ASSOCIATION**

**The Canned & Cooked Meat Importers Association urges the renewal and extension of the Generalized System of Preferences, a system providing for duty free treatment for goods entering the United States from developing countries.**

There are many reasons to support the continuation of GSP. Chief among them are that it: 1) maintains and creates jobs in the United States; 2) controls costs to producers and consumers; and 3) enhances the competitiveness of U.S. producers and workers. The benefits of GSP are not available to "import sensitive" products or to countries which are highly competitive in a particular industry. Therefore, the benefits of the program are strongly focused on U.S. jobs and U.S. competitiveness.

Our major competitors overseas have their own systems of preferences for goods imported from developing countries. Therefore, to remove this benefit from U.S. producers and consumers would be to place U.S. industry at a competitive disadvantage.

Let me give you some background on the Canned & Cooked Meat Importers Association or CCMIA, as it is known. CCMIA is a trade association of substantially all the U.S. companies engaged in the importation, not for their own use, into the United States of canned and cooked frozen meat from South America, principally, from Brazil, Argentina and Uruguay. In addition to the importers, who are the regular members of the association, CCMIA is also composed of service members, such as customs brokers, shipping lines and other carriers, warehousemen, freight forwarders and other companies which assist in the importation of beef from South America. The association is a District of Columbia non-profit corporation founded more than thirty-five years ago.

CCMIA strongly supports GSP because it greatly facilitates the importation of two of the key products imported by its members into the United States. The principal such good is canned corned beef, which is a traditional export from Brazil, Argentina and Uruguay. This industry in South America was developed over a hundred years ago by an American, Mr. Libby, who developed Libby's canned corned beef. The product is familiar to the consumer in the retail 12 ounce trapezoidal can. Over the past several years this trade has represented approximately \$75 - \$100 million annually in imports into the United States.

Canned corned beef (HTS 1602.50.10) provides an economical source of meat protein primarily consumed by lower income, blue collar customers and senior citizens. A recent market survey compiled by the Nielson Marketing Research Company showed that canned corned beef and canned corned beef hash is predominately used by minority ethnic groups, who can least afford the impact of price increases on the foods they eat.

Canned corned beef has traditionally been an important low cost source of meat protein (25% - 27%) with a low fat content (10% - 13%) for low income families. Were GSP to expire, the costs of a typical \$1.79 can of 12 ounce corned beef would increase by about 8 - 10 cents. Canned corned beef hash, which requires a meat content of 35% cooked meat, would increase by 3 - 4 cents for a typical \$1.45 can.

Canned corned beef would be particularly hard hit were GSP to expire since the duty of 7.5% is a relatively high duty for this kind of product.

We do understand that it is the subject of a zero duty offer in the Uruguay Round in major part because it does not compete with any U.S. produced product.

Canned corned beef does not compete with any U.S. produced product, a fact which was confirmed by the U.S. government in its finding several years ago that no like or directly competitive product is produced in the United States. This is due primarily to the health rules enforced by the United States Department of Agriculture requiring that the product be cooked to a minimum of 167 degrees Fahrenheit. This retorting process results in a high protein low fat product since the fat is cooked off during the cooking process. No canned corned beef is produced in the United States because U.S. producers are not required to retort beef and to do so is uneconomical.

Members of CCMIA import canned cooked beef into the United States from Brazil, Argentina and Uruguay. Therefore, it was of great interest to the members that, during the recent special GSP review for the Eastern and Central European countries, canned, cooked beef (HTS 1602.50.20) (as contrasted with canned corned beef) was added to the list of GSP eligible items, with the caveat that product from Argentina was excluded due to its perceived competitiveness in the product. Therefore canned cooked beef from Brazil and Uruguay is now eligible for duty free treatment under GSP.

In sum, CCMIA strongly supports renewal and extension of GSP since it: 1) promotes U.S. jobs and economic competitiveness; 2) provides an economical low cost source of meat protein for low income consumers; and 3) does not harm U.S. business since it does not apply to import sensitive goods.

## STATEMENT OF BOUNDARY HEALTHCARE PRODUCTS CORP.

### EXTENSION OF THE GSP PROGRAM

Boundary Healthcare Products Corporation (Boundary) of Columbus, Mississippi, strongly supports the extension of the GSP program. Continuation of the program will enable Boundary to remain competitive on the products it manufactures in the Dominican Republic and will also benefit the U.S. companies which supply the raw materials used by Boundary in its Dominican operations, and other U.S. companies with similar operations. Furthermore, the extension of the GSP program will enable the United States to maintain a tool that has proven its effectiveness in achieving significant goals for the United States in foreign policy, economic development and other areas.

### BOUNDARY'S INTERESTS

Boundary is a Mississippi-based manufacturer of medical products with its headquarters in Columbus, Mississippi. Boundary is a division of Maxxim Medical, Inc., a Texas-based medical products manufacturer and supplier formerly known as Hensley International, Inc. Maxxim Medical has three operating divisions including Boundary, with total annual sales of roughly \$100 million. (A pending acquisition is expected to add another \$70 million in sales.)

Boundary has been engaged in the manufacture of medical products in Mississippi since 1972. It manufactures, among other items, isolation gowns, coveralls, lab coats, smocks, surgical gowns, surgical drapes, and disposable headwear and footwear for use in hospitals and clinics, and otherwise by doctors and medical personnel. Boundary manufactures, sterilizes, and sells its products directly to hospitals in the United States.

Boundary also has a manufacturing facility in the Dominican Republic, in La Romana, that manufactures surgical gowns, surgical caps (nurses' caps), isolation gowns and shoe covers from U.S.-origin materials. These products are imported into the United States and are brought to the plant in Columbus for further assembly, packaging, sterilization where necessary, and distribution. These imports represent about 35 percent of Boundary's line and sales. In addition, Boundary operates another plant in Grenada which manufactures nurses' caps on a contractual basis from U.S.-origin material sent to Grenada in cut-to-be-sewn condition. The completed caps are imported into the United States under HTS subheading 9802.00.80 (formerly TSUS item 807).

### BENEFITS OF THE GSP PROGRAM TO BOUNDARY

Under the GSP program, Boundary imports duty-free many of the products it manufactures in the Dominican Republic. This duty exemption enables Boundary to compete with suppliers in Mexico and the Far East; without the continuation of GSP benefits, Boundary would quickly become non-competitive, as explained below:

Apart from Boundary, the U.S. market for surgical gowns, surgical caps, isolation gowns, and shoe covers is dominated by a few large corporations that source their

products entirely from Mexico. These major producers include Kimberly-Clark Corp.; Surgikos, Inc., a division of Johnson & Johnson Company; Baxter Healthcare Corp.; and, to a lesser extent, Mars, Inc., a division of Workwear Corp. According to recent independent market information surveys, these four companies jointly account for approximately 90 percent of the U.S. market share and, as stated above, they import all their products that they sell in the United States from their facilities in Mexico. It is Boundary's understanding that the vast majority of these products have been imported or are being imported under HTS subheading 9802.00.80 (or TSUS item 807) so that duty is assessed only on the "value added" in Mexico resulting from assembling the component parts that were initially exported to Mexico from the United States in cut-to-be-sewn condition. This tariff preference gives a significant competitive advantage to the U.S. companies with Mexican operations.

Moreover, under the North American Free Trade Agreement (NAFTA) the existing duties on these products will be staged down to zero over a six year period beginning January 1, 1994. Once phase-in is completed, the resulting duty savings will give suppliers operating in Mexico an even more significant competitive advantage, and enable Mexican suppliers to reduce their selling prices correspondingly to increase their market share.

In addition, over the past few years, a significant threat has developed from suppliers in the Pacific Rim countries which use low-cost raw materials from Far Eastern manufacturers. Imports from these suppliers have grown significantly, and every day the Far Eastern suppliers gain market share.

If the GSP program were to be extended, Boundary would be able to continue to be price competitive with other suppliers, including the major importers from Mexico and the Far East. Furthermore, if GSP benefits were extended, it is anticipated that Boundary and other companies operating in beneficiary developing countries (BDCs) will be able to take advantage of any market expansion that might arise out of the new requirements by the Centers for Disease Control (CDC) and the Occupational Safety and Health Administration (OSHA) that health care facilities provide their employees with protective apparel to prevent the spread of infectious diseases. Further, continuing the GSP program will stimulate the U.S. economy because the fabric used by Boundary and other companies producing similar products in the Caribbean and Central America is manufactured in the United States from U.S.-source raw materials. The GSP program is a "two way" street, benefiting both the United States and BDCs.

#### FOREIGN POLICY AND OTHER BENEFITS OF THE GSP PROGRAM

Over the years the GSP program has proven its effectiveness as a tool to achieve significant results in foreign policy and economic development, and in furthering social advancement in beneficiary countries. Starting in 1975, statistics prove beyond doubt that the GSP program has accelerated economic growth and development in the less-developed countries that are beneficiaries of the program, by enabling them to increase their exports and foreign exchange earnings needed to diversify their economies and reduce dependence on foreign aid. At the same time, through the annual review process and associated mechanisms, the United States has been able to influence beneficiary countries' attitudes and actions toward improving social conditions in the countries such as improvements in worker rights. This aspect of the program has been somewhat controversial because assorted interest groups in the United States have, on occasion, used the petition process to target selected countries and assail their qualifications as beneficiary countries under the various eligibility criteria. Nevertheless, the program has worked remarkably well overall, to spur economic development in beneficiary countries, and at the same time, to protect import-sensitive U.S. industries, and particular industry sectors. In addition, the program has shown itself to be extremely flexible, able to adjust to changing international market conditions through the "graduation" and "competitive need" mechanisms.

On the other hand, a failure to continue the GSP program at the very time the United States is implementing NAFTA could be interpreted by many of the other BDCs, particularly in the Northern Hemisphere, as a discriminatory decision. This action could not only adversely affect future efforts to carry out positive foreign policy, but also could erode any benefits gained as a result of the use of GSP in the past.

#### PROPOSED CHANGES TO THE GSP PROGRAM

Boundary understands that the Administration has proposed several important changes to the GSP program, including continuation for only one year, and extension of the program to former republics of the Soviet Union.

Boundary believes that the program should be continued for a ten year period as was initially structured in Title V of the Trade Act of 1974. An extension this long is needed to give businesses certainty and stability in planning the continuation of their operations in BDCs. If the one year extension is dictated by budgetary considerations as reported, the Administration and Congress should make a clear declaration of their intent to extend the program for an extended period—ten years—at the earliest possible time.

Boundary has no objections to extending the program's benefits to the former Soviet republics as long as they meet existing eligibility criteria. It is important to incorporate these countries into the world trading system at the earliest opportunity, and expanding trade with them is the best way to do so. Trade, not foreign aid, will be the most effective tool for bringing about greater self-sufficiency and economic development in these areas.

One word of caution, however, is appropriate. Great care must be exercised in developing regulations to ensure that traditional GSP concepts such as the "value added" and "substantial transformation" tests are not skewed or undermined by the lack of free-market, arm's-length, "for profit" dealings in such areas, and related problems associated with non-market economies.

#### CONCLUSION

For these reasons, Boundary encourages the Senate Finance Committee to support the continuation of the GSP program. Not only will such action help Boundary's competitive position in the U.S. market, it will also benefit the U.S. suppliers of the raw materials used by the companies operating in beneficiary countries. In addition to these economic benefits, extension of the program will enable the United States to achieve important foreign policy objectives, including furthering economic and social development abroad.

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#### STATEMENT OF THE EMERGENCY COMMITTEE FOR AMERICAN TRADE

The Emergency Committee for American Trade strongly supports President Clinton's request for an extension of the "fast track" procedure in order to enable him to complete the Uruguay Round negotiations.

As is well known to many members of the Senate Finance Committee, the members of ECAT have a huge interest in a successful outcome of the Uruguay Round. Our approximately 60 members have very extensive international business operations. Their worldwide sales last year totaled over \$1 trillion, and they employed nearly 5 million workers.

ECAT companies are among the largest U.S. exporters and they account for the bulk of U.S. foreign direct investment. Without their U.S. exports and other overseas business operations, ECAT companies would be much smaller firms with hundreds of thousands fewer U.S. workers. The economic welfare of ECAT firms and their employees depends heavily on open international markets.

Going back to the 1988 Omnibus Trade and Competitiveness Act that authorized U.S. participation in the Uruguay Round, ECAT has been supportive of the GATT negotiations for we firmly believe that they would advance the U.S. economic interest and the more narrow economic interests of ECAT member companies themselves. Despite years of frustration at the inability to bring the Uruguay Round to a conclusion, we are still strongly supportive and would hate to see the negotiating process aborted because of a lack of negotiating authority for the President.

We urge you to grant the President a clean grant of negotiating authority unencumbered with restrictions. Unnecessary and extraneous conditions on the President's negotiating authority could very well frustrate attainment of a successful outcome by directing the President into areas incapable of resolution in the time remaining in the Uruguay Round.

American business stands to lose a lot if the Uruguay Round is not successfully concluded. At stake are important new rules and procedures for international trade in services and for the protection of intellectual property rights and foreign investments. Also at stake are prospects for considerably improved market access for U.S. goods and services which will further U.S. economic well-being and security.

While the members of ECAT are not pleased with all of the particulars of the Dunkel text, we believe that our concerns can be accommodated before the Uruguay Round process is completed. We testified to these concerns at a January 23, 1992, hearing of the House Ways and Means Trade Subcommittee on the draft Dunkel text, particularly noting our concerns with deficiencies in the services and intellectual property areas. A copy of that testimony is included with this statement.

What we in ECAT also see at issue in respect of the President's request for an extension of the "fast track," in addition to the future of the Uruguay Round, is the future of the current international economic system. It has been U.S. leadership that in large part has been responsible for the international economic system put in place after World War II. The IMF, World Bank, and the GATT are the institutional core of the system, which has provided the means for cooperative action in facilitating world economic growth.

Were the Uruguay Round to fail because of the absence of the United States at the negotiating table, there likely would follow a period of relative international anarchy that could cause serious harm to the U.S. economy. While the GATT would continue, its rules and dispute settlement procedures would atrophy and governments would act more independently of the rights and concerns of their trading partners, thereby opening the prospect of retaliation and international trade wars.

There is, of course, a risk that the Uruguay Round may fail even with a continuing United States presence. We hope that this will not be the case because there is so much to be gained for the U.S. economy, particularly in the areas just noted above.

The U.S. international trade agenda will not be complete even if the Uruguay Round is successfully concluded. While a legal structure of rights and obligations will have been agreed to in the so-called "new" GATT areas of services, investment, and intellectual property rights, the structure will have to be built on not only through practical experience with the new rules but also through the development of additional rules through subsequent negotiations.

In many ways, what the Uruguay Round and the so-called Tokyo Round that preceded it have accomplished is the laying down of building blocks for a more comprehensive trade edifice designed to deal with the intricacies of the modern trading world—a world that embraces not only international exchanges of goods, capital, and services, but also considerations of the environment and the workplace, as well as the need to develop more harmonious and coordinated national economic and social policies.

U.S. leadership will be crucial to the future of the emerging global economic system. Absent that leadership, it is difficult to see where such leadership would come from. As a leader, the United States will be enabled to continue its historic role of shaping the international economic agenda in the furtherance of U.S. national economic objectives.

To do this will require future negotiating authorities for the President so that he may take the lead in such areas as improving the GATT system and negotiating economic agreements with the countries of Latin America and the Pacific Rim, thereby helping him to achieve his goal of improving the U.S. economy and the economic welfare of its citizens.

The grant of further negotiating authority for the President to conclude the Uruguay Round in no way commits the Congress or others to prior approval of the resultant trade agreement. Any such agreement would stand or fall on its merits.

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#### STATEMENT OF FRIENDS OF THE EARTH, U.S.

(On behalf of Community Nutrition Institute; Earth Island Institute; Government Accountability Project; Humane Society of the United States; National Consumers League; Public Citizen; Sierra Club)

Mr. Chairman, Members of the Committee: I am Brent Blackwelder, Vice President for Policy at Friends of the Earth, USA. Founded in 1969, Friends of the Earth is a national, nonprofit environmental organization with 50,000 members and supporters. We have affiliated organizations in 51 countries and work on a wide range of national and international environmental issues.

We appreciate the opportunity to share our views on the extension of 'fast-track' authority to the Uruguay Round of GATT. We opposed granting this authority to the previous administration and we oppose extending it to this administration for the Uruguay Round of GATT as well.

Our testimony and explanation of our opposition to Fast-track is summarized as follows:

- I. The proposed Uruguay Round will profoundly constrain our nation's ability:
  - (a) to keep existing environmental and social laws; and
  - (b) to pass new and innovative environmental and social laws.
- II. The Uruguay Round appears poised to create a new Bretton Woods institution—the Multilateral Trade Organization. The creation of a new partner for the World Bank and International Monetary Fund should not be taken lightly.

III. "Fast-track" unnecessarily ties Congress' hands by restricting debate to just 20 hours and allowing no amendments. This procedure is not an appropriate way for Congress to pass such far-reaching legislation as the Uruguay Round.

I. THE PROPOSED URUGUAY ROUND WILL PROFOUNDLY CONSTRAIN OUR NATION'S ABILITY TO KEEP EXISTING ENVIRONMENTAL AND SOCIAL LAWS, AND TO PASS NEW AND INNOVATIVE ENVIRONMENTAL AND SOCIAL LAWS

(a) *Existing Laws May be Challenged as Unfair Trade Practices*

In the early years of the GATT, attention focussed on tariffs and their elimination. Now, however, the declining tide of tariff barriers is revealing what international trade experts are calling, appropriately enough, 'non-tariff' barriers. The most obvious non-tariff barrier is a quota. But the issue extends far beyond quotas to include the whole gamut of social legislation that can potentially affect trade—including environmental legislation.

Already U.S. environmental laws are under attack at the GATT. Most notably, a GATT panel has ruled that the U.S. Marine Mammal Protection Act, which is designed to protect dolphins from being slaughtered while tuna is harvested, is illegal under the rules of world trade. The GATT panel found that it is unfair for countries to discriminate among products based on how they are produced. The only discrimination that is allowed is based upon qualities inherent in the product itself. In the logic of the GATT, though a product may quite literally "cost the earth," we cannot keep the import out.

The MMPA ruling is not an isolated incident. It is part of a broad challenge of U.S. legislation already under way in the name of "free trade". We strongly encourage the Committee to examine the E.C.'s report entitled "United States Trade Barriers and Unfair Practices."

This 91 page report surveys a broad range of U.S. policies considered by the European Community to be unfair barriers to trade. The report is used "as a means of identifying problems of access to U.S. markets . . . [and is] a useful tool for focusing dialogue and negotiations on the elimination of the obstacles inhibiting the free flow of trade and investment." In other words it is a hit list.

While the report covers issues from government procurement policies to investment rules, environmental laws are also targeted. For example, the report criticizes the extraterritorial reach of US legislation which impacts trade and lists the Marine Mammal Protection Act as such a law. According to the report, "trade and investment may seriously be hampered" by the extraterritorial reach of these laws.

The report also singles out environmental tax policies that promote conservation, as barriers because of their discriminatory impact. The Corporate Average Fuel Economy (CAFE) standards, which requires that the fuel economy for domestic and import fleets average 27.5 mpg, and the gas guzzler tax, which taxes passenger vehicles that meet less than 22.5 mpg, are two of the tax laws that promote the production of more fuel efficient cars. The European Community has requested a GATT panel to declare that CAFE standards, the gas guzzler tax and the luxury tax "are incompatible" with GATT rules. The GATT panel is expected to meet on May 11th.

The major environmental targets of the EC report are:

—**Corporate Average Fuel Economy (CAFE) standards**, which have doubled the gas mileage performance of the U.S. automotive fleet since 1978. The Europeans claim that standards are biased towards full-line manufacturers (domestic) and limited line manufacturers that produce mostly small vehicles (e.g. Japanese manufacturers) because European cars do not meet the fleet average of 27.5 mpg. Thus, the only CAFE penalties that have been paid have been paid by European manufacturers.

—**Gas Guzzler Tax**, which taxes passenger cars that meet less than 22.5 mpg and promotes sales of efficient cars. The EC is concerned with the cut-off point of 22.5 mpg and that the rate "is not founded on any reasonable or objective criterion and leads to discrimination against imported cars," or more notably against European cars as 80% of the gas guzzler tax falls on Europe.

—**California's Safe Drinking and Water Toxic Enforcement Act (Proposition 65)**, which requires a warning label on all products containing substances known to cause birth defects or reproductive harm, including lead. Compliance with Proposition 65 has meant that European manufacturers or ceramic ware are having to finance a \$1 million lead safety information campaign. The EC is also concerned that as of July, 1993, California will impose stricter standards by repealing exemptions for food, drug, cosmetic and medical device products.

—The Marine Mammal Protection Act (MMPA), which promotes the sale of 'dolphin safe' tuna to U.S. consumers. The law was already challenged and ruled against in the GATT. The EC is currently mounting a second case, Tuna-Dolphin II, and has requested the establishment of its own panel to challenge the MMPA. The EC is concerned with U.S.'s "reluctance . . . to accept GATT panel rulings (as in the MMPA case)," since the US has not changed the MMPA and continues to enforce it. The EC "is against measures which are both unilateral in nature and have elements of extraterritoriality," like the MMPA.

—The High Seas Driftnet Fisheries Enforcement Act of 1992, which attempts to curb driftnet fishing, by listing and ultimately banning the import of fishery products from nations that continue the practice. Although the ban will not be enforced until January, 1994, the EC is concerned that Member States will be "faced with an embargo at a later date."

Not only is environment attacked, but a whole range of social legislation from small business set-asides to pesticide residue standards is also targeted. In short, any law or regulation that may have an effect on another country's ability to export to, or invest in, the United States may be challenged. Laws which seek to use trade as tool to change foreign environmental practices are priorities for removal. So too are state or local regulations that may be stricter than national ones.

*(b) The Uruguay Round Will Increase the Ability of Trading Partners to Challenge Existing and Future U.S. Laws*

The proposed Uruguay Round text is designed to strengthen the hands of those who would challenge laws as unfair trade practices. In particular, the sections on Sanitary and Phyto-sanitary Standards and on Technical Barriers to Trade will open up environmental and consumer laws to challenges from our trading partners. Both sections strongly promote the concept of 'harmonization', i.e. that countries should accept internationally-agreed standards for food and product safety.

In the case of food safety the Codex Alimentarius becomes the reference standard. Standards that exceed these international norms, and many existing U.S. standards already do, are presumed to be unfair trade practices unless they can pass through a series of further hoops. Among the most disturbing hoops in the current GATT draft Final Act is the concept of "consistency" i.e. all regulation should be consistent in its approach to risk. U.S. regulation, however, varies widely in its approach to risk. For example, the Delaney Clause sets a zero risk standard for food additives that cause cancer. Carcinogenic pesticide residue standards in foods are set at tolerances that allow one additional death per million. Food tolerances for mutagenic, genotoxic and hazardous chemicals are set at various levels e.g. 10 times or 100 times the threshold of visible injury. Consistency under these conditions and across these products holds the potential for wholesale challenges of entire regulatory regimes. Such risks should not be taken.

Already Congressional decisions are being second-guessed by the GATT. With the coming Uruguay Round, the ability of our trading partners to challenge our laws will become even greater. We realize that all treaties and international agreements imply some constraint on sovereignty, but, as the international trading regime begins trying to dismantle "non-tariff" barriers, the amount of sovereignty that Congress may well give up is enormous. It is, in our view, exceedingly unwise to cede such powers with only the cursory examination and inability to amend that "Fast-track" requires.

II. THE POTENTIAL CREATION OF A MULTILATERAL TRADE ORGANIZATION (MTO), IS A MAJOR WORLD POLICY DEVELOPMENT

Two years ago when we initially voiced opposition to Fast-track, our concerns were primarily those outlined in the section above. Since then, however, the idea of creating a Multilateral Trade Organization (MTO) has emerged in the Geneva GATT negotiations.

At this stage of the negotiations, the shape of the final product is quite unclear. The U.S. has been pushing to create a very limited organization that would do relatively little beyond strengthening the current GATT rules. The Europeans, however, are pushing for a more substantial international body, which could have a stature similar to that of the World Bank and IMF.

If an MTO does come out of the Uruguay Round, it will be the first major Bretton Woods Institution to be created since the UN Conference on Environment and Development. If created, it should, in our view, promote environmentally sustainable development in all countries. It should have the mandate and the analytic capacity to assess the environmental effects of trade and different trade policies. It should



have the breadth of knowledge to explore long term social impacts of trade policies. It should be publicly accountable and grant citizens access to its information.

Unfortunately, there will be no way to insure that this institution lives up to such ideals under "Fast-track". Instead, Congress will simply have to accept or reject the institution as a part of the bundle that includes the rest of the Uruguay Round.

Mr. Chairman, we believe this negotiation is far too important to be handled under "Fast-track." We have appended a list of major international conventions and treaties, none of which have been created under "Fast-track".

### III. "FAST-TRACK" TIES CONGRESS'S HANDS

We oppose Fast-track because it restricts the powers of Congress. Under Fast-track, Congress is restricted to a yes-or-no vote on the entire package of enabling legislation for GATT, with no ability for amendment. Furthermore, the time allowed for debate of GATT would also be restricted to no more than 20 hours on the floor and the bill must be voted on within 60 days of introduction.

Supporters of Fast-track argue that it would be impossible to pass a GATT without fast track. In the twenty years since President Nixon was first given fast track authority, Congress has approved 89 multilateral agreements on complex and controversial topics, including arms control, taxes, trade and the environment—without any fast track procedure. We have appended a list of such agreements. Amendments to international agreements do not pose a problem if the Administration has done a good job of consulting with Congress and honoring Congressional directives.

The increase in awareness around the impacts of the North American Free Trade Agreement (NAFTA) has resulted in a higher level of education among the public about trade and the environment. Citizens want assurances that environmental, health and safety laws will be protected in trade agreements and see Congress as the body that must safeguard their interests. Given the growing intersection and integration of social issues and trade policy, abdicating power to the Fast-track procedure seems unwise if Congress is to ensure that environmental, health and safety laws will not be jeopardized.

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### STATEMENT OF HERCULES, INC.

This letter written on behalf of Hercules, Incorporated ("Hercules") responds to the request of the Senate Finance Committee for comments relevant to H.R. 1876 which includes authority for the President to enter into trade agreements to conclude the Uruguay Round of multilateral trade negotiations under the auspices of the GATT and to apply Congressional "fast track" procedures to a bill implementing such agreement.

Hercules respectfully requests that Congress extend the President's authority under "fast track" procedures to enable the Uruguay Round to be completed by the scheduled December 15 deadline.

Hercules is a major chemical and aerospace company headquartered in Wilmington, Delaware with U.S. production facilities located throughout the United States, including Utah, Virginia and New Jersey. The chemical and allied product segments of Hercules' operations have the most at stake in a successful Uruguay Round.

Hercules has for several years participated in and monitored closely the Uruguay Round market access negotiations. As is the case with other global companies, particularly those in the chemical industry, Hercules' interest in the outcome of the Uruguay Round are aimed at both ensuring that in some product lines U.S. tariffs are not eliminated or significantly reduced over a short period of time thereby jeopardizing certain U.S. operations and the jobs dependent upon these facilities, while on the other hand seeking immediate tariff elimination or reduction abroad so that our U.S. exports can increase.

### HERCULES' GOALS IN THE MARKET ACCESS NEGOTIATIONS

#### *Maintenance of U.S. Tariffs*

##### *1. Industrial Grade Nitrocellulose*

Industrial nitrocellulose (which enters under HTS 3912.20.00) is a basic commodity chemical used to make lacquers, etc. Hercules is the sole U.S. producer of this highly import sensitive product. In 1990 two U.S. government import-related actions were taken which only confirmed the serious financial condition of the U.S. industry. First, the President removed industrial nitrocellulose from the duty-free Generalized System of Preferences Program for import sensitivity reasons. Second, the International Trade Commission unanimously determined the U.S. industry was

materially injured under the Antidumping Law. Outstanding dumping duties continue to be in effect against several supplying countries.

Under the proposed Chemical Harmonization Proposal the 5.2 percent *ad valorem* duty would be maintained. Hercules continues to urge U.S. negotiators not to "offer" a tariff reduction on this product due to its extreme import sensitivity.

### 2. Carboxymethylcellulose ("CMC")

CMC (which enters under HTS No. 3912.31.00) at 6.4 percent *ad valorem* is a water soluble polymer derived from cellulose used in oil recovery, pharmaceutical applications and health care products. Hercules is the largest CMC producer with a production facility in Hopewell, Virginia employing nearly 60 U.S. workers. Purified CMC imports have significantly disrupted the U.S. market and have increased dramatically since the 1980s. The increased presence of low-priced imports was the direct result of a 46 percent reduction in the U.S. tariff as a result of the Tokyo Round of multilateral trade negotiations. The Chemical Harmonization Proposal would maintain the U.S. 6.4 percent *ad valorem* tariff on this product, a result which is critical to the long term health of the U.S. industry and the jobs dependent upon this industry.

### 3. Pentaerythmetol ("PE")

Pentaerythmetol ("PE") (which enters under HTS 2905.42.00) is a polyol used in aviation lubricants, coatings and resins. Hercules and Hoechst-Celanese and Perstorp are the largest U.S. PE producers with facilities in Louisiana, Missouri, Texas, and Ohio. PE imports, particularly those from Chile, have had a severe impact on industry volume and price. An elimination of the 3.7 percent duty would only further disrupt the U.S. market and threaten U.S. jobs. The Chemical Harmonization proposal would, if accepted, maintain the U.S. duty at the current level, a result which Hercules will continue to support.

## Elimination of U.S. Tariffs

### 1. Pectin

Pectin (which enters under HTS 1302.20.00) is used by the jam and jelly industries as a food thickener. Until recently, Hercules was the sole U.S. pectin producer. The company now depends upon its Danish facilities for its U.S. pectin supplies. The elimination of the U.S. 5 percent duty is non-controversial as reflected by the pending duty suspension bill (H.R. 1557; S.750). Hercules' principal concern in the market access negotiations is that the EC's 24 percent duty will be significantly reduced, thereby hurting Hercules' global operations and only benefiting Hercules' major Mexican competitor.

### 2. Phantolid and Tonalid

Phantolid and Tonalid (HTS No. 2914.30.00) are both imported by Hercules and subject to current duty suspension bills. Phantolid and Tonalid are both artificial musks used in soaps and toiletries. There are no domestic producers of either product. The current 11.9 percent *ad valorem* tariff makes it highly uncompetitive in the U.S. market. The elimination of the tariff in the Uruguay Round will ultimately benefit the retail consumers of products containing phantolid and tonalid.

### 3. Carrageenan

Carrageenan (which enters under HTS 1302.39.00) is used in dairy products, including ice cream, and in meat applications as a moisture binder. The 5 percent *ad valorem* duty on carrageenan should be eliminated. United States companies such as Hercules which import carrageenan find that there is insufficient U.S. capacity to fill demand and additional capacity is not anticipated. Further, there are no substitutable products for carrageenan. Since carrageenan is classified for tariff purposes as an agricultural product, the Uruguay Round would only reduce the tariff by 36 percent over six years. Hercules continues to urge U.S. agricultural negotiators to immediately eliminate the U.S. 5 percent tariff on this item.

### 4. Carbon Fiber Grade Polyacrylonitrile ("PAN")

Hercules is a major U.S. consumer of carbon fiber grade polyacrylonitrile ("PAN") acrylic fiber which enters the U.S. under HTS 5402.49.00 at 10 percent *ad valorem*. The company also produces the pan precursor in its Decatur, Alabama facility. The product is required for the manufacture of graphite carbon fibers which are produced by Hercules in the United States. While the product is classified in the same 8-digit category as certain fibers used by the textile industry, which accounts for the high tariff, the Pan precursor has no textile application or use and the majority of imports entering under this tariff category are carbon fiber grade PAN rather than acrylic and related product for use in the textile industry. Only Hercules and Amoco

have a domestic capability to produce carbon fiber Pan precursor. Neither company produces for the open market but rather for internal consumption.

An elimination of the duty on PAN imports is critical for Hercules and for maintaining the U.S. industrial base for the production of carbon fibers. U.S. producers must compete against imported (principally Japanese) carbon fiber which enters under HTS 6815. 10.00 at only 4.9 percent *ad valorem*. This means that the duty on the essential raw material, PAN, is more than twice the rate of the duty applicable to finished carbon fiber. An elimination of the 10 percent duty on PAN will result in lower U.S. production costs and lead to meaningful selling price reductions of carbon fiber. This, in turn, will enable the U.S. carbon fiber industry to better compete against Japanese and other foreign suppliers both in the U.S. and world markets. Two of the Japanese producers of carbon fiber account for over 50 percent of the world market.

Currently, the U.S. government "offer" is to reduce the 10 percent tariff on PAN imports to 8.8 percent *ad valorem* over 5 years. If left unchanged, this will not only fail to be of any value to the U.S. textile industry but threaten the viability of the U.S. carbon fiber industry.

In summary, Hercules has a great deal at stake in a successful Uruguay Round market access negotiations. The company appreciates the opportunity given by the Finance Committee to express its support for an extension of "fast track" negotiating authority and to highlight the company's goals in the Round.

Respectfully submitted on behalf of Hercules Incorporated,

JOHN F. MCDERMID, *President,*  
*International Business-Government*  
*Counsellors, Inc. (IBC).*

#### STATEMENT OF KENTUCKY FRIED CHICKEN

On behalf of Kentucky Fried Chicken ("KFC"), headquartered in Louisville, Kentucky, this letter responds to the Senate Finance Committee's request for comments relevant to H.R. 1876 which includes authority for the President to enter into trade agreements to conclude the Uruguay Round of multilateral trade negotiations under the auspices of the GATT and to apply Congressional "fast track" procedures to a bill implementing such agreements.

KFC supports the completion of a *successful* Uruguay Round. As explained below, KFC's support is contingent upon "tariffication" of Canada's chicken import quotas and the phase-out of the new tariffs in accordance with Article 401(a) of the U.S.-Canada Free Trade Agreement which requires the ultimate elimination of all tariffs between the two countries. This is particularly important as it applies to Canada's import quota on processed chicken which continues in effect notwithstanding the December 1989 GATT Panel Report which found import quotas on highly processed food products in violation of international trade rules.

The Finance Committee should be aware that on March 4, 1992, Senate Resolution 98 (see attached) was introduced which reflects the sense of the Congress that Canada convert its quotas on chicken to tariff equivalents and that these new tariffs be eliminated in accordance with the U.S.-Canada FTA.

The Finance Committee must also be aware that tariffication itself is unlikely to offer any meaningful increase in U.S. chicken exports to Canada, if, as reported in the press, Canada imposes a 74.8 percent *ad valorem* duty on chicken imports as a result of tariffication. The U.S. International Trade Commission recommended that tariffication result in a 35% percent *ad valorem* duty on chicken imports.

Moreover, Section 401(1) of the U.S.-Canada FTA provides in unequivocal language that neither the U.S. nor Canada shall increase tariffs on goods originating in the territory of the other party. Any diversion from this obligation would require an amendment in the FTA, which KFC flatly opposes.

A successful market access agreement which would benefit U.S. chicken exports is clearly in this country's commercial interest. The U.S. chicken industry is the largest and most competitive in the world. Production in 1991 was 20 billion pounds on a ready-to-cook weight basis with a wholesale value of \$15 billion. U.S. output represents 35 percent of total worldwide broiler production.

Total U.S. chicken exports in 1992 were over 1.5 billion pounds, valued at \$676.5 million. But exports to Canada were only \$90 million of the over \$1 billion Canadian chicken market. With an open market, U.S. exports to Canada could increase annually to between \$350 to \$700 million, resulting in 7,000-14,000 new U.S. jobs.

On behalf of KFC, we appreciate the opportunity to provide the Committee the company's support for an extension of the President's negotiating authority under

"fast track" Congressional procedures. We urge the Committee to support KFC's goals of seeing a successful Uruguay Round negotiated, one that will offer significant and meaningful access to the Canadian chicken market.

Respectfully submitted on behalf of KFC,

*JOHN F. McDERMID, President,  
International Business-Government  
Counsellors, Inc. (IBC).*

Attachment.

102<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

## S. CON. RES. 98

Expressing the sense of the Congress that the current Canadian quota regime on chicken imports should be removed as part of the Uruguay Round and North American Free Trade Agreement negotiations and that Canada's imposition of quotas on United States processed chicken violates Article XI of the General Agreement on Tariffs and Trade.

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### IN THE SENATE OF THE UNITED STATES

MARCH 4 (legislative day, JANUARY 30), 1992

Mr. McCONNELL (for himself, Mr. PEYTOR, Mr. ROTH, Mr. BIDEN, Mr. WARNER, Mr. LUGAR, and Mr. BUMPERS) submitted the following concurrent resolution; which was referred to the Committee on Finance

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## CONCURRENT RESOLUTION

Expressing the sense of the Congress that the current Canadian quota regime on chicken imports should be removed as part of the Uruguay Round and North American Free Trade Agreement negotiations and that Canada's imposition of quotas on United States processed chicken violates Article XI of the General Agreement on Tariffs and Trade.

Whereas the United States chicken industry is the most efficient in the world and produced approximately \$13,800,000,000 worth of chickens in 1991;

Whereas Canada's chicken supply management system severely restricts the importation of United States chickens, resulting in \$350,000,000 to \$700,000,000 in lost sales;

Whereas Canada's chicken supply management system severely restricts United States chicken processors and retailers from expanding into the Canadian market;

Whereas Canada's chicken supply management system protects the Canadian chicken growers while severely hurting both United States and Canadian processors and food service retailers;

Whereas Canada's chicken supply management system causes exceedingly high chicken prices and supply shortages in Canada; and

Whereas Canada's chicken supply management system and the imposition of quotas on processed chicken contravenes Canada's obligations under Article XI of the General Agreement on Tariffs and Trade: Now, therefore, be it

1        *Resolved by the Senate (the House of Representatives*

2        *concurring), That it is the sense of the Congress that—*

3                (1) the United States, as part of the Uruguay

4        Round and North American Free Trade Agreement

5        negotiations, should negotiate tariffication of Can-

6        ada's chicken supply management system and the

7        elimination of processed chicken from Canada's Im-

8        port Control List;

9                (2) the United States should seek the elimi-

10        nation of the new duties imposed by Canada on

- 1 chicken imports in accordance with the terms of the
- 2 United States-Canada Free Trade Agreement; and
- 3 (3) the United States should oppose any activ-
- 4 ity on the part of Canada which results in lost sales
- 5 for United States chicken exporters and restricts the
- 6 United States access to Canadian markets.

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STATEMENT OF THE LACKAWANNA LEATHER CO.

These comments are submitted on behalf of The Lackawanna Leather Company ("Lackawanna Leather") in support of the request by the Clinton Administration to the Congress for a fifteen-month extension of the United States' Generalized System of Preferences ("GSP") program, through September 30, 1994. The GSP program is currently due to expire on July 4, 1993. Lackawanna Leather enjoys a global reputation as an innovative leather processor, using both domestically-sourced hides and imported hides. The company is headquartered in Conover, North Carolina, where it also has a substantial processing facility, and has three processing facilities in Omaha, Nebraska. The company employs over 600 people in its Conover and Omaha facilities. Lackawanna Leather is one of four companies comprising United States Leather Holdings, Inc., which is headquartered in Milwaukee, Wisconsin.

Lackawanna Leather imports leather from all over the world into the United States, and then processes the leather for a wide variety of uses. Global sourcing has permitted Lackawanna Leather to remain competitive in the highly competitive U.S. and world leather markets. The company seeks quality hides at the best possible prices, and has sourced imports from many Beneficiary Developing Countries ("BDCs") under the GSP program. At times, the benefits conferred by the GSP program have been a determining factor in sourcing decisions. This has not only permitted Lackawanna Leather to obtain quality product at competitive prices, but has helped generate employment and economic growth in the BDC from which it is sourcing product. The termination of the GSP program would have an adverse effect on Lackawanna Leather, its customers in the U.S. furniture industry, and the BDCs from which it currently sources product.

The potential adverse impact resulting from the termination of the GSP program on Lackawanna Leather is significant. In fact, Lackawanna Leather has already experienced, on a smaller scale, the effect of the loss of GSP eligibility on one of its product lines—buffalo (water buffalo) leather imported from Thailand—and has seen first-hand the significant adverse effect the loss of GSP eligibility (even for a single product) can have on a company's operations. If GSP eligibility is not restored to buffalo leather from Thailand, not only Lackawanna Leather, but also its customers in the already severely depressed U.S. furniture industry, and its suppliers (and their employees) in Thailand, will be adversely affected.

Buffalo leather is not produced in, or available from sources in, the United States. It is available to U.S. companies in commercial quantities only from Thailand (Vietnam is the other potential source). It is used by U.S. furniture manufacturers to produce inexpensive leather furniture, a segment of the leather furniture market which has been dominated by low-priced Italian imports. Until the introduction of buffalo upholstery leather into the U.S. market in the late 1980s, U.S. furniture manufacturers had to compete against the imported product by using either vinyl, which was cost competitive but of a much lesser quality, or low-cost bovine leather, which was of a similar quality but much more expensive than the leather used by the Italian furniture manufacturers. With the introduction of buffalo leather into the United States in the late 1980s, U.S. furniture manufacturers were able to compete on both a price and quality basis with less expensive imported Italian leather furniture. The importation of the buffalo hides for processing created additional employment at Lackawanna, and maintained and/or created employment in the U.S. furniture industry, which for the first time was given an upholstery material which could compete again low-priced leather furniture from Italy. Further, not forgetting

the original purpose of the GSP program, significant employment was generated in Thailand by Lackawanna Leather's growing demand for buffalo hides.

Lackawanna Leather was instrumental in developing a market for buffalo leather in the United States by processing it in such a way to make it comparable to the quality of Italian split leather. Italian-produced furniture of split leather dominated the lower end of the U.S. leather furniture market up until the late 1980s. Lackawanna Leather was able to develop buffalo leather upholstery, and the market for this product, in part because buffalo leather from Thailand was entitled to duty-free treatment under the GSP program. The ability to enter this leather free of duty (the MFN rate of duty on buffalo leather is 3.7 percent) made Lackawanna Leather's buffalo leather operation economically viable.

Buffalo leather from Thailand had been eligible for duty-free entry into the United States under the GSP program up until July 1, 1991. GSP eligibility was lost at this time not because of any complaint from the U.S. leather industry, but because of the automatic operation of the competitive need limit of the GSP law. Lackawanna Leather has expended a great deal of time and effort to have GSP eligibility restored to buffalo leather from Thailand in order to try to save its buffalo leather operations. (A decision on the Petition to restore buffalo leather from Thailand to GSP eligibility filed by Lackawanna Leather in the 1992 GSP Annual Product Review has not yet been announced.)

The loss of GSP eligibility for buffalo leather from Thailand has severely affected the commercial viability of Lackawanna Leather's buffalo leather import operations. Given the precarious financial position of most of its customers in the U.S. furniture industry, Lackawanna Leather was unable to pass along the additional cost of the 3.7 percent import duty. The company cannot continue to absorb this cost for much longer. If its effort to restore GSP eligibility to the product in the 1992 GSP Annual Product Review does not succeed, Lackawanna Leather may have to discontinue its buffalo leather operations. This would hurt Lackawanna Leather's customers in the U.S. furniture industry, which would no longer have access to the upholstery material which allowed it to manufacture leather furniture which could compete against imported low-cost Italian split leather furniture. Further, it would seriously undermine the Thai industry supplying buffalo hides to Lackawanna Leather, which has expanded greatly as a result of the demand for buffalo leather generated by Lackawanna Leather in the U.S. market.

The effect of the loss of GSP eligibility on only one of its product lines has had a significant detrimental effect on Lackawanna Leather. Were the entire GSP program to be discontinued, this effect would not be limited to a single product line, but would affect a large segment of the company's operations. Having already experienced the disruption caused by the loss of GSP eligibility on a limited scale, the company does not wish to experience the loss of GSP eligibility on all of the articles it imports which currently receive benefits under the program.

Lackawanna Leather would strongly urge that Congress favorably consider the Administration's request for a fifteen-month extension of the GSP program. Lackawanna Leather also urges that the program be extended in a *timely* fashion, i.e., that an extended GSP program goes into effect on July 5, 1993, immediately following the expiration of the current program.

Lackawanna Leather has already seen an important segment of its business operations adversely affected by the loss of GSP eligibility. The cost to the company has been significant, but would be minimal compared to the cost to the company, and resulting disruption of its operations, were the GSP program not extended. For this reason, Lackawanna Leather strongly urges that the GSP program be extended in accordance with the Administration's request.

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**STATEMENT OF MOTOROLA**

This statement is presented by Motorola in response to the Senate Committee on Finance's announcement of May 7, 1993, inviting testimony on, *inter alia*, an extension of the U.S. Generalized System of Preferences (GSP).

The U.S. GSP program has made an important contribution to Motorola's competitiveness and, as such, we urge that the program be renewed. The program has buttressed the interrelationship between Motorola's extensive high-value manufacturing in the United States and its low-cost assembly operations in beneficiary countries.

A prime example of this interrelationship concerns the transceivers assembled by Motorola in Malaysia. As detailed in this submission, Motorola has substantial U.S.-based operations -- including several thousand American employees -- that are directly related to its Malaysian operations.

Headquartered in Schaumburg, Illinois, Motorola is a major manufacturer of electronic equipment, systems and components for the U.S. and overseas markets. Motorola has been a frequent participant in the Annual Review process established by the Office of the U.S. Trade Representative for considering changes in GSP eligibility. In recent years, the company has filed a product-specific petition as detailed in the following case study, and has actively participated in country practice cases concerning beneficiary countries' worker rights and intellectual property practices.

**Malaysian Transceivers: A Case Study in How  
the GSP Promotes U.S. Manufacturing**

Motorola assembles transceivers in Malaysia primarily for export to the United States, where they are sold as part of the broader Motorola transceiver line. The Malaysian transceivers compete primarily against imports from non-GSP countries such as Japan and Taiwan. As shown on the following page, Malaysia is the only GSP beneficiary among the United States' leading foreign suppliers of this product.



*U.S. Imports of Transceivers (HTS 8525.20.30)*  
(*\$000*)

	<u>1990</u>	<u>1991</u>	<u>1992</u>
Japan	\$122,760	\$154,709	\$177,322
Malaysia	99,839	116,894	120,040
European Community	38,781	58,286	74,444
Israel	30,431	30,401	37,027
Sweden	36,678	31,267	21,684
Korea	10,251	11,070	13,518
Canada	15,624	7,748	13,198
Taiwan	26,662	17,644	8,252
Singapore	68,384	8,213	5,557
Other	<u>11,708</u>	<u>19,758</u>	<u>46,580</u>
Total	\$461,118	\$455,990	\$517,622

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

In 1989, Motorola availed itself of the GSP's Annual Review procedures and filed a petition requesting a competitive need waiver for the transceivers it assembled in Malaysia. The company's sales forecasts indicated that the value of its imports of transceivers from Malaysia was about to exceed the GSP's value competitive need limit, whereupon the product automatically would lose duty-free treatment and be assessed the MFN duty of 6.0 percent *ad valorem*. Such an action would have sharply curtailed the competitiveness of Motorola's product.

Motorola's petition was granted in April 1990, following completion of the GSP Subcommittee's detailed review of submissions by Motorola and other interested parties and its receipt of economic advice from the U.S. International Trade Commission. The waiver for Malaysian transceivers took effect three months later and, in that same year, U.S. imports from Malaysia under the subject HTS subheading totaled \$99.8 million, exceeding the then-applicable competitive need limit of \$92.7 million. However, because of the waiver, the Malaysian product was able to avoid the loss of GSP treatment.

As shown above, U.S. imports from Malaysia under the applicable subheading totaled \$120 million in 1992, almost all of which entered free of duty under the GSP program. As detailed below, these GSP imports are making an important contribution to the competitiveness of Motorola's transceiver line generally and, in particular, to the extensive U.S. manufacturing and employment associated with the Malaysian product.

*U.S. manufacturing operations tied to Motorola's GSP imports from Malaysia*

The linkages between Motorola's Malaysian transceiver production and its U.S. operations are extensive and are summarized by the production flow chart presented in the Appendix. As the chart shows, these linkages fall into six areas: first, Motorola's U.S. production of components which are shipped to Malaysia for incorporation into the transceivers; second, Motorola's U.S. production of parts such as battery units that are added to the transceivers once they return to the United States; third, the finishing operations performed by Motorola's U.S. employees on the Malaysian transceivers; fourth, Motorola's U.S. production of related equipment such as battery chargers; fifth, Motorola's U.S. production of base stations and other transceivers fitting elsewhere in its product line; and finally, Motorola's extensive sales and service network and extensive research and development activities.

Motorola provided business confidential information regarding the value of its U.S. production and its U.S. workforce associated with each of these six phases to the interagency Trade Policy Staff Committee in a submission dated May 20, 1992, responding to the Administration's solicitation of public comment on the renewal of the GSP program. The data show that, in the aggregate, Motorola maintains over \$1 billion in U.S. production and employs several thousand workers in operations directly related to the company's Malaysian transceiver production. It should be noted that these figures reflect Motorola operations only, and do not include the substantial U.S. exports and employment associated with inputs sourced from unrelated U.S. companies.

*Phase I* - Motorola sources transceiver assemblies and many components in the United States and ships them to Malaysia. These inputs, which include hybrid integrated circuits, transformers and printed circuit boards, are sourced both from Motorola's U.S. plants and from other U.S. manufacturers.

*Phase II* - In Malaysia, the U.S.-made assemblies and components, along with others sourced worldwide, are assembled into basic transceiver units which are then shipped to the United States. Meanwhile, Motorola produces in the United States parts such as batteries which will ultimately be added to the transceiver units.

*Phase III* - Once the Malaysian-assembled transceivers are back in the United States, Motorola employees perform finishing operations on the units. These operations include attaching the parts manufactured in Phase II, testing, and programming the transceivers.

*Phase IV* - Motorola has many other U.S. operations linked to its Malaysian transceiver operations, such as the production of equipment related to transceivers. This manufacturing, which is conducted at several Motorola plants, involves antennas, towers, transmission lines, battery chargers and repeaters.

*Phase V* - Motorola also produces a substantial volume of transceivers in the United States that complement those manufactured by Motorola in Malaysia to give the company a full product line. These are either units which are expensive to ship because of their large size, are high-end models that demand extremely sophisticated programming, or are produced by a highly automated process.

*Phase VI* - Finally, Motorola maintains a large U.S. sales force to market transceivers manufactured by Motorola; several thousand additional workers are engaged in after-market service and parts.

***The GSP could expand Motorola's U.S. operations still further***

The availability of duty-free GSP treatment was an important factor in Motorola's selection of Malaysia over other foreign countries as the investment site for its transceiver assembly operations. However, since U.S.-made components accounted for such a large portion of the appraised value of the transceivers imported from Malaysia, the company found that it would be difficult to satisfy the GSP's requirement that at least 35 percent of the value be from the beneficiary country.

Faced with this situation, Motorola decided to expand the degree of assembly performed in Malaysia to the point where the product's U.S.-made components would be viewed by U.S. Customs as having undergone a dual transformation. Under the GSP's origin rules, the full value of inputs meeting the dual transformation test may be counted as though they are of beneficiary country origin and thus credited toward

the 35 percent threshold. By stretching the degree of assembly in Malaysia to meet the dual transformation requirement, the beneficiary country content in the transceivers imported from Malaysia surpassed the 35 percent level.

Ironically, the increased level of assembly in Malaysia that was prompted by the GSP's value-added requirement has come at the expense of Motorola's U.S. operations. Were it not for the duty considerations, Motorola could find that it is more cost effective to import the Malaysian transceivers back into the United States in a less finished condition and to perform a greater degree of final assembly operations at its U.S. facilities (i.e., to expand the U.S. operations outlined in Phase III above). Unfortunately, this is not an option given the importance of the GSP's cost savings to Motorola's competitiveness vis-a-vis foreign suppliers.

This situation, which clearly is contrary to general U.S. economic interests as well as Motorola's cost competitiveness, could be fully remedied by amending the GSP statute to allow the value of U.S.-made inputs to be credited toward the 35 percent value-added requirement. The benefit of such an amendment to U.S. production and employment could be quite significant.

### **Amending the GSP's Value-Added Requirement to Allow U.S. Content Will Further Promote U.S. Manufacturing**

Motorola urges that statutory provisions for the renewed GSP program be amended to allow U.S. content to be credited towards the GSP's value-added requirement. Under the current rule requiring that 35 percent of the product's value be of beneficiary country origin, there is no incentive to source parts and components from U.S. manufacturers or, as in the Motorola situation described above, to maximize the level of final assembly performed in the United States.

At best, the current situation fails to take advantage of a logical opportunity to promote sourcing of American products. At worst, the situation encourages manufacturers in developing countries to source their inputs from Japan or other GSP donor countries that, unlike the United States, will give them credit for incorporating their nation's components and materials.

To remedy this situation, Motorola urges that the GSP's value-added requirement be amended to adopt a provision relating to U.S. content equivalent to that for the Caribbean Basin Initiative (CBI). While this proposal has the disadvantage of limiting the credit for U.S. content to 15 percent of the import's appraised value, it recognizes the desire by U.S. Customs authorities to harmonize U.S. rules of origin wherever possible and the attendant contributions made by such harmonizations to improved understanding by beneficiary country manufacturers and U.S. importers. This approach also reflects the political reality that the U.S. government is unlikely to adopt rules of origin for the GSP program that are more liberal than those under the CBI.

Allowing U.S. content in the GSP's value-added calculation could have an immediate positive impact on U.S. manufacturing and employment. Motorola is not alone in seeking the allowance of U.S. content in the renewed GSP program. During its solicitation of public comment on the program's renewal, the TPSC received comments in support of such an amendment from many diverse parties. Clearly, this modification of the GSP's rules of origin would have widespread benefits to U.S. economic interests, and we urge that it be incorporated into the renewed GSP statute.

## -Amending the GSP's Value-Added Requirement to Allow U.S. Content Is Consistent With Other Trade Regimes Maintained by the United States and Our Major Trading Partners

Most trade regimes employing a value-added rule of origin make extensive use of the donor-country-content principle. The following reviews the use of donor-country content by the world's four leading traders -- the United States, the European Community, Japan and Canada. As indicated, the countries make extensive use of the donor-country content concept in almost every situation for which value-added origin rules are applied. This is particularly true for our major trading partners' GSP and other tariff preference programs, most of which provide strong incentives for incorporating donor-country content.

### *Canada*

As the country making the greatest use of value-added rules of origin generally, Canada is also the most frequent user of donor-country-content provisions. Unlike other major trading countries, Canada employs a value-added test for purposes of granting MFN treatment, requiring that at least 50 percent of a product's total cost of production be attributable to the originating, MFN-eligible country.

In calculating whether a product meets this requirement for MFN treatment, cumulation is allowed for value originating from any MFN countries or from Canada. A parallel provision giving credit for Canadian content is also incorporated in the country's two preferential regimes with other industrialized countries: the British Preferential Tariff and the Australia-New Zealand preferences.

In its preferential programs for developing countries, Canada relies on a negative rule of origin specifying the maximum content allowed from non-originating countries. Under Canada's GSP program (the "General Preferential Tariff" (GPT), no more than 40 percent of the ex-factory price of the goods can be of foreign content attributable to non-GPT countries. The value of any content originating in Canada or any GPT-eligible country can be cumulated with the originating-country content.

A similar provision is contained in Canada's Least Developed Developing Country (LDDC) program. Here, however, cumulation is restricted to the content from Canada and LDDC beneficiaries.

### *United States*

While the United States relies on a substantial transformation requirement as its primary rule of origin, it also makes relatively extensive use of value-added requirements and, within those, of provisions recognizing donor-country content. Two prominent examples are the U.S.-Canada Free Trade Agreement which, for certain products, requires that U.S. and/or Canadian operations account for at least 50 percent of the product's value of materials plus its direct cost of processing and assembly, and the proposed North American Free Trade Agreement.

In each of its tariff preference programs with developing countries or regions *except its GSP program*, the United States credits donor-country content. Most of these programs are based on the Caribbean Basin Initiative (CBI) which, like the GSP program, requires that products be substantially transformed and have at least 35 percent of their value derived in a beneficiary country. Unlike the GSP, however, the CBI provides that materials from the United States may constitute up to 15 percentage points of the 35 percent value-added requirement.

Provisions identical to the CBI's allowing the inclusion of U.S. content are contained in the Andean Trade Preferences Act and in the U.S.-Israel Free Trade Agreement. Finally, the United States also maintains a *de facto* donor-country-content credit for products from insular possessions that are not part of the U.S. customs territory. These products, which are normally subject to MFN duties, can enter free of duty if foreign materials constitute no more than 70 percent of the article's total appraised value (50 percent for articles that are ineligible for CBI treatment).

### *European Community*

The European Community's primary rules of origin involve substantial transformation and change-of-tariff-heading approaches. The EC employs value-added rules only on a supplemental basis for its five major types of tariff treatment and, even then, it does so only for certain product groups.

For those situations in which value-added rules do apply, the EC makes frequent use of donor-country-content provisions. Under the EC's Lome Convention and its trade agreements with Maghreb countries, cumulation is allowed for content from the EC and among all beneficiary countries. The EC's free trade agreements with EFTA and its non-Maghreb Mediterranean agreements also allow the inclusion of content from the EC, but not from other eligible countries.

The value-added tests contained in the EC's GSP program do not recognize donor-country content. However, the impact of this omission is limited by the fact that the EC's GSP program utilizes value-added requirements only as a supplemental requirement to its primary change-of-tariff-heading rule of origin and, even then, only for certain products. Also, a large portion of the imports theoretically covered by the EC's GSP program enter under the more liberal Lome Convention or other preferential programs that incorporate donor-country-content provisions.

### *Japan*

Japan, which uses a change-of-tariff-heading requirement as its primary rule of origin, makes the least use of a value-added rule of origin of the major trading countries. Japan's value-added requirements are restricted to its GSP program, which relies upon a negative value-added rule limiting the amount of non-originating country content. These limits vary from product to product, but generally range between 40 and 50 percent. In calculating this value-added requirement, cumulation is allowed for Japanese content.

## **Conclusion**

For the foregoing reasons, Motorola urges that the U.S. GSP program be renewed. Motorola further urges that the GSP statute be amended to allow U.S. content to be credited towards the program's value-added requirement.

## PRODUCTION FLOW CHART OF MALAYSIAN TRANSCEIVERS

### U. S. COMPONENTS & SUBASSEMBLIES

- \*Semiconductors
- \*Gaskets
- \*Contacts
- \*Clamps
- \*Housings
- \*Covers
- \*Ceramics
- \*Plugs
- \*Connectors
- \*Capacitors
- \*Resistors
- \*Plastics
- \*Insulators
- \*Escutcheons
- \*Sockets
- \*Brackets

U.S. PHASE I

Malaysian  
Assembly  
Operations

### U. S. PARTS ADDED TO THE MALAYSIAN PRODUCTS

- \*Battery
- \*Antenna
- \*Carrying Case
- \*Belt Clip

U.S. PHASE II

### U.S. FINISHING OPERATIONS

- \*Attachment of Phase II Parts
- \*Programming
- \*Final Testing of Products
- \*Labeling & Packaging of Products

U.S. PHASE III

**OTHER MOTOROLA OPERATIONS LINKED TO MALAYSIAN TRANSCEIVERS**

**U.S. PRODUCTION  
OF RELATED  
EQUIPMENT**

- \*ANTENNAS
- \*TOWERS
- \*TRANSMISSION  
LINES
- \*REPEATERS
- \*BATTERY  
CHARGERS

**U.S. PHASE IV**

**TRANSCEIVER PRODUCT  
LINE MANUFACTURED  
IN THE UNITED STATES**

- \*BASE STATIONS  
MICROPHONE  
TRANSMITTER  
RECEIVER  
CONTROL PANEL  
SPEAKER  
POWER SUPPLY
- \*PORTABLE TRANSCEIVERS
- \*MOBILE TRANSCEIVERS

**U.S. PHASE V**

**U.S. SALES & SERVICE  
WORKFORCE**

- \*TRANSCEIVERS ARE  
DIRECTLY MARKETING TO  
CUSTOMERS
- \*SERVICE CENTERS  
THROUGHOUT THE U.S.  
FOR INSTALLATION &  
SERVICE

**U.S. PHASE VI**

**STATEMENT OF THE NATIONAL GRAIN AND FEED ASSOCIATION**

The National Grain and Feed Association (NGFA) appreciates the opportunity to submit comments for the hearing record on the President's decision to seek an extension of fast-track negotiating authority for the Uruguay Round trade negotiations. The NGFA endorses strongly and without reservation fast-track extension and urges the expeditious completion of negotiations.

The NGFA is the national nonprofit trade association of more than 1,000 grain, feed and processing firms comprising 5,000 facilities that store, handle, merchandise, mill, process and export more than two-thirds of all U.S. grains and oilseeds utilized in domestic and export markets. Founded in 1896, the NGFA's members include country, terminal, and export elevators; feed mills; cash grain and feed merchandisers; commodity futures brokers and commission merchants; processors; millers; and allied industries. The NGFA also consists of 40 affiliated state and regional grain and feed associations whose members include more than 10,000 grain and feed companies nationwide.

The Uruguay Round negotiations of the General Agreement on Tariffs and Trade (GATT) have been a source of both hope and consternation for several years. From the beginning of the talks, the NGFA has strongly supported a comprehensive agreement which, among many other goals, would phase out or phase down trade-distorting agricultural policies worldwide. Specifically, we believe that the discipline of a multilateral GATT agreement is needed to bring agricultural export subsidies under control.

We firmly believe the time has come for all subsidizing nations to move away from such practices. Given multilateral agreement on that point and enforceable rules, U.S. farmers and agribusiness will benefit greatly by taking advantage of our own competitive advantages over other countries. Because we have the world's most productive farmers and the world's most efficient and comprehensive marketing and transportation system, the United States is extremely well-positioned to capitalize on enhanced market opportunities.

The release in December, 1991, of the Dunkel text was a landmark event. The NGFA was optimistic then that the Dunkel text would provide a framework for conclusion of the Uruguay Round. Similarly, when the Blair House agreement was reached by U.S. and EC negotiators last year, hopes were again raised that agreement could be near. While such agreement has been slow in materializing, we still believe that concepts embodied in the Dunkel text and the Blair House agreement are the foundation for successful completion of the Uruguay Round.

Furthermore, we still believe a sound agreement is of paramount importance for U.S. agriculture. Estimates are that an agreement based on the Dunkel text would increase farm cash receipts by about \$5 billion. Net cash farm income is projected to rise about \$1 billion. In addition, U.S. exports would increase by \$4.5 billion. It seems clear that a successful GATT agreement would bring significant financial benefits to U.S. agriculture, a fact that becomes increasingly important as federal budget pressures mandate cuts in commodity price support programs. A successful agreement would allow both farmers and agribusiness to seek an increasing share of their incomes from the marketplace rather than from government programs.

Fast-track extension is an integral component of a successful agreement. By requesting fast-track extension, President Clinton has sent a message to our trading partners and our competitors that he is serious about seeking an end to the gridlock that has enveloped the Uruguay Round. Congressional approval of the President's request would strengthen the hand of negotiators as they seek the best deal for the United States. Perhaps even more importantly, fast-track rules preclude loading down an agreement with numerous crippling amendments when the proposed agreement is ultimately considered by Congress for approval.

In conclusion, the NGFA supports fully President Clinton's request for an extension of fast-track negotiating authority. We look forward to working with the committee and the Administration for fast-track approval and the long-awaited successful conclusion of the Uruguay Round.

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## STATEMENT OF THE NATIONAL GRANGE

The "fast track" authority that was granted the President under Section 1102 of the Omnibus Trade and Competitiveness Act of 1988 (which permits him to enter into trade agreements that would be subject to the expedited legislative procedures that are set forth in Section 151 of the Trade Act of 1974) expires on May 31, 1993.

The President has proposed to extend the "fast track" procedures to the conclusion of the Uruguay Round of multilateral trade negotiations (MTN) under the General Agreement on Tariffs and Trade (GATT) provided that Congress is notified by December 15th of his intent to enter into the MTN agreement.

Agriculture must remain a top United States' priority in world trade talks if U. S. farmers are to support the continuation of the Uruguay Round of the MTN under the GATT. The National Grange strongly supports granting the "fast track" authority to the President provided that the authorizing legislation is "clean" and is not encumbered by amendments offered by special interests in an attempt to further their agenda by using the trade negotiations.

America's farmers and other agricultural interests have long supported international efforts to achieve more open markets and fairer trading rules for agriculture through multilateral trade negotiations under the GATT. The progress that was made in opening markets for agricultural exports in previous GATT negotiations has been tremendously important to the United States' agricultural sector and the nation's economy as a whole.

"Fast track" authority is essential to a successful and acceptable Uruguay Round trade agreement. Without an agreement, America's agriculture will be faced with the very real threat of escalating and damaging trade conflicts.

As you know, a vote on the "fast track" authority is not a vote for a GATT agreement or a North American Free Trade Agreement. It is a vote that will enable the talks to proceed. Eventual support for either agreement that is brought back to Congress for approval would be conditioned upon the terms of that agreement. The "fast track" procedure also enables Congress and other interested parties to have their concerns fully considered throughout the negotiating process.

We believe that Congress should retain a major role regarding the aims, progress, and conduct of any negotiations in the trade area in accordance with its preeminent constitutional authority. Therefore, we are pleased that Congress has created the "fast track" procedure whereby it retains the power to approve or reject a trade agreement, as well as, the right to be closely consulted throughout the negotiating process. At the same time, Congress has wisely limited its ability to unilaterally amend a trade agreement in ways that would undermine any administration's ability to advance vital United States' national interests in the international trade arena.

"Fast track" authority is essential to the reasonable conduct of international trade negotiations. Without it, the United States' credibility in pursuing market opening efforts and trade reform would be seriously undermined.

However, we are frustrated over the failure to achieve a successful conclusion to the MTN before now. We believe that extending the negotiating authority under "fast track" will result in a meaningful and successful agreement. We would like to caution our negotiators not to accept a bad deal for agriculture in an effort to reach an agreement.

America's farmers have had too much experience with the results of bad agricultural trade deals or agreements where agriculture has been ignored. The longer the negotiations continue the more concerned farmers and ranchers become. We are afraid that as a matter of expediency, agriculture could, once again, be traded off simply to complete the trade round by a given date or to lock in benefits for the non farm sectors.

The Grange's objectives from the start of the Uruguay Round nearly seven years ago have included expanding markets through increased market access, reducing trade-distorting domestic subsidies, reducing and phasing out export subsidies, and prohibiting the use of unjustifiable health and sanitary restrictions that are non-tariff barriers to trade.

We agree with Secretary of Agriculture Mike Espy that serious problems remain regarding market access. We could gain our objectives in other areas of the agriculture negotiations only to lose them in protectionist measures that are taken regarding market access.

We urge your Committee to approve the extension of the President's "fast track" authority and oppose any efforts to deny or amend the extension of the existing "fast track" authority. We believe that the successful conclusion of trade agreements offers one of the best prospects for the future growth of the United States' economy, industries, exports, and jobs.

Thank you for considering the Grange's views.

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## STATEMENT OF PEPSI-COLA INTERNATIONAL

On behalf of Pepsi-Cola International ("PCI"), headquartered in Somers, New York, this letter responds to the Senate Finance Committee request for comments relevant to H.R. 1876 which includes authority for the President to enter into trade agreements to conclude the Uruguay Round of multilateral trade negotiations under the auspices of the GATT and to apply Congressional "fast track" procedures to a bill implementing such agreements.

PCI strongly supports an extension of the President's authority under "fast track" procedures to enable the Uruguay Round to be completed by the scheduled December 15 deadline.

For over five years PCI has worked closely with U.S. government negotiators to achieve better market access for the company's exports of soft drink concentrate and the raw materials required to produce concentrate in 21 priority countries.

At this point in the negotiations, PCI has serious concern over the outcome of the market access agreement as it affects PCI's ability to increase its exports through the meaningful reduction of tariffs and non-tariff barriers. This concern centers around the apparent reluctance if not refusal by many PCI priority market countries to do anything more than offer across-the-board GATT bindings at high levels and/or only introduce minimal-tariff reductions over several years. In either case, such a "minimalist" result will fail to improve the company's ability to achieve better market access abroad.

PCI has also actively participated in the services agreement negotiations as they relate to the elimination of foreign government restrictions facing U.S. companies' ability to globally source television commercials, both live and animated. These restrictions consist mostly of local content requirements and the use of so-called "ghost crews." PCI believes that the Clinton Administration will continue to resist strongly any effort by our trading partners to insert a "cultural exception" into the Uruguay Round services agreement and that it will continue to address these as barriers to advertising rather than as barriers to audio-visual services.

## BACKGROUND SUMMARY

PCI encompasses more than 700 bottling plants in 165 countries and territories and includes the business of Seven-Up International. PCI accounts for approximately 15 percent of all soft drinks sold internationally. Of the 165 countries and territories where PCI operates, over 70 are GATT Signatories.

The majority of international brand soft drinks are distributed under the rights of a franchising system. PCI's international brand franchisees are completely owned and operated by local businessmen, who are, in nearly all cases, local nationals. There are no licensing and/or royalty fees charged to franchisees by PCI for use of its international trademarks. In return for using the Pepsi trademark, the franchisees purchase concentrate and other raw materials from the company.

In 1988 when PCI first began participating in the Uruguay Round, nearly \$65 million in Customs duties were paid worldwide by PCI alone on exports of soft drink concentrate and the raw materials to manufacture concentrate. Unconscionably high tariffs on soft drink concentrate are not confined to developing countries such as Thailand where the duty is 60 percent *ad valorem*. In Japan, for example, the 22 percent tariff acts is a major trade impediment. Moreover, in many developing countries the inability to obtain import licenses and related restrictions have directly influenced PCI's decision whether to establish manufacturing operations abroad.

Regarding the distribution and airing of television commercials, in the soft drink business direct marketing is a key component in increasing consumer demand and awareness. While there are many facets to marketing soft drinks, media advertising is critical. Of the 75 countries where PCI distributes television commercials, the company faces severe discriminatory government barriers in eight countries, including Australia, Brazil, Korea and Malaysia. The barriers in the eight countries cost PCI alone millions of dollars annually, money that could be used to improve local bottlers' facilities and increase the size of the market which in turn would result in new U.S. exports.

## EFFECT OF AGRICULTURAL PROVISIONS OF THE DUNKEL TEXT ON PCI'S MARKET ACCESS GOALS

With the exception of some raw materials to produce concentrate (e.g., essential oils, HS 3302.10), most of PCI's exports fall within the agricultural chapters of the Harmonized Tariff System (most notably soft drink concentrate which enters under US HTS No. 2106.90.60).

These exports as they relate to the agricultural provisions of the Dunkel Text would now be reduced on a "simple average basis" by 36 percent over 6 years. PCI is extremely concerned that the reductions are based on either bound duty levels or, in the case of unbound duties, on the levels applicable as of September 1, 1986.

In many instances, a 36 percent reduction on bound rates will mean *no additional market access to PCI* since these bound rates are much higher than the applied rate. Examples of this includes Korea where the GATT binding on soft drink concentrate (HTS 2106.90) is 40 percent *ad valorem*, but the applied rate is 20 percent. A 36 percent reduction by Korea would not result in the reduction of the duty currently facing the company.

Similarly, of the eight priority countries listed below, very few have GATT-bound their tariffs on products of interest to PCI. Country examples of this include India, Thailand, Turkey, Pakistan, and Egypt. The tariff levels in these and other countries of interest to PCI as of September 1, 1986 were extremely high. Again, in nearly all cases a 36 percent reduction made on this base period would be of little, if any, value to our company.

Therefore, it is vital that the market access negotiations achieve deeper tariff cuts than those proposed in the Dunkel Text.

#### TARIFF BARRIERS REQUEST/OFFER TOP NEGOTIATING PRIORITIES

Of the 21 countries initially identified by PCI as having high tariff barriers which significantly distort trade, the following eight are viewed by the company as the most critical for trade liberalization in the Uruguay Round.

Country	HTS Nos.	Applied Rate	GATT-Bound rate	Tariff request
1. Japan	2106.90.429 concentrate	22%	22%	10%
	1702.90 caramel	60	unknown	10
	2202.10 carb soft drink bev.	16	10	7
2. Thailand	2106.90 concentrate	60	No	10
	3302.10 7UP/Flavors	50	No	10
	2202.10 carb soft drink bev.	60	No	10
3. Turkey	2106.90 concentrate	35	25	10
	3302.90 Essential oils	40	No	10
	1301.20 gum arabic	40	No	10
	1702.90 caramel	40	No	10
4. India	3302.90 essential oils	65 plus 20% excise tariff	No	10
	3302.10 7UP/Flavors	65 plus 20% excise tariff	No	10
	1702.90 caramel	65	No	10
	2106.90 concentrate	65 plus 40% excise tariff and 50 rupees per kilo	No	10

Country	HTS No.	Applied Rate	GATT-Bound rate	Tariff request
5. Egypt	2106.90 concentrate	30	No	10
	3302.10 7UP/Flavors	31	No	10
6. Hungary	2106.90 concentrate	21.5	unknown	10
	3302.10 7UP/Flavors	21.5	unknown	10
	2202.10 carb soft drink bev.	40	unknown	10
7. Pakistan	2106.90 concentrate	125	No	10
	3302.10 7UP/Flavors	125	No	10
	3302.90 essential oils	100	No	10
	1702.90 caramel	100	No	10
	2811.29 phosphoric acid	40	No	10
	2918.14 citric acid	40	No	10
8. Uruguay	2106.90 concentrate	25	No	10
	2918.14 citric acid	35	No	10
	1702.90 caramel	35	No	10

### NONTARIFF TRADE BARRIERS

Country	Description of NTB
1. Turkey	Imposition of a 20% higher tax on cola-based drinks than non-cola beverages. Nearly all cola-brand soft drinks are international brand, tax discriminates against foreign-owned companies.
2. Pakistan	<ul style="list-style-type: none"> <li>• Requirement that soft drink companies produce locally in order to gain permission to establish new franchises.</li> <li>• Embargo on bottling equipment imports which can be used to expand capacity.</li> </ul>

### SECOND TIER NEGOTIATING PRIORITIES

Of the remaining 13 priority countries PCI initially identified in its 1988 written submission, the following two countries are viewed as important to achieve significantly reduced tariffs on the company's exports.

Country	HTS No.	Applied Rate	GATT-Bound rate	Tariff request
1. Korea	2106.90.1010 concentrate	20%	40%	0%
	2106.90.1020 concentrate	20	50	0
	2936.22.00 Vitamin C	20	No	0

Country	HTS Nos.	Applied Rate	GATT-Bound rate	Tariff request
2. Philippines	1301.20 gum arabic	20	No	5
	2939.30 caffeine	10	No	5
	2809.20 phosphoric acid	10	No	0

**SERVICES NEGOTIATIONS RELEVANT TO FOREIGN GOVERNMENT RESTRICTIONS ON THE PRODUCTION AND LOCAL AIRING OF LIVE AND ANIMATED TELEVISION COMMERCIALS**

PCI's longstanding effort to U.S. companies to globally source and distribute television commercials to a number of countries is supported by a number of U.S. companies and associates, including Xerox, Procter & Gamble, the Association of National Advertisers and the International Advertisers Association.

As of early 1993, none of the eight priority countries identified by PCI with U.S. negotiators have tabled any meaningful offers that would increase U.S. companies' ability to globally source television commercials. Regrettably, the Dunkel Text provides no assurance that better market access will be achieved. The Schedule of Commitments has yet to be negotiated and incorporated as part of the final text will be key to U.S. companies' assessment whether the Services agreement is of any value.

On behalf of PCI, we appreciate the opportunity to express the companies views on "Fast Track" negotiating authority and to provide the Senate Finance Committee the company's goals in the context of the Uruguay Round market access negotiations for goods and services.

Sincerely,

JOHN F. MCDERMID, *President,*  
*International Business-Government*  
*Counsellors, Inc.*

**STATEMENT OF POLAROID CORP.**

On behalf of Polaroid Corporation ("Polaroid"), headquartered in Cambridge, Massachusetts, this letter responds to the Senate Finance Committee request for comments relevant to H.R. 1876 which includes authority for the President to enter into trade agreements to conclude the Uruguay Round of multilateral trade negotiations under the auspices of the GATT and to apply Congressional "fast track" procedures to a bill implementing such agreements.

Polaroid has since the inception of the Uruguay Round market access negotiations sought an agreement that will significantly improve its ability to increase U.S. exports through the reduction of tariff barriers abroad.

**BACKGROUND SUMMARY**

Polaroid is the world's largest supplier of instant photography, including instant cameras and instant print film. The company's products are distributed in 160 countries and territories located in every region of the world.

Where Polaroid is able to export, it is successful. There is only one other instant photographic producer in the world, namely, Fuji of Japan. But even where Polaroid faces competition from Fuji it is able to successfully compete. For example, Polaroid has over 70 percent of the Japanese instant photographic market.

The Senate Finance Committee should be aware of the following four critically important points.

*First*, in virtually all cases there is no local producer of instant photographic film or cameras in the countries identified by Polaroid in its market access requests to the Executive Branch. As concluded by the ITC in a Section 201 investigation, instant and conventional (e.g., 35 mm) film do not directly compete;

*Second*, Polaroid's products are to a large extent no longer products destined to retail consumers and therefore goods which might be perceived as luxury items. Nearly 60 percent of the company's cameras and film today are for industrial (e.g., hospitals, identification card systems) rather than consumer use;

*Third*, the HTS specifically identifies instant print film and cameras at the 6-digit level (i.e., 3701.20 and 9006.40, respectively). Therefore, tariff elimi-

nation will not hurt any local producers and will have only minimal trade effect on our trading partners; and

*Fourth*, the U.S. will be the overwhelming beneficiary of trade liberalization.

#### TOP NEGOTIATING PRIORITIES

##### *Zero-for-Zero Governing Instant Print Film and Negatives*

Polaroid understands the Government of Japan has proposed a zero-for-zero approach on products covered under Chapter 37. Instant print film enters under HTS No. 3701.20 and instant print film negatives enter under 3702.31.

Polaroid continues to urge U.S. trade negotiators to support the Government of Japan's proposal. This initiative would offer significant new U.S. export opportunities for the United States in the following high priority countries:

Country	HTS No.	Applied rate	U.S. duty	Request
1. EC .....	3702.31.90	7.1%	3.7%	0%
2. Korea .....	3701.20	11	3.7	0
3. India .....	3701.20	65	3.7	0
4. Egypt .....	3701.20	30	3.7	0
5. Thailand .....	3701.20	10	3.7	0
6. Venezuela .....	3701.20	20	3.7	0
7. Brazil .....	3701.20	10	3.7	0

##### *U.S.-EC Request / Offer*

Polaroid is also requesting the EC to eliminate its 8.9% duty on instant print film batteries (HTS 8506.19.90) and elimination of its 7.1% duty on negatives (3702.31.90) in return for the elimination of the 4 and 3% U.S. duty on fixed and variable focused instant photographic cameras (U.S. 9006.40.40 and 9006.40.90, respectively).

##### *Tariff Elimination / Reduction on Instant Print Cameras*

Polaroid is also seeking significantly improved access for its instant print cameras in the following priority countries.

Country	HTS No.	Applied rate	U.S. duty	Request
1. India .....	9006.40	<sup>1</sup> 65%	4 and 3%	10%
2. Korea .....	9006.40	13	4 and 3	0
3. Egypt .....	9006.40	42	4 and 3	0
4. Argentina .....	9006.40	20	4 and 3	10
5. Venezuela .....	9006.40	20	4 and 3	0

<sup>1</sup>The 53.75% reflects the total effective import charge, including auxiliary and base tariffs and countervailing duty taxes.

Polaroid appreciates this opportunity to support an extension of the "Fast Track" negotiating authority and to comment on the importance of a successful Uruguay Round market access agreement to Polaroid's export operations.

Sincerely,

JOHN F. MCDERMID, *President,*  
International Business-Government  
Counsellors, Inc.

REPUBLIC OF THE PHILIPPINES  
**KAGAWARAN NG KALAKALAN AT INDUSTRIYA**  
 (Department of Trade and Industry)  
 Trade and Industry Building  
 361 (Buendia) Sen. Gil J. Puyat Avenue  
 Makati, Metro Manila, Philippines 3117



Tel. No. 818-57-05 to 85  
 P.O. Box 2303, Makati Commercial Center

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 46466 MOT PS  
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19 May 1993

Honorable Daniel Moynihan  
 Senator from the State of New York  
 Chairman, Senate Finance Committee  
 United States Senate  
 Dirksen Building, Room 215  
 Washington, D.C. 205210

Dear Senator Moynihan:

I understand that your Committee is conducting hearings on the renewal of the U.S. GSP Program. As beneficiaries of the program, the ASEAN countries are following your deliberations with great interest. In my capacity therefore as Chairman of ASEAN Economic Ministers, I would like to bring to your attention the collective concerns of the Governments of Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand regarding the extension of the program. While Brunei and Singapore no longer qualify for GSP treatment as individual countries, they still avail of the regional cumulation provision for GSP eligible goods granted to ASEAN.

The countries of ASEAN have been pursuing open, market oriented economic policies to spur growth in their respective economies. These efforts have made the economies of ASEAN the world's most dynamic in the last few years and which in turn has contributed to the stability of the region. This situation derives in part from the close economic ties that ASEAN maintains with the United States. ASEAN countries is the home to over \$ 12 billion in U.S. investments (calculated as net book value). U.S. exports to ASEAN amounted to \$ 23.98 billion trade in 1992.

ASEAN exports which benefitted from GSP amounted to \$ 6.1 billion in 1992. The program assures the competitiveness of ASEAN exports - which enjoy no GATT-inconsistent subsidies - viz-a-viz other countries, and benefits American consumers by making available to them a wide range of merchandise from ASEAN at affordable prices.

If GSP therefore is not extended, the competitiveness of these GSP eligible products would be adversely affected. Such development would have negative repercussions on their economies and curtail the ability of the ASEAN countries to buy U.S. products. With a combine population of 360 million, ASEAN is the third largest market for U.S. goods outside North America after the EC and Japan.

The importance of the GSP program to the ASEAN countries also has led to the tremendous progress that they have made in the area of worker rights, intellectual property rights protection, and investment measures. ASEAN's free market orientation has also been manifested in its strong support for the successful conclusion of the Uruguay Round of Multilateral Trade Negotiations.




In recognition of the key role of the GSP program in increasing the exports of developing countries, Japan, the EC, and other GSP donor countries have extended their programs for at least 10 years.

On behalf of the ASEAN Economic Ministers therefore, I would like to convey our request that you take the foregoing into account in your deliberations.

With assurances of my highest consideration.

Very truly yours,



RIZALINO S. NAVARRO  
Secretary

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## SUPPORTERS OF MISCELLANEOUS TARIFF LEGISLATION

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818 Connecticut Avenue, N.W.  
12th Floor  
Washington, D.C. 20006

202/872-8181  
Fax 202/872-8696

June 3, 1993

Mr. Wayne Hosier  
United States Senate  
Committee on Finance  
Dirksen 205  
Washington, D.C. 20510

Dear Mr. Hosier:

We, the undersigned companies and associations, are supporting a Uruguay Round Market Access agreement that would include the elimination of duties on products that recently have been the subject of noncontroversial duty suspensions and of noncontroversial duty suspension legislation introduced in Congress. We submit this letter in response to your press release requesting comments on S. 1003 for the May 20 Senate Finance Committee hearing.

The elimination of duties on products for which there is no substantial U.S. production would enhance the competitiveness of many different U.S. industry sectors. Overall benefits to the United States economy of the elimination of these duties would include:

- The retention or creation of jobs in the United States;
- The maintenance or expansion of production, R & D, warehouse, and services facilities in the United States;
- The control or reduction of costs for United States companies and consumers.

We are very encouraged by the efforts being made by the Office of the U.S. Trade Representative and the Commerce Department to consider including an offer to eliminate the duty on these products in the Market Access negotiations.

We recommend that their inclusion be a top priority for U.S. negotiators in the tariff package of Uruguay Round negotiations.

Sincerely,

The 3M Company  
 Adams-Mellin, Division of Sara Lee Corp.  
 Agglomerate Stone Tile Importers Association  
 American Stone Distributors, Fabricators & Installers Committee  
 American Tartaric Chemicals, Inc.  
 American Yarn Spinners Association  
 Apple Computer Inc.  
 Ares-Serono  
 Ashton-Drake Galleries, Ltd.  
 Baxter Healthcare Corp.  
 Belmont Hosiery Mills, Inc.  
 Bicycle Manufacturers Association  
 Biocraft Laboratories, Inc.  
 Bossong Hosiery, Inc.  
 Buster Brown Apparel, Inc.  
 Canned and Cooked Meat Importers Association  
 Carolina Cook Industries, Inc.  
 Century Juvenile Products  
 Charleston Hosiery, Inc.  
 Cheminova  
 Club Car, Inc.  
 Computer and Business Equipment Manufacturers Association  
 Crompton & Knowles Corporation  
 Dayco Products, Inc.  
 Department 56  
 E. I. Dupont De Nemours & Company  
 Elastic Therapy, Inc.  
 Engelhard Corporation  
 Ethyl Corporation  
 Fashion Accessories Shippers Association, Inc.  
 Flimercon Inc.  
 Foothills Hosiery, Inc.  
 Fox River Mills, Inc.  
 The Gates Corporation  
 Gerry Baby Products  
 Goodyear Tire and Rubber Co.  
 Groz-Beckert  
 Hampshire Hosiery, Inc.  
 Harris Corporation  
 Harris & Covington Hosiery Mills  
 Hercules Inc.  
 Hope Hosiery Mills  
 Intel Corporation  
 J & B Hosiery, Inc.  
 Kabi Pharmacia Inc.  
 Kayser-Roth Corp

Kimberly-Clark Corporation  
 Leath, McCarthy & Maynard, Inc.  
 Lemco Mills, Inc.  
 Len-Wayne Knitting Mills, Inc.  
 Lenza Inc.  
 Marion Merrell Dow, Inc.  
 Mattel, Inc.  
 Mayo Knitting Mill, Inc.  
 Miles Inc.  
 National Association of Hosiery Manufacturers  
 National Bulk Vendors Association  
 NIPA Laboratories  
 Nishika Corporation  
 NOR-AM Chemical Company  
 OMNI USA, Inc.  
 Paul Levitt Mills, Inc.  
 Polaris Industries, L.P.  
 Polaroid Corporation  
 Romme Hosiery, Inc.  
 Royce Hosiery Mills, Inc.  
 Rubber Manufacturers Association  
 Russ Berrie & Co., Inc.  
 Schering Inc.  
 Sigallo Pac  
 Sundstrand  
 Tennessee Machine and Hosiery Co.  
 The Kendrick Co.  
 Totes  
 Uniroyal Chemical Co., Inc.  
 United States Hosiery Corp.  
 Walton Knitting Mills, Inc.  
 Xerox Corporation

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#### STATEMENT OF THE TOY MANUFACTURERS OF AMERICA, INC.

The Toy Manufacturers of America, Inc. (TMA), a trade association composed of more than 250 U.S. producers and importers of toys, games, dolls, and holiday decorations, strongly supports continuation of the Generalized System of Preferences (GSP) program. TMA urges the Congress to take prompt action, before the scheduled expiration of the program on July 3, 1993, to ensure that the program is not permitted to lapse for even a short period of time.

The GSP program provides duty free access for goods from developing countries. It has been a significant factor in sourcing decisions by toy companies who must constantly be responsive to the cost consciousness of American consumers. From its introduction in 1976 through the mid-80s, the GSP program was the primary means by which toy, game and doll importers obtained duty free entry for their products, for which the main countries of origin during those years was Hong Kong, Taiwan and South Korea. Since then, these three advanced developing countries, plus Singapore, were graduated from the GSP program. Countries which remain eligible for GSP include Mexico, Macao, Thailand, Malaysia, and the Philippines, have all increased their shipments to the U.S., as exports from Taiwan, South Korea and Hong Kong have declined. We conservatively estimate that the GSP program saved U.S. toy companies and their customers some \$60 million in duties in 1992.

The estimate is conservative because in many instances GSP eligibility was not claimed when duty-free entry was available under a temporary duty suspension provision. The GSP program has actually become even more important to the toy industry in 1993 as a result of the expiration on December 31, 1992, of a number of duty

suspension provisions that had been in existence for 10 years. The expiration of those duty suspensions, primarily affecting stuffed dolls and stuffed toys, means that the industry, and its customers, are now paying a 12 percent duty. The presence of the GSP program has ameliorated this problem to the extent that these articles are being produced in GSP-eligible countries. TMA estimates that about one-third of the products that previously entered duty-free under the duty suspension provisions are currently entering duty-free under the GSP program.

Like the loss of the duty suspensions, the loss of the GSP program would be equivalent to the imposition of a new tax on the consumer. The additional cost for the toys means that fewer sales will be made, a consequence that will affect U.S. toy importers, U.S. retailers, and the economy as a whole.

The GSP program also has substantial benefits for this country's trade policy and competitiveness objectives. First, it is correctly based upon the premise that trade not aid is the most effective means for promoting economic growth and industrialization of developing countries. Second, the GSP program has served as a valuable trade policy tool for encouraging beneficiary countries to make progress toward conforming to internationally recognized standards such as the protection of intellectual property rights and worker rights. The U.S. should not forfeit this valuable leverage by allowing the program to lapse.

The industry is pleased that the Clinton Administration supports a short term extension of the GSP program (during which a thorough review of the program would be conducted), and that the legislation put forward in the House of Representatives, in the Budget Reconciliation Act, would make the extension, whenever passed, retroactive to July 4, 1993. However, the potential lapse in the program will still pose significant problems for U.S. toy importers. That is because, if there is no GSP legislation enacted by July 3, the U.S. Customs Service will be required to begin collecting duties on shipments imported thereafter. July marks the beginning of the height of, the Christmas shipping season. The additional costs associated with having to post duties, even if they are subsequently refunded, will unnecessarily raise costs and create additional paperwork burdens. The Congress should take immediate action to enact the GSP program extension to avoid such a wholly wasteful and costly exercise.

TMA appreciates this opportunity to present its views on this important matter.

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STATEMENT OF TRADING ARRANGEMENT CORPORATION AND AUTOMANUFACTURAS,  
S.A.

Mr. Chairman: My name is Leslie Alan Glick, a partner in the law firm of Porter, Wright, Morris and Arthur in Washington D.C. and I am submitting this statement in support of the administration's proposal to renew the Generalized System of Preferences on behalf of my clients, Trading Arrangement Corporation, and Automanufacturas S.A.

Trading Arrangement Corporation is a United States Corporation with offices in Laredo, Texas and Houston, Texas and employs 22 persons in the United States. Automanufacturas, S.A. is a Mexican corporation located in Mexico City and part of the ICA group. Automanufacturas is an exporter of various automotive parts to the United States and currently receives duty free benefits under the Generalized System of Preferences. Trading Arrangement Corporation handles the United States activities in connection with these imports. In addition numerous U.S. companies receive work that generates employment and revenues as a result of the above described activities. These include CAMH Star, Inc. a freight forwarding agency in Laredo, Texas with over 40 employees, where Trading Arrangement Corporation and Automanufacturas have offices; ADCO International in Laredo, Texas that is a customs broker, and various freight lines including TSI, CF, Roadway, Yellow Freight, and others.

Mr. Chairman, Trading Arrangement Corporation and Automanufacturas both strongly believe that receipt of GSP benefits have benefited the U.S. as well as the developing countries it has helped. The economies of border towns such as Laredo are very dependent on trade with Mexico that has been greatly stimulated by the GSP program. While the proposed North American Free Trade Agreement (NAFTA) will provide many benefits as well, the effective date and even the passage of the NAFTA are now uncertain. In addition, even if NAFTA is implemented the GSP program should continue to include Mexico, since it will be many years before all duties are fully eliminated under NAFTA.

Most of the duty free benefits received by Automanufacturas and Trading Arrangement Corp are passed on to the U.S. auto manufacturers which enable them to be more competitive in world markets and ultimately to U.S. consumers who pur-

chase automobiles in the United States. Therefore, the benefits of the GSP program inure to many segments of the United States population. Canada, Europe and Japan all have GSP programs in effect and the failure of the United States to renew its program would be a major embarrassment in terms of the standing and prestige of the United States as a world leader. While there are some costs involved in terms of lost customs duties, these costs are minor compared to what the U.S. has spent to promote democracy and free market economies in such countries as Panama, Granada, Guatemala and other countries. If GSP is not renewed, undoubtedly the U.S. will find that it must spend money in the form of direct aid to many developing countries to promote to goals that are now being carried out effectively by the GSP program at a much lower cost.

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#### STATEMENT OF WHIRLPOOL CORP.

We are submitting these comments on behalf of Whirlpool Corporation of Benton Harbor, Michigan, in support of the request by the Clinton Administration for a short term extension of the United States' Generalized System of Preferences ("GSP") program through September 30, 1994. The GSP program was originally enacted by the Congress in 1974, renewed in 1984, and is now set to expire on July 4, 1993. Whirlpool strongly supports the requested extension of the GSP program to allow adequate time for study of this issue. Whirlpool sources product on a global basis, and has in a number of instances come to rely on the GSP program to help maintain the competitiveness of its products. Whirlpool has seen first-hand how the GSP program not only promotes economic development in developing countries, but also can be used to maintain jobs in the United States which otherwise would have had to be eliminated.

Whirlpool and Vitro, S.A., of Monterrey, Mexico, have established a joint venture in Mexico principally for the purpose of supplying Whirlpool with moderately priced refrigerators and freezers to be sold in the lower end of the U.S. market, as well as to provide an upgraded line of product for the Mexican market. Due to increasing costs of production in the United States, Whirlpool had seriously considered *discontinuing* production of these less expensive products. By shifting the production of these products to Mexico, Whirlpool found that it would be able to continue to supply the low end of the U.S. market with a quality product at a moderate price. However, projections and economic feasibility studies were all premised on the assumption that the products to be manufactured in Mexico were, and would continue to be, eligible for GSP benefits. Should refrigerators and freezers from Mexico lose their GSP eligibility (either due to an expiration of the GSP program or the discontinuation of Mexico's designation as a Beneficiary Developing Country ("BDC")), the impact on this joint venture's operations would be severe.

The refrigerators and freezers produced in Mexico are subject to a 2.9 percent duty absent GSP eligibility. While such duty rates do not, at first glance, appear to be extremely burdensome, the high per unit value of the articles on which these duties are imposed makes the duty amount significant. The home appliance market is extremely competitive, and profit margins are low. Sales are very price sensitive, and a 2.9 percent price difference can be extremely significant in this market generally, and particularly in the extremely competitive builder market.

By electing to continue producing its moderately priced refrigerators and freezers, Whirlpool was able to protect the jobs of a substantial number of its workers, and to minimize any adverse effect on its suppliers. Whirlpool's Mexican joint venture operation imports a large number of components from U.S. suppliers (many of whom had originally supplied Whirlpool when it produced these products in the United States) to manufacture its refrigerators and freezers in Mexico. The joint venture has helped maintain the employment of hundreds, if not thousands, of U.S. workers who work for companies providing components for the Mexican built refrigerators and freezers, and has maintained and/or created jobs in the transportation sector to the extent that these component parts must be transported to the Mexican production facilities.

Whirlpool urges that in considering the extension of the GSP program, Mexico's continued eligibility should not be jeopardized by the fact that a North American Free Trade Agreement ("NAFTA") has been negotiated. The negotiation of the NAFTA is not grounds to deny continuing GSP benefits to Mexican products. While Whirlpool strongly supports the NAFTA and is hopeful that it will be implemented as planned, there are, at this time, no guarantees when this will occur. Moreover, even should the NAFTA be implemented as planned, if Mexico is not redesignated as a BDC under an extended GSP program, there would be a six-month "gap" period during which Mexican products would not be GSP eligible, and not eligible for any

duty preferences under the NAFTA. Given the highly competitive nature of the home appliance market, and the high per unit value of the refrigerators and freezers produced in Mexico, subjecting these articles to a 2.9 percent import duty for six months would have a significant adverse impact on their competitiveness in the U.S. market. Any delay in implementing the NAFTA would further exacerbate the disruption to Whirlpool's Mexican operations.

As an additional observation, the total U.S. market for the small size refrigerator units which Whirlpool/Vitro manufacture in Mexico and export to the United States represents only about three percent of total U.S. annual domestic purchases. Thus, the impact on the U.S. market of Mexican built small refrigerators is extremely small—only a fraction of the above three percent market segment—and many of the materials and components of these Mexican built products are from U.S. sources.

All of these facts make it extremely important for Mexico to maintain its BDC designation in any extended GSP program, and beyond this, in any renewed GSP program, regardless of the existence of a NAFTA.

In sum, the GSP program has been beneficial to Whirlpool, its employees, its U.S. suppliers, and to its facilities and suppliers not only in Mexico, but also in Brazil. Further, given its global nature, Whirlpool expects that in the future it will be establishing production facilities in additional BDCs, and fully expects to benefit further from a renewed GSP program. As was seen from the case of moderately priced refrigerators and freezers, the GSP program was a major factor in Whirlpool's decision to locate production in Mexico instead of ceasing production completely, and helped save and maintain many U.S. jobs. For these reasons, Whirlpool firmly supports the extension, and ultimate renewal, of the GSP program, with Mexico remaining designated as a BDC.

XEROX CORP.  
Webster, NY, June 1, 1993.

MR. WAYNE HOSIER,  
U.S. Senate,  
Committee on Finance,  
Washington, DC

Subject: May 20 Senate Finance Committee Hearing/Extension of Generalized System of Preferences (GSP)

Dear Mr. Hosier: On behalf of Xerox Corporation, I am writing to request your immediate support for the extension of the Generalize System of Preferences (GSP), which is due to expire on July 4, 1993. This letter is sent in response to your May 7, 1993 hearing notice and is for inclusion in the hearing record.

Xerox Corporation is a United States—based global company serving the world-wide document processing market. We strongly support the Clinton Administration's request to extend GSP until September 30, 1994 and we urge you to take whatever further steps are necessary to ensure that GSP is extended and is not permitted to expire in early July, 1993.

Xerox Corporation uses the GSP program to reduce the cost of inputs to our US manufacturing facilities. This is especially important since Xerox Corporation faces an inverted tariff by which importers of copier parts face a tariff rate that is higher than the tariff on finished copiers. Obviously, this penalizes US manufacturers and gives a competitive advantage to foreign exporters.

In addition, the GSP promotes economic development in countries such as Brazil and Mexico. As a consequence, they are able to purchase more Xerox Corporation products, including those manufactured in the US. Brazil and Mexico are two of the most promising growth markets for our US manufactured products.

GSP extension is truly "jobs" legislation for companies such as Xerox Corporation. For this reason, we respectfully request your immediate support to extend the GSP program.

Sincerely,

GRAHAM CASSANO, *Manager, Customs  
and Tariff Administration / Corporate  
Tax.*