

**EXTENSION OF THE COUNTERVAILING DUTY  
WAIVER AUTHORITY**

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**HEARING**  
BEFORE THE  
**SUBCOMMITTEE ON INTERNATIONAL TRADE**  
OF THE  
**COMMITTEE ON FINANCE**  
**UNITED STATES SENATE**  
NINETY-SIXTH CONGRESS  
FIRST SESSION  
ON  
**H.R. 1147**

TO EXTEND TEMPORARILY THE AUTHORITY OF THE SECRETARY OF THE TREASURY TO WAIVE THE IMPOSITION OF COUNTERVAILING DUTIES

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MARCH 19, 1979



Printed for the use of the Committee on Finance

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# EXTENSION OF THE COUNTERVAILING DUTY WAIVER AUTHORITY

MONDAY, MARCH 19, 1979

U.S. SENATE,  
SUBCOMMITTEE ON INTERNATIONAL TRADE,  
COMMITTEE ON FINANCE,  
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m. in room 2221, Dirksen Senate Office Building, Hon. Abraham Ribicoff, chairman of the subcommittee, presiding.

Present: Senators Ribicoff, Baucus, Bradley, Dole, Roth, Jr., Danforth, and Chafee.

[The press releases announcing this hearing and the bill H.R. 1147 follow:]

[Press Release from Subcommittee on International Trade, March 6, 1979]

## FINANCE SUBCOMMITTEE ON INTERNATIONAL TRADE TO HOLD HEARINGS ON EXTENSION OF THE COUNTERVAILING DUTY WAIVER AUTHORITY (H.R. 1147)

The Honorable Abraham Ribicoff (D., Conn.), Chairman of the Subcommittee on International Trade of the Committee on Finance, today announced the Subcommittee will hold a hearing on H.R. 1147, a bill to extend temporarily the authority of the Secretary of the Treasury to waive the imposition of countervailing duties.

The hearing will begin at 10:00 A.M., Wednesday, March 14,<sup>1</sup> 1979, in Room 3302 Dirksen Senate Office Building.

*Requests to testify.*—Chairman Ribicoff stated that witnesses desiring to testify during these hearings must make their requests to testify to Michael Stern, Staff Director, Committee on Finance, Room 2227 Dirksen Senate Office Building, Washington, D.C. 20510, not later than the close of business on Monday, March 12, 1979.

Witnesses will be notified immediately after this date as to whether and when they are scheduled to appear. If for some reason the witness is unable to appear at the time scheduled, he may file a written statement for the record in lieu of the personal appearance.

*Consolidated testimony.*—Chairman Ribicoff also stated that the Subcommittee strongly urges all witnesses who have a common position or the same general interest to consolidate their testimony and designate a single spokesman to present their common viewpoint orally to the Subcommittee. This procedure will enable the Subcommittee to receive a wider expression of views than it might otherwise obtain. Chairman Ribicoff further urged very strongly that all witnesses exert a maximum effort to coordinate their statements.

<sup>1</sup> Hearing rescheduled to Mar. 19, 1979.

**Legislative Reorganization Act.**—Chairman Ribicoff stated that the Legislative Reorganization Act of 1946 requires all witnesses appearing before the Committees of Congress to “file in advance written statements of their proposed testimony and to limit their oral presentations to brief summaries of their argument.” Senator Ribicoff stated that, in light of this statute, the number of witnesses who desire to appear before the Subcommittee, and the limited time available for the hearings, all witnesses who are scheduled to testify must comply with the following rules:

1. All witnesses must include with their written statements a summary of the principal points included in the statement.

2. The written statements must be typed on letter-size paper (not legal size) and at least 100 copies must be delivered to Room 2227 Dirksen Senate Office Building not later than 5:00 P.M. on Tuesday, March 13, 1979.

3. Witnesses are not to read their written statements to the Subcommittee, but are to confine their oral presentations to a summary of the points included in the statement.

4. A limited amount of time will be allowed for any oral summary. Witnesses will be informed of the time limit.

Witnesses who fail to comply with these rules will forfeit their privilege to testify.

**Written statements.**—Persons not scheduled to make an oral presentation, and others who desire to present their views to the Subcommittee, are urged to prepare a written statement for submission and inclusion in the printed record of the hearings. These written statements should be submitted to Michael Stern, Staff Director, Senate Committee on Finance, Room 2227 Dirksen Senate Office Building, Washington, D.C. 20510, not later than Wednesday, March 21, 1979.

[Press Release from Subcommittee on International Trade, March 13, 1979]

**FINANCE SUBCOMMITTEE ON INTERNATIONAL TRADE RESCHEDULES HEARING ON EXTENSION OF THE COUNTERVAILING DUTY WAIVER AUTHORITY (H.R. 1147)**

The Honorable Abraham Ribicoff (D., Conn.), Chairman of the Subcommittee on International Trade of the Committee on Finance, today announced that the Subcommittee's hearing on H.R. 1147, a bill to extend temporarily the authority of the Secretary of the Treasury to waive the imposition of countervailing duties, which was originally scheduled for March 14, 1979, will be held on Monday, March 19, 1979.

The hearing will begin at 10:00 A.M., Monday, March 19, 1979, in Room 2221 Dirksen Senate Office Building.

**Requests to testify.**—Chairman Ribicoff stated that witnesses desiring to testify during these hearings must make their requests to testify to Michael Stern, Staff Director, Committee on Finance, Room 2227 Dirksen Senate Office Building, Washington, D.C., 20510, not later than Noon, Friday, March 16, 1979.

Witnesses will be notified immediately after this date as to whether and when they are scheduled to appear. If for some reason the witness is unable to appear at the time scheduled, he may file a written statement for the record in lieu of the personal appearance.

**Consolidated testimony.**—Chairman Ribicoff also stated that the Subcommittee strongly urges all witnesses who have a common position or the same general interest to consolidate their testimony and designate a single spokesman to present their common viewpoint orally to the Subcommittee. This procedure will enable the Subcommittee to receive a wider expression of views than it might otherwise obtain. Chairman Ribicoff further urged very strongly that all witnesses exert a maximum effort to coordinate their statements.

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1. All witnesses must include with their written statements a summary of the principal points included in the statement.

2. The written statements must be typed on letter-size paper (not legal size) and at least 100 copies must be delivered to Room 2227 Dirksen Senate Office Building not later than 9:00 A.M. on Monday, March 19, 1979.

3. Witnesses are not to read their written statements to the Subcommittee, but are to confine their oral presentations to a summary of the points included in the statement.

4. A limited amount of time will be allowed for any oral summary. Witnesses will be informed of the time limit.

Witnesses who fail to comply with these rules will forfeit their privilege to testify.

*Written statements.*—Persons not scheduled to make an oral presentation, and others who desire to present their views to the Subcommittee, are urged to prepare a written statement for submission and inclusion in the printed record of the hearings. These written statements should be submitted to Michael Stern, Staff Director, Senate Committee on Finance, Room 2227 Dirksen Senate Office Building, Washington, D.C. 20510, not later than Wednesday, March 21, 1979.

96TH CONGRESS  
1ST SESSION

# H. R. 1147

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## IN THE SENATE OF THE UNITED STATES

MARCH 5 (legislative day, FEBRUARY 22), 1979

Read twice and referred to the Committee on Finance

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## AN ACT

To extend temporarily the authority of the Secretary of the Treasury to waive the imposition of countervailing duties.

1        *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 That section 303(d) of the Tariff Act of 1930 (19 U.S.C.  
4 1303(d)) is amended by adding at the end thereof the follow-  
5 ing new paragraph:

6        “(4)(A) The four-year period referred to in paragraph (2)  
7 is extended from January 2, 1979, until whichever of the  
8 following dates first occurs:

9        “(i) The date on which either House of Congress  
10 defeats on a vote of final passage, in accordance with  
11 the provisions of section 151 of the Trade Act of 1974,  
12 implementing legislation with respect to a multilateral

1 trade agreement or agreements governing the use of  
2 subsidies.

3 “(ii) The date of the enactment of such imple-  
4 menting legislation.

5 “(iii) September 30, 1979.

6 “(B) Any determination made under this subsection by  
7 the Secretary that was in effect on January 2, 1979, shall  
8 remain in effect, until whichever of the following dates first  
9 occurs:

10 “(i) The date to which the four-year period is ex-  
11 tended under subparagraph (A), notwithstanding any  
12 provision to the contrary in any such determination.

13 “(ii) The date such determination is revoked under  
14 paragraph (3).

15 “(iii) The date of adoption of a resolution of disap-  
16 proval of such determination under subsection (e)(2).”.

17 SEC. 2. The amendment made by the first section of this  
18 Act shall take effect January 3, 1979.

Passed the House of Representatives March 1, 1979.

Attest: EDMUND L. HENSHAW, JR.,

*Clerk.*

Senator RIBICOFF. The committee will be in order.

This morning, the Subcommittee on International Trade will hear testimony on H.R. 1147, a bill to extend the countervailing duty waiver authority.



I do believe that everyone realizes that this is a very important bill. Its passage, or failure, to pass may determine the fate of the multi-lateral trade negotiations. For this reason, we will listen closely to the witnesses today and I hope the full committee will act quickly on the bill.

Before we call the witnesses, Senator Dole, Senator Roth, do you have any opening remarks?

Senator DOLE. I have a brief statement.

Senator RIBICOFF. Yes, Senator Dole.

Senator DOLE. Thank you, Mr. Chairman.

We are confronted with a bill today which, on its own merits, would please nobody but those who subsidize exports to the United States. Essentially, we are asked to waive application of our 80-year-old countervailing duty law because, otherwise, the European Community and others say they will not conclude the MTN.

No one doubts that there are subsidies in these cases. No one doubts that we have every legal right, under domestic and international law, to impose duties against those subsidies. We are told, however, that the Europeans will quit the MTN unless we extend the gifts that we gave them more than 5 years ago.

In that case, there will be no trade agreement package for the Congress to judge.

Mr. Chairman, it seems to me to be a sad day for the United States when, at the time that our trade deficit exceeds \$30 billion, we are told that we should not act against unfair foreign trade practices.

Obviously, the farmers and businesses which face this unfair competition suffer the most. All Americans, however, must be embarrassed to know that foreign countries can demand a free ride from the United States before negotiations can even be concluded.

So, for now, I want to reserve judgment on this bill. I have no hesitation to denounce the elements of coercion and free ride in the bill, but the question remains whether we must swallow this unsavory package in order to have the opportunity to judge the new trade agreements.

I know that this is important for the administration and to the MTN. I am not certain what amendments may be offered, although I might suggest now that there may be an amendment offered by some of us to repeal the so-called carryover basis which was imposed upon the American public without hearings in 1976 on the conference on the tax bill. That may be an amendment; I think it has widespread support in the Congress, and I hope the administration might accept it, if offered.

Thank you.

Senator RIBICOFF. Senator Roth?

Senator ROTH. Thank you, Mr. Chairman.

I have a brief statement which I would ask that it be read or included in its entirety.

Senator RIBICOFF. Without objection, so ordered.

Senator ROTH. Mr. Chairman, I would just like to say that it is my view that we should move ahead with the legislation. I do have certain reservations about it, but the fact remains that it seems to me that the only opportunity that Congress will have to consider the

whole package, the results of the negotiations of several years, is by moving forward with the waiver extension. For that reason, I have supported waiving countervailing duties.

That is all I have.

[The prepared statement of Senator Roth follows:]

#### STATEMENT OF SENATOR ROTH

Mr. Chairman: The extension of the countervailing duty waiver authority has been an issue confronting Congress for almost 6 months now. We all can recall the Bill's failure last year in the hectic final days of Congress.

Now we are again confronted with a request by the executive branch to provide an extension for the authority to waive countervailing duties. It is clear that our negotiators, led by Ambassador Strauss, have made a very hard commitment to our trading partners that they would seek this extension.

It seems to me that we have two choices: One is to approve the Bill. The other is to disapprove or place amendments on it that will very likely impede its passage. I, for one, believe it preferable to have clean passage of the legislation. It will be a clear indication to our trading partners that we want to have the MTN completed with as many GATT members signing the agreements as possible.

Now, its passage is more an indication of good will and an intent to complete the MTN in a free and open negotiating environment. Finally, if failure to pass this extension results in a breakdown of the MTN, I believe we would be doing our negotiators, ourselves and the people of this country a great disservice. We should see these negotiations through to the end so that we can have the opportunity to examine the entire package.

The final MTN package may provide many benefits for our country. It, in my opinion that, on balance, the need to examine that package far outweighs the questionable results of denying a brief extension of the waiver authority.

Senator RIBICOFF. Senator Melcher, Mr. Wolff and Mr. Mundheim, may I say for the committee that Ambassador Strauss is at Camp David on the high-level conference involving the problems of energy and inflation. The Ambassador did state to us that if we so desired he would waive that conference and be here personally. My feeling is that his able deputy, Alan Wolff and Mr. Mundheim, are both in a position to carry the argument for this proposal and I also thought that it was very important to have Mr. Strauss' viewpoint on the conference going on at Camp David, both on energy and inflation.

So I would hope that the committee would understand that I informed Mr. Strauss that I thought he should waive this and attend that conference.

Senator Danforth, Senator Baucus, would you like to make statements?

Senator DANFORTH. No.

Senator BAUCUS. No.

Senator RIBICOFF. Mr. Wolff, you may proceed.

#### STATEMENT OF ALAN W. WOLFF, DEPUTY SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

Mr. WOLFF. Thank you, Mr. Chairman. I am pleased to report that after 4 years of intensive negotiations, the United States is in the process now of completing the multilateral trade negotiations.

On January 4, President Carter notified the Congress of his intention to enter into the trade agreements and thereafter, to submit the agreements and the implementing legislation to Congress for its considerations of the procedures set forth in the Trade Act of 1974.

This is the most ambitious round of trade negotiations, in fact, I would say of any type of negotiations, ever held. We have negotiated with 98 countries and the resulting agreements cover not only tariffs but, far more importantly, a wide range of nontariff barriers (from subsidies to customs valuation to important issues affecting the basic structure of the international trading system). These agreements would set the rules by which international trade will be conducted through the balance of this century.

I believe that the agreements that we have negotiated will go a long way to achieving the negotiating objectives of the United States as set forth by the Congress in the Trade Act and in our subsequent consultations with the private sector. The result, I believe, will be a fairer world trading system and expansion of opportunities for the trade and commerce of the United States.

I can assure you we have taken into account the advice of the Congress, the private sector advisers, and have done our best to achieve the goals that you have set for us. I might add, in my judgment, there has never been an international negotiation that has been conducted more openly or in closer consultation with the Congress and the private sector.

The Congress, industry, agriculture and labor have all been involved and informed throughout this process. I hope that members of this subcommittee and the Committee on Finance as a whole will agree with me that there is enough at stake for the United States in these negotiations to give us the go ahead to conclude these negotiations and bring the results back to Congress for review.

If we are to maintain the present momentum and wrap up the negotiations soon, we need the support of those of you in Congress to extend for some 9 months the authority of the Secretary of Treasury to waive the application of countervailing duties. Such a bill has been passed with overwhelming support, and without amendments, by the House of Representatives. I am here today to urge that the Senate do likewise.

Although the waiver authority extension was voted on favorably by the Senate twice and by the House once, it was not passed in the closing days of the 95th Congress because it had nongermane amendments. I might stress that we found ourselves in the Special Trade Representative's Office trying to learn about runaway fathers and the problems of welfare reform in order to deal with issues that were added to the countervailing duty extension bill in the Senate and then in the House the last time around. Additional amendments at this time may threaten not only the waiver authority extension, but the MTN as a whole.

Our trading partners continue to feel unable to formally conclude the MTN without an extension.

Senator RIBICOFF. Mr. Wolff, let me interrupt. Senator Dole raised a point that is an irritant to many people on this committee and, I think, in Congress. Why has extending the waiver on the countervailing duty for a period of time become such a key factor in concluding the MTN?

I think that we and the public are entitled to know that.

Mr. WOLFF. We have negotiated now a subsidy code—it is not signed yet, but I think that it is the best hope we have had for a long time to get at the problems of subsidization, both for agriculture and

industry alike. We have, for the first time, a rule which will help us defend ourselves against export subsidies to third country markets where we compete against others. For trade in wheat, for example, and wheat flour, we have the possibility for a much more responsive law domestically and we risk throwing away these negotiated solutions by countervailing in the midst of our negotiations.

One thing that is worth mentioning is that the Europeans have cut back on the subsidies on cheeses to the United States and canned hams, and they have lost their market share here. Their canned ham trade has gone down by 36 percent, and their cheese trade has been lost to other countries. So it is not that we are trying to give anybody a free ride by extending the waiver authority. We are trying to get a long-term solution to an agricultural problem of great magnitude with the European Community, the set of countries with whom we have the largest surplus of agricultural trade, as well as trade in general, of any bloc of countries.

We sell \$6 billion to \$8 billion in agricultural goods to the European Community. They sell less than \$1 billion here and they want to try and find a way to continue to sell some in our market, and we are trying to work out those solutions.

We are very close to a negotiated conclusion. This waiver would just be a procedural means by which to let the Congress judge whether we have, in fact, achieved an equitable solution.

Senator RIBICOFF. Do they look on this as blocking their sale of any agricultural product in the United States? Is that what this is a symbol of?

Mr. WOLFF. It is. It would represent a major threat to their continued presence in our market for major agricultural commodities. Approximately 70 percent of Denmark's exports to the United States would be subject to countervailing duties and those countervailing duties would have sufficient impact to erode substantially their sales in our markets.

Senator RIBICOFF. But the subsidy code and the implementing laws that you have been working on with the committee in closed sessions certainly will block subsidies. It seems that this is just between the executive and this committee. It is because we are going to strike against subsidized imports if there is material damage shown that the waiver has become such a symbol?

Mr. WOLFF. This is more than a symbol; it is reality. They are going to limit their exports to the United States, for example, of cheese. We have negotiated an understanding with the European Community to put additional cheeses under quota while allowing the continuation of some degree of subsidization, provided that there is no undercutting of prices in our market.

That is much better than an injury test. It is much better than the use of countervailing duties, but it deserves a look by this committee and I suspect that you will be getting within a week or so a detailed examination of whether the subsidy code or the agreement worked out with respect to cheese is of value to this country.

Senator RIBICOFF. I think that when this comes to the floor we should have the backup of this explanation and what has been worked out, unless it is of a confidentiality that we cannot. But I think that the committee must have that information and its impact on imports

of cheese and other products because these questions will be raised and I think our colleagues are entitled to an answer.

Mr. WOLFF. Yes; we can provide that.

Senator RIBICOFF. I thought that this was important, so I opened this up instead of waiting. Does anyone else have a question on this point? Feel free to inquire even though Mr. Wolff has not finished.

Senator Dole?

Senator DOLE. I think Senator Ribicoff made an important point because it is perceived by some—maybe it is a harsh term—as blackmail. If we do not continue to permit the Europeans to provide subsidies for their exports without any U.S. countervailing duties, the Europeans say they are not going to play ball. That is pretty hard for farmers and business men to understand. I also really do not follow your statement on how we are going to reduce cheese exports. They are going to increase over a period of 5 years. Maybe then they will level off, but it is going to be at a higher rate, as I understand it, and as Senator Nelson understands it.

We hope to address that in the markup session, the next markup session we have on the MTN.

There are some questions, I think, that should be answered and I would hope that they would be addressed, not just tell us as a matter of fact that if we do not provide this waiver we are not going to have any trade agreement. I think we want to know why that is so, and we may reach a different judgment and, insofar as amendments are concerned, we may reach a different judgment than the administration.

Mr. WOLFF. I can understand that.

With respect to cheese, just briefly, there are two, really two kinds of treatment of cheese: (1) cheese under quota currently and (2) cheese, the so-called pricebreak cheese, that is not under quota. The proposal that we are bringing back from this negotiation is to put nonquota cheeses under quota. That involves an expansion of cheese imports of 15,000 metric tons globally over the 1978 level. However, I would hope, in the view of the American dairy industry, there is, a reasonable tradeoff. There would be further cheese under quota, but with the commitment of no price undercutting, a continuation to some degree of subsidization.

It is a complicated situation and economic experts can argue about the details but I think that it is a very favorable treatment for the dairy industry in this round of negotiations.

I would not say that the Europeans are attempting to blackmail us. They have political realities themselves and they sit in Europe and say, "We only sell you less than \$1 billion worth of agricultural goods annually and you sell us \$6 billion. You do quite well here. We know you do not like our subsidies, so let's sit down and talk through what our solution would be." We can easily countervail on cheese and canned hams, but we have no means of getting at third country subsidization which may adversely affect our wheat and wheat flour exports. Now we see we are getting at this kind of displacement of our sales either in agriculture or industry through the subsidy code.

That is why all we are asking for today is a procedural step, that Congress continue the waiver authority for another 9 months over and above the original authority granted 4 years ago. We are asking for time to conclude the agreements now contemplated in the MTN

and bring them back to you so that you can measure them against those instructions issued under the Trade Act 4 years ago.

Senator RIBICOFF. Your feeling is that originally in 1974 you asked for 4 years and 9 months, we would have given it to you. But you were too optimistic as to how long it would take to complete these negotiations?

Mr. WOLFF. In fact, the administration asked for 5 years. This was very scientifically arrived at. Some on the Finance Committee wanted 2 years and the administration wanted 5, so we are given 4. It turned out that 4 did not do it.

Senator RIBICOFF. You may continue.

Mr. WOLFF. Thank you.

The waiver authority that the Secretary of Treasury had expired on January 3, 1979. The intent of the waiver was to allow the administration to complete the MTN, including completion of an agreement on subsidies and countervailing duties. I would say that there is no more important thing in this round of negotiations, particularly to U.S. agriculture, than the subsidies code.

The MTN, in particular the countervailing duty code, has now been substantially negotiated. The United States stands to gain a great deal in terms of export opportunities for both our industrial and agricultural products. In addition, there is the prospect for a much needed improvement in the rules of the trading system.

The subsidy code strengthens, in very important ways, the international discipline over export subsidies and addresses, for the first time, the difficult problem of domestic subsidies. It will help us achieve the kind of open trading opportunities in the markets of our trading partners that we provide in our own market.

I would like to stress very strongly that the merits or demerits of the agreements negotiated are not at issue here today. Extending the waiver will merely afford the Congress an opportunity to examine the negotiating results and make up its mind.

Without the procedural extension that we are discussing, the Congress will not have that opportunity. Extension of the waiver authority does not, in my view, in any way condone foreign subsidy practices. We all share an interest in fair trade. I have no sympathy whatsoever and Ambassador Strauss felt most strongly about this point, that we in the administration have no sympathy whatsoever for subsidized competition.

A key issue for us in the MTN has been to improve international discipline over subsidies which affect trade. I think that we stand to achieve such a discipline as a result of this round of negotiations. If I did not think so, I would not be here today.

This extension does not involve a vote either for or against the MTN. I think we are bringing back a good deal for the United States, but I do not expect this committee or the Congress to take our word for it. The agreements will have to stand or fall on their merits before Congress and before the American people. That is what the waiver authority extension is all about.

The stakes are very high. There is growing importance in trade to us. I have no doubt that our national interest in maintaining an open international trading system is strong. I know only too well that trade has its problems. Competition creates problems of adjustment. Unfair competition must be dealt with vigorously

The MTN, the multilateral trade negotiations, are designed to maintain momentum towards a reduction of trade barriers. We have made a good deal of progress and I would hate to see that compromised, if not destroyed, through the failure to extend the countervailing duty waiver authority for 8 or 9 months.

Four years ago the Congress gave us, as negotiators, permission to obtain a more open and equitable market access to treat industry and agriculture alike, to reduce foreign trade barriers.

What we are asking for today is to be allowed the time to conclude the agreements now contemplated, bring them back to you so that you can measure them against those instructions issued 4 years ago and just, I would stress once more, that the presence of amendments is what complicated our life and destroyed the chances for obtaining a waiver at all the last time around and I would hope very much that this can be avoided this time.

Thank you, Mr. Chairman.

Senator RIBICOFF. Senator Dole?

Senator DOLE. I appreciate your statement. I understand the problem the administration has and I do not want to complicate it unnecessarily, maybe just a little.

As I understand it, in order to obtain a waiver of duties, a country must undertake to remove the subsidy. We waived countervailing duties on canned hams, for example, and continue to do so notwithstanding that in December, 1978, the EC increased its subsidy on pork product exports.

In view of that, why should we continue the waiver? How much was it, 9 cents a pound?

Mr. WOLFF. The condition for the waiver in the law was that the adverse effect of this subsidization be removed, or substantially reduced or eliminated before the waiver can be granted. There had been, with the realignment of currencies, a major loss of the ability of the Europeans to canned hams in their market. They lost 36 percent of their trade. Therefore, they readjusted the amount of the subsidy. They still do not have the freedom to subsidize completely into our market as they would normally do, under the terms of the waiver. They still cut back on subsidies and they are still at a disadvantage vis-a-vis other foreign competitors.

Mr. Mundheim may have some comment on this.

**STATEMENT OF ROBERT H. MUNDHEIM, GENERAL COUNSEL,  
DEPARTMENT OF THE TREASURY**

Mr. MUNDHEIM. As I understand it, the original thought of the EC was to have a fourfold increase of the subsidy to offset increasing costs. When we heard that that plan was in the wings Mr. Self went to the EC and explained to them that that kind of action would cause a revocation in the waiver. The ultimate increase was a 50-percent rather than a 400-percent increase.

Before we decided not to revoke, we did engage in substantial consultations, with the complainants, with Members of Congress, and with interested executive department agencies. I must say it was a very close case whether or not we ought to revoke the waiver in this case.

One, we felt that the increase had been limited to 50 percent of—in other words, a 7-cent rise, rather than the 400-percent rise that had been originally proposed. We evaluated that in the context of a 36-percent decline of sales since the waiver had taken effect and the fact that the U.S. sales and profits in the related area had been increased. And then, of course, the decision was made against the background of whether or not on balance the adverse effect of the original bounty had been substantially reduced.

We also took into account the other two aspects of permissible conditions for a waiver; namely, would countervailing or would revoking the waiver at this point seriously jeopardize the negotiations?

There was no doubt, as Ambassador Wolff would tell you, that it was felt by the negotiators that it would. So, taking all those considerations into account, which we are asked to do by the statute, we decided not to revoke.

Senator DOLE. I appreciate that explanation. Are we going to assess countervailing duties retroactively if the MTN package is disapproved?

Mr. WOLFF. Yes; we would have to.

Senator DOLE. Even though you would not want to?

Mr. MUNDHEIM. It really depends; at the moment, we are in a position so that if you do not pass this bill, we have protected the revenue. In other words, with respect to all the waivers we have granted which expired on January 2, we have suspended liquidation, so that if you did not pass this bill, we would be able to collect.

Senator DOLE. What about in the case—say we approve the package, and the ITC finds injury in a waived case. Then what?

Mr. MUNDHEIM. If you approve the amendment, then the duties would have been waived for the period here which can be no longer than October 20, under the bill.

Senator DOLE. I am talking about the MTN. If we approve that and the ITC finds injury in a waived case, then would you assess the countervailing duties?

Mr. MUNDHEIM. Let us assume that the MTN is approved and goes into effect on January 1, 1980. At that point, of course, we will collect duties on anything coming in as to which injury has been shown.

Mr. WOLFF. That would depend on what the Senate Finance Committee and the House Ways and Means Committee put into the trade legislation. I would assume that that would be how the bill would operate, how the act would operate, but there would be a transition provision that would have to be drafted as to how these cases will be handled.

Senator RIBICOFF. If the Senator would yield, in the so-called preliminary markup under the system, we do have the opportunity to place the language implementing legislation that will govern the executive branch as to how they handle this.

Mr. WOLFF. That is correct.

Senator RIBICOFF. Basically, it is up to us as to what we agreed upon with you, and then what comes out in conference.

Mr. WOLFF. That is right.

Senator DOLE. Finally, if the package is approved and a country under the waiver does not join a subsidy code without an injury. You see no problem with that?



Mr. WOLFF. No. There would be no injury test with respect to nonsignatories.

Senator DOLE. So we could assess the duties?

Mr. WOLFF. That is right.

Senator DOLE. Thank you.

Senator RIBICOFF. Senator Baucus?

Senator BAUCUS. Thank you, Mr. Chairman.

I am wondering, assuming Congress passes the legislation here, what are the chances of your coming back again for another extension?

Mr. WOLFF. That would depend upon whether the Congress acts with respect to the MTN this session. I would think that Congress would act one way or another on the Trade Act procedures and either we will have an MTN, which will give us the implementing legislation that we are currently working on with the committee, or if there is failure, it would be countervailing.

Senator BAUCUS. Assuming that Congress acts favorably on MTN, that, in your judgment, forecloses the chance that you will come back again asking for an extension?

Mr. WOLFF. Yes; I cannot feature circumstances under which we would be coming back for an extension, because the Congress will have had plenty of time by then to either vote for or against the MTN on the handling of countervailing duties in the future.

Senator BAUCUS. Has the use or nonuse of the waiver been used in respect to agricultural products as they apply to third countries? What I am driving at is the administration's decision whether to exercise the waiver bears on whether France subsidizes its wheat, for example, sells that subsidized wheat to a third country that undermines the American market sales to those countries.

As I understand it, the MTN does not cover a third party. I wonder whether the countervailing waiver portion has ever been used in that area.

Mr. WOLFF. Our only chance of dealing with the subsidization, where let us say the Europeans and ourselves are competing for the Latin American or Chinese market, is to bring an international case, because we cannot countervail, not if it is not coming into the United States. If it is subsidized, it is lost to third country markets.

The code on subsidies and countervailing duties deals exactly with that kind of situation. It gives us the best hope of dealing with it in the future.

Senator BAUCUS. You never use the word with respect to another product because you cannot countervail against our agriculture?

Mr. WOLFF. That is right.

Senator BAUCUS. Thank you.

Senator RIBICOFF. Senator Roth?

Senator ROTH. Mr. Ambassador, as we understand the extension of the waiver is a condition precedent for the European countries' approving the MTN agreements. I wonder if there are any other conditions besides this that have to be met as far as the European or other negotiating partners are concerned?

Mr. WOLFF. No. Just as we had things that we wanted the Europeans to do in this series of negotiations, there were a number of things they wanted from us but now there are no other issues that are outstanding.

Senator ROTH. Thank you, Mr. Chairman.

Senator RIBICOFF. Senator Danforth?

Senator DANFORTH. No questions.

Senator RIBICOFF. Senator Chafee?

Senator CHAFEE. No questions.

Senator RIBICOFF. Thank you very much.

Senator Melcher is here.

I was just wondering whether there were any questions of Mr. Mundheim. If there were not, I would ask unanimous consent that Mr. Mundheim's testimony go into the record as if read.

Mr. Mundheim has responded. Does anybody have any questions of Mr. Mundheim?

Mr. Mundheim, you may remain here, but we will accept your testimony to go into the record.

[The prepared statements of Ambassador Strauss and Mr. Mundheim follow:]

#### STATEMENT OF AMBASSADOR ROBERT S. STRAUSS

MR. CHAIRMAN: I am pleased to report that after four years of intensive negotiations the United States is in the process of concluding the Tokyo Round of Multilateral Trade Negotiations (MTN). On January 4, 1979, President Carter notified the Congress of his intention to enter into trade agreements and thereafter to submit these agreements and implementing legislation to the Congress for its consideration under the procedures set forth in the Trade Act of 1974.

This has been the most ambitious round of international trade negotiations ever held. Almost 90 countries have participated in the negotiations. The agreements cover not only tariffs but, far more importantly, a wide range of nontariff barriers—from subsidies to customs valuation to commercial counterfeiting—and important issues affecting the basic structure of the international trading system. These agreements will set the rules by which international trade will be conducted throughout the balance of this century.

I believe that the agreements we have negotiated will go a long way toward achieving the negotiating objectives of the United States as set forth by the Congress in the Trade Act and in our subsequent consultations with the private sector. The result, I believe, will be a fairer world trading system and an expansion of opportunities for the trade and commerce of the United States.

We have not succeeded in obtaining every concession we sought—that never happens in a negotiation—but the agreement, as it is shaping up, is full of significant benefits for American industry and agriculture. I am convinced that you will agree with me after you look it over. I do not suppose for one minute, however, that you will accept my views without examining the results very carefully for yourselves.

I can assure you that we have taken into account the advice of the Congress and our private advisors and have done our best to achieve the goals you have set for us. I might add that in my judgment there has never been an international negotiation which has been conducted more openly or in closer consultation with the Congress and the public. The Congress, industry and labor have all been involved and informed throughout the process.

I hope that the members of this subcommittee and the Committee on Finance will agree with me that there is enough at stake in these negotiations—that a good set of agreements from the Tokyo Round will offer the United States enough—to give me the go ahead to conclude these negotiations and to bring the results back to Congress for review.

If we are to maintain the present momentum and wrap the negotiations up soon, we will need the support of those of you in Congress to extend for some nine months the authority of the Secretary of the Treasury to waive the application of countervailing duties. Such a bill has been passed with overwhelming support and without amendments by the House of Representatives. I am here today to urge that the Senate do likewise.

Although the waiver authority extension was voted favorably by the Senate, twice, and by the House, once, it was not passed in the closing days of the 95th Congress. Our trading partners continue to feel unable to formally conclude the MTN without an extension. This issue has become the key procedurally to our ability to conclude an acceptable agreement.

Many of you will recall that in the Trade Act of 1974, the Congress authorized the Secretary of the Treasury to waive the application of countervailing duties for a four-year period. This period ended January 2, 1979. The express intent of the waiver was to encourage completion of the MTN, including completion of an agreement on subsidies and countervailing duties.

The MTN and, in particular, the subsidy/countervailing duty code, has now been substantially negotiated. The U.S. stands to gain a great deal in terms of export opportunities for both our industrial and agricultural products. In addition, there is now the prospect for much needed improvements in the rules of the trading system. The subsidy/countervailing duty code strengthens, in important ways, the international discipline over export subsidies and addresses for the first time the difficult problem of domestic subsidies. It will help us achieve the kind of open trading opportunities in the markets of other nations that we provide in our market.

I want to stress today that the merits or demerits of the agreements we have negotiated are not at issue here. Extending the waiver will merely afford the Congress an opportunity to examine the negotiating results and make up its mind. Without the procedural extension we are discussing today, the Congress will not have that opportunity.

Extension of this waiver does not in any way condone foreign subsidy practices. I think we all share an interest in fair trade. I have no sympathy for subsidized competition. A key issue for us in the MTN has been, as I said before, to improve international discipline over subsidies which affect trade. I think we stand to achieve such discipline as a result of the negotiations. If I did not think so, I would not be here today.

Let me emphasize that extension does not involve any vote—either for or against—the MTN. I believe we are bringing back a good deal for the United States but I don't expect you to take my word for it. The agreements will have to stand or fall on their merits, before the Congress and the American people. This is what the waiver authority extension is all about.

While the purpose is single, the stakes are high. When I look at the growing importance of trade to us, I have no doubt about our national interest in maintaining an open international trading system. I know—often I know only too well—that trade has its problems. Competition creates problems of adjustment. Unfair competition compounds the problem and must be dealt with.

But the specific problems you and I must deal with daily must not be permitted to over-shadow the overwhelming interest that we and our trading partners share in maintaining an open international trading system.

The Multilateral Trade Negotiations were designed to maintain momentum towards trade barrier reduction and strengthen the rules of the international trading system. I hope you agree with me that we have too much at stake, and we have already made too much progress, to prevent conclusion of the MTN—and referral of the results to Congress for review on their merits—through failure to extend the countervailing duty waiver authority for eight or nine months.

As you know, four years ago the Congress gave to the U.S. negotiators a mission which was, and I quote from the Trade Act, "to obtain more open and equitable market access and harmonization, reduction, or elimination of devices which distort trade or commerce. To the maximum extent feasible, the harmonization, reduction, or elimination of agricultural trade barriers and distortions shall be undertaken in conjunction with the harmonization, reduction or elimination of industrial trade barriers and distortions."

I believe that the mission you gave us is now close to being substantially and satisfactorily completed. This measure which I am today asking you to approve will allow us to conclude the agreements now contemplated and bring them back to you so you can measure them against those instructions issued four years ago.

On that note, I will be happy to take any questions you may have.

STATEMENT OF HON. ROBERT H. MUNDHEIM, GENERAL COUNSEL OF THE  
TREASURY

Mr. Chairman and members of the Trade Subcommittee, I am appearing this morning in support of the Administration's request that the Congress extend for a brief period the authority of the Secretary of the Treasury to waive temporarily the imposition of countervailing duties in selected cases.

The authority to waive countervailing duties was included in the Trade Act of 1974 so that during the 4-year period following its enactment, the Administration would be able to conduct talks with our trading partners in an atmosphere conducive to reaching agreement on an international regime to regulate the use of subsidies.

Governmental subsidies to domestic industries are an increasingly important phenomenon. As Congress recognized, the best hope for preventing such subsidies from distorting trade patterns lies in international agreement. Ambassador Strauss has brought us close to successful conclusion of this difficult task.

Unfortunately, it was not possible to conclude the negotiations among a great many participants within the 4 years originally foreseen by the Trade Act. Thus, the bill before you has the very limited purpose of extending the waiver authority for the brief period during which the negotiations will be concluded. It does not commit you in any way to the substance of the MTN negotiations. You and your colleagues in the House and Senate will have a full opportunity to review what has been negotiated. In other words, the bill is intended simply to preserve the status quo for about 6 months. Doing so helps make possible the conclusion of agreements which will significantly benefit the United States.

When the waiver expired on January 2, orders that we had published in December suspended final liquidation of imports of the merchandise affected and required importers to deposit estimated duties, provide bonds to cover those duties, or post equivalent irrevocable letters of credit. The specific steps taken are in the discretion of the District Director of Customs. Thus, if the waiver is not extended, the revenue will be fully protected. However, if, as contemplated in this bill, the waiver authority is extended, there will be no problem in making that extension retroactive.

There are presently 15 waivers in effect. Attached to my testimony is a chart showing all of the waivers granted under the law, the subsidy initially found and any amount remaining at this time. As you will see, in some cases, such as those involving Mexican steel, Brazilian handbags, and all the Uruguayan products there has been a complete elimination of the subsidy so that a revocation of the initial countervailing duty order was or is now appropriate. In the other cases, the bill would extend the waivers retroactively to January 3.

In addition, the bill would grant the Treasury authority to waive countervailing duties during the remaining pendency of the negotiations and congressional consideration of the MTN package. In two cases decided before the expiration of our waiver authority—concerning certain imports from Brazil and fish from Canada—we indicated that a waiver would be granted if such authority existed at the time that the ITC has completed its consideration of the case. The ITC has determined that there is no injury with respect to the three Brazilian imports referred to it for a finding. There may also be cases in which the subsidizing country may agree to significant reductions of its subsidy practices and is playing a significant role in the MTN negotiations so that a waiver might be appropriate. However, we anticipate that throughout the remaining life of the waiver authority, we would exercise the waiver authority pursuant to the same terms and conditions as this Administration has applied to the waivers granted—subject, always, of course, to congressional reporting and review. That course should assure us and our trading partners that the remaining months of the negotiations are not troubled by what may be regarded by some as a needlessly provocative or unfriendly act.

Finally, we will continue to review the waivers that are now outstanding. The current bill contemplates that we would revoke any waiver where changes in conditions under which it was granted warrant such action. We have taken such action in the past and would do so in appropriate circumstances in the future.

### **STATEMENT OF HON. JOHN MELCHER, A U.S. SENATOR FROM THE STATE OF MONTANA**

Senator MELCHER. There is obviously a tendency in the House of Representatives to accept the judgment of the administration on the proposed continuation of waiver on the countervailing duties. Most of the European Common Market negotiators at Geneva served an ultimatum on the United States to continue the waivers or forget about a new, multilateral trade treaty.

Apparently, Ambassador Strauss subsequently assured them that, indeed, the waivers would be continued. It puzzles me how he could give that assurance without a good vote count in both Houses of Congress, but as of this moment, at least, his judgment of the vote in the House was accurate and his assurances to the Common Market

negotiators that the waiver would be extended was at least borne out by House action.

It is now nigh on to the first day of spring and since the first of the year, we were led to believe the imported goods which require countervailing duties have been accepted into this country without paying the duty when the exporter guaranteed payment by bond.

Here is an example where the duty applies. It is Danish blue cheese. It sells for 89 cents for about one-fourth of a pound. It is subsidized at 36 cents a pound in order to make it marketable here in the United States and be competitive.

I would have bought a ham to bring to the hearing if I had a little more cash, but a Danish ham costs about \$10 and I did not bring one along. It is subsidized at 22 cents a pound and the countervailing duty, if it were applied, would require that payment by the exporter. The subsidy on a German ham, interestingly enough, is twice that high, 46 cents a pound.

Now, the idea of free trade is for the various trading partners to trade on equal terms and let the competition in the marketplace benefit the consumers on both sides. There is no justification for the subsidy of these products if one is interested in seeking free trade. But this is an imperfect world and I well understand the protectionist attitude of the European Common Market countries in making certain that their farmers will remain in business. It is a social and political problem and it would be entirely unthinkable for the Common Market forces to permit U.S. wheat and other products to take over in their markets as would be the case if free trade existed between the Common Market and the United States.

I completely understand their attitude, that is the Common Market attitude on the protection of their wheat producers, because if there were free trade in the world, Australia, the United States, Argentina, New Zealand, and Canada would sell all the beef consumed in Europe on the basis of underselling their products by wide margins.

I can also well understand the Common Market attitude to protect their pork producers. If there were free trade in swine, the American swine industry would control European markets, but there is not free trade, and to doctor up just a very small sector of the trade we have with the Common Market countries, the collection of countervailing duties was brought on by the National Milk Federation a few years ago when they went to court to force collection of the duties on several items, particularly cheeses. As a concession to the Common Market countries, Congress quickly passed a bill waiving the duties for a period of years as of January of this year.

It is interesting for me to review the remarks of Representative Vanik, chairman of the House Ways and Means Subcommittee on Trade. When introduced, in 1978, a bill to extend the waiver authority, he stressed that:

4 years ago when Congress provided the waiver authority, the entire international trading community was put on notice that Congress wanted the waiver to act as an incentive for the achievement of adequate disciplines in the use of subsidies in international trade.

Indeed, this waiver authority was structured to end one year before the President's negotiating authority for the very reason for it to act an incentive for the MNN to treat this important issue in a timely fashion.

Obviously, it was not treated in a timely fashion. We are here now with this bill.

Now we are told that a very vital part of the trade negotiations in Geneva is the development of a subsidies code which will cause the United States to make major changes in our countervailing duty statutes. This code seems to ban the use of export subsidies on non-primary goods and primarily minerals. A list of proscribed subsidy practices and a tighter definition of subsidies would make it possible to have the so-called subsidies code. It would permit subsidies in agriculture but would establish discipline—I use “discipline” in quotes—which would bar price undercutting.

I do not know how quickly you can determine where there is any price undercutting in agricultural products. You can come out with a little different type of cheese and let somebody determine whether that different type of cheese is being sold by undercutting prices, or you can change the makeup of the ham in some way and let people determine here in this country whether it is really undercutting the price. But the plot thickens when we are advised that, in exchange for these concessions, the United States has agreed to amend its countervailing duty structure to require proof of injury before acting.

I think this is tomfoolery. How do you prove the injury long after the injury has been sustained?

Our record in determining what was even subject to countervailing duties is a very poor record. It takes a long time to determine if it is truly subject.

I am sure that proof of injury will take even longer. I think that we ought to look at this proposed code and the mechanism on which it is supposed to make countervailing duties unnecessary before we amend our law. After all, whose ox is being gored by the trade policy that we have followed in the past several years?

Was it just an accident that we had a \$28 billion trade imbalance last year? Was it just an accident that we are running this year at a rate of a \$30 billion-plus trade imbalance? Are we to continue to be patsies for trading partners who have no desire for free trade and who have had over a generation of American benevolence in terms of economic and military aid and in favorable trade terms, much more favorable to them than to us?

My recommendation is that the bill is untimely and is a clear case of putting the cart before the horse. Before we continue to let the American public down and cause even more inflation in the United States by this go-broke trade policy, we should examine very thoroughly and carefully all the provisions in the proposed new trade treaty.

We are selling our wheat to the Common Market countries at about \$3.50 to \$4 a bushel, and they add \$1.50 before they sell it to their millers to finance their subsidy for their farmers. The same is true of other American grains that we sell to them.

The duty on Volkswagens, Renaults, and Fiats have been the usual 3 percent in our country, and the usual 11 percent on Fords, Chevrolets and other American cars in Europe. Now our negotiators have apparently agreed to a reduction to 2 percent American duty on foreign cars, but the Common Market insists on about 8 percent on American cars coming into their countries.

Ambassador Strauss could better serve the United States in informing the Common Market negotiators that the treaty will not stand up, and will not be approved by the United States unless there is some fairness in it. This idea of divide and conquer by massaging special

groups within the United States plus little special concessions simply will not be enough to gain sufficient votes in the Senate for approval of the treaty.

This is the year when we have to be shown that the new trade negotiations will rectify some of the problems that we have in our country, and it will lead not to further trade imbalances, but it will clearly reduce, by \$15 billion or \$20 billion a year our existing trade imbalance.

We have a long road to hoe in curing the inflation in the United States and making the dollar strong again. We cannot stall any longer in insisting that trade not be a one-way street, but a two-way street fair to both sides.

Our first step should be to withhold action on this bill extending the waiver of countervailing duties until we have accomplished the goal of fair trade agreements between the United States and our trading partners. Unless it is fair, we must reject the treaty itself, and we may as well draw the line here and now on this small bill on countervailing duties that is now being demanded by the Common Market countries.

Senator RIBICOFF. Thank you. Are there any questions?

Senator DOLE. I do not have any questions. It was a very good statement. I appreciated the facts that you pointed out and the problems we face.

I would hope that the administration spokesmen are present to hear your concerns. I think they are real; no doubt about it.

Senator MELCHER. Thank you, Senator.

Senator RIBICOFF. Thank you very much, Senator Melcher.

Senator MELCHER. Thank you, Mr. Chairman.

Senator RIBICOFF. Mr. Rudy Oswald, please.

#### **STATEMENT OF RUDY OSWALD, RESEARCH DIRECTOR, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS**

Mr. OSWALD. My name is Rudy Oswald. I am research director of AFL-CIO and I appreciate this opportunity to present the views of the AFL-CIO in requesting this committee not to extend the countervailing duty waiver currently expired in January of this year.

At the time the Congress granted this waiver, the trade deficit was about \$5 billion; today, it is \$31 billion, six times as great. You have already heard the question of what will happen if this extension is not granted and that the negotiations will come to an end.

That has been said about a number of issues, and it seems odd that the United States should be blackmailed in terms of the total negotiations in terms of granting a continuation of an unfair trade practice.

I think that one of the issues that has not been fully brought to the attention of this committee and to the Congress is the way that this waiver, even in the past, has operated. It has been our understanding that the EC was against that waiver as a matter of principle, and we find it difficult to understand how it can be a matter of principle when even in the last few years there have been a specific countervailing duty assessed against chains of iron and steel which have been imported from Italy.

In October of 1977 to the current time, such a countervailing duty does exist and those duties have been collected and, of course, Italy is a member of the Common Market. How they can continue to say that it is a matter of principle, or that countervailing duties somehow, if they were assessed, would lead to an end to the negotiations we do not understand.

We are further disturbed with new information about subsidies. Just over the weekend, there was a report that Treasury did find that subsidies of tomato products have been made by the EC. Currently also Japan's high yen measure law, for example, is an example of subsidies of exports by Japan to small and medium sized businesses.

This law provides for loans, extensions of time to repay the loans, and rebates on corporate taxes to offset the impact of the rising yen on small and medium-sized businesses. By September 13, 1979, a petition involving several U.S. industries asked for a countervailing duty to offset the subsidies. However, Treasury has known about this Japanese situation for some time, and Treasury has the authority to act without any complaint, but has failed to do so, in spite of the fact that the U.S. trade deficit with Japan last year widened to \$12 billion, nearly a 50-percent increase from the previous year.

Congress should put the world on notice that failure to enforce the countervailing duty law is adding to the U.S. trade deficit. The authority to waive duties under the Trade Act has been enforced in a way that is not understandable. Different countries, and different products, seem to have waivers granted or not granted in an arbitrary fashion.

For example, there are reports of different treatment, different products from the same country, or similar products from different countries. For example, a waiver of countervailing duty exists for rubber footwear from Korea whereas the countervailing duty is assessed against bicycle tires from the same country.

A waiver exists for certain textile products from Brazil, but a countervailing duty is assessed against certain subsidized textile products imported from Singapore, Mexico and Malaysia.

There is a problem that if this waiver is granted again, and because there is a new injury test that is proposed under the new negotiations, that those people harmed, will not be able to show injury because of the continuation of the waiver. There are all sorts of questions as to how this will apply and how the new negotiations will apply, in essence, to the less developed countries and whether they are or are not part of the whole Geneva round of negotiations.

The Financial Times in January reported that the United States is now accused of having made a deal with the community behind the backs of developing countries whose interests were allegedly sold in exchange of EC concessions and a separate code for export subsidies and countervailing duties.

March 15, the Journal of Commerce reports, according to a State Department official, "few, if any, of the less developed nations may sign the various international trade, codes evolving from the Geneva Round." If this is true, negotiations "would have less of an impact on world trade. Fair trade would not result."

The failure to take adequate action on unfairly subsidized imports for an extra 10 months will not help world trade or an international code on subsidies. The failure to enforce countervailing duties will



merely add to the U.S. domestic problems from a trade imbalance, a weak dollar, and economic slowdown in the United States.

For these reasons, we urge the subcommittee to reject H.R. 1147 and to enforce the U.S. laws against unfair competition from imports.

Thank you, Mr. Chairman.

Senator Ribicoff. Thank you, Mr. Oswald.

The only comment is that many of the points that you make are of concern to this entire committee. We have now spent 4 days on the problems of countervailing duties and subsidies, and we have had discussions in depth as to the language and to what the implementing legislation contains.

My feeling is that the bill that is finally presented to the Congress will be very tightly drawn, taking into account the concerns of not only yourself, but every member of this committee.

Senator Dole?

Senator DOLE. As I understand it, you oppose the extension?

Mr. OSWALD. Yes, Senator. We feel that a subsidy is an unfair practice that should be countervailed against and if we are being blackmailed into extending it, that is not a basis for giving into blackmail.

Senator DOLE, I guess maybe this is an opposition just for the record, but you are really opposed and you will make an effort to defeat the extension.

Mr. OSWALD. Mr. Dole, the executive council in its recent meetings did specifically adopt statements opposing the extension. We will try. We did not have much success in the House.

Senator DOLE. I think you had a voice vote over there. Thank you.

Senator RIBICOFF. Senator Baucus?

Senator BAUCUS. No questions.

Senator RIBICOFF. Senator Roth?

Senator ROTH. No questions.

Senator RIBICOFF. Senator Danforth?

Senator DANFORTH. No questions.

Senator RIBICOFF. Senator Chafee?

Senator CHAFEE. No questions.

Senator RIBICOFF. Thank you very much, sir.

Mr. OSWALD. Thank you, Mr. Chairman.

[The prepared statement of Mr. Oswald follows:]

**STATEMENT OF DR. RUDOLPH OSWALD, DIRECTOR, DEPARTMENT OF RESEARCH, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS**

The AFL-CIO seeks fair trade and an end to unfair foreign subsidies on products imported into the United States. We, therefore, oppose H.R. 1147, a bill to extend temporarily the Treasury Secretary's authority to waive the requirement to offset unfair foreign subsidies with a countervailing duty. The waiver has been in effect since the passage of the Trade Act in 1974. That year the trade deficit was only \$5 billion. In 1978, it deteriorated to a level six times that size, or a deficit of \$31 billion.

Subsidies on exports are condemned both in U.S. law and international trade rules. That is what the countervailing duty is for—to offset a foreign subsidy, an unfair competitive practice, when the imported product enters the U.S. Other nations have made so much noise and threatened so much trouble if the U.S. enforced its countervailing duty law that the U.S. has not used the law effectively. Instead of focusing world attention on unfair trade practices and the need to end them, foreign governments and others have threatened "trade wars" and "end to negotiations" or other dire action if the U.S. took any steps to offset unfair competition, and enforce its countervailing duty law.

U.S. countervailing duty actions are legal. The U.S. law predated the General Agreement on Tariffs and Trade (GATT), the international trade rules. Under

the GATT, nations are allowed to grandfather clause that permits them to maintain trade rules that exist in their national laws when they join the GATT.

In the Trade Act of 1974, Congress directed negotiations on new rules for an international subsidies code. During negotiations, the Trade Act allowed a four-year conditional, temporary waiver of the Treasury Secretary's requirement to impose countervailing duties. This conditional, temporary waiver was no secret when the Trade Act passed. Other countries knew the waiver would end in January 1979. The Congress knew the waiver would end in January 1979. Therefore, there is no reason to change the law at this time. Negotiations will continue. And if they don't the U.S. Congress will be on notice that unfair subsidies are to be considered acceptable in trade rules.

Meanwhile, proliferating subsidies have encouraged nations all over the world to ship to the U.S. market and undercut U.S. production and cost U.S. jobs. The Treasury has generally failed to act promptly, and most of those affected have not sought relief. Further extension to October 1979 will merely encourage more unfair imports for 10 months.

It is our understanding that a major impediment in trade negotiations has been the demand by the EEC that the waiver on countervailing duty which has been in effect for four years may be extended or the EEC would not become party to an agreement. This is difficult for us to understand because from information available to us, countervailing duties are being applied to products from at least one common market country during the period of negotiations. Specifically, we are referring to chains of cast iron and steel from Italy. This involves a period from October 11, 1977 to the present. If those duties are collected, we believe that the other duties should be collected also. We fail to understand how the EEC can use this argument and call it a matter of principle for the Common Market, and how the EEC can refuse to complete the negotiations, if countervailing duties are now being imposed.

New information about subsidies continues to surface. Japan's High Yen Measures Law, for example, subsidizes exports by Japanese small and medium-sized business. This law provides for loans, extension of time to repay loans, and rebates on corporate taxes to offset the impact of the rising yen on small and medium-sized business. On February 13, 1979 a petition involving several U.S. industries asked for a countervailing duty to offset these subsidies. Treasury has known about this Japanese subsidy for some time. Treasury has the authority to act without any complaint, but has failed to do so. The U.S. trade deficit with Japan widened last year to \$12 billion—up about 50 percent from the previous year. Congress should put the world on notice that the failure to enforce the countervailing duty law is adding to the U.S. trade deficit.

The authority to waive duties under the Trade Act has been enforced in a way that is not understandable. Different countries and different products seem to have waivers granted or not granted in an arbitrary fashion. For example, there are reports of different treatment of different products from the same country or similar products from different countries. For example, a waiver of countervailing duties exists for rubber footwear from Korea, whereas the countervailing duty is assessed against bicycle tires from that same country. A waiver exists for certain textile products from Brazil, but a countervailing duty is assessed against certain textile products imported from Singapore, Mexico and Asia.

Some subsidies are the subject of an international code still being negotiated in the trade negotiations. It is not clear how this code would be administered or whether the law would be enforced to offset subsidies. But one thing is clear: continued inaction on subsidies while negotiations go on will not convince the American people that a subsidies code will be enforced. It is illogical to demand an extension of the right to subsidize while negotiating a code to reduce the deleterious effects of proliferating subsidies around the world. An extension of the waiver may deny firms appropriate protection under the new code, because of the new proposed injury test. If subsidized imports are allowed to continue, the injury may occur before the new codes are adopted.

Furthermore, the United States has been asked to change its law against unfair competition in order to continue negotiations. No other nation is asked to change a law that attacks unfair trade in order to continue to discuss the issues at the negotiations' table. As a Journal of Commerce article stated last year, "The EC and the U.S., meanwhile are talking in circles. Mr. Strauss suggests that whether Congress grants a waiver extension next year depends on the EC agreeing to a 'satisfactory code.' The EC says obliquely it cannot negotiate such a code without firm U.S. assurances of no countervailing action."<sup>1</sup> If there is to be no penalty for unfair trade, why bother with a code?

<sup>1</sup> October 26, 1978, Journal of Commerce.

Over the past two years, the value of subsidized products for which countervailing duty waivers were granted amounted to about \$1.2 billion according to the Treasury Department. That means that in two years, \$1.2 billion worth of unfairly subsidized imports, where duties were established, affected jobs and production. The lost jobs and production will require government moneys to make up for the loss at home. If no action is taken against subsidies for 10 months, the encouragement for further subsidized imports will cost still more jobs and production—untold millions in lost production and thousands of jobs. Trade adjustment assistance payments to shoe workers displaced by imports in 1977 were \$10 million and in 1978 \$17 million. If the U.S. enforced its existing laws and curbed unfair imports, budget pressures for welfare and tax-incentives to encourage business could be reduced.

Less developed countries reportedly object to the development now underway in the EEC-U.S. negotiations for an international subsidies code. The Financial Times, January 12, 1979 reports, "The U.S. is now being accused of having made a deal with the Community behind the backs of the developing countries, whose interests were allegedly sold in exchange for EEC concessions on U.S. demands for the separate code on export subsidies and countervailing duties." This report suggests that even if the Europeans are kept at the bargaining table by the U.S. giving in to their threat about the countervailing duty waiver, world trade negotiations will face new problems.

A report in the Journal of Commerce, March 15, 1979 indicated that this negotiating problem will not be solved in the near future. According to a State Department official, "few, if any, of the less developed nations may sign the various international trade codes evolving from the Geneva round." If this is true, negotiations "would have less of an impact on world trade. . . . Fair trade would not result." U.S. and European officials hope the developing country problem can be resolved later this year, in what might become a post Geneva round negotiation at GATT.

The less developed countries' subsidies on exports are a major factor in the increasing U.S. import of items from countries like Korea, Brazil and other advancing countries. In addition to low wages, high technological development and government regulation of trade, the subsidies on exports to the U.S. lead to excessive U.S. imports which undercut jobs and production here, while real wages of the people in those countries fail to improve.

The failure to take adequate action on unfairly subsidized imports for an extra 10 months will not help world trade or an international code on subsidies. The failure to enforce countervailing duties will merely add to the U.S. domestic problems from a trade imbalance, a weak dollar, and an economic slowdown in the United States.

For these reasons, we urge this subcommittee to reject H.R. 1147 and to enforce the U.S. laws against unfair competition from imports.

### **STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION**

Senator RIBICOFF. Mr. Reuben Johnson.

Mr. JOHNSON. Mr. Chairman, members of the committee, I am Reuben L. Johnson, Director of Legislative Services for the National Farmers Union. I would like to take this opportunity, Mr. Chairman, to thank you and the committee for allowing us to present our views on the extension of the waiver of countervailing duties.

Our president, Tony T. Dechant, is also president of the International Federation of Agricultural Producers (IFAP), a global association of general farm and cooperative organizations in 45 countries.

The members of both Farmers Union and IFAP take a particular interest in international economic cooperation and the creation of a climate for expanding trade in food and agricultural commodities.

Farmers of the Nation and the world have looked with some anticipation to the multilateral trade negotiations process since September 1973 when the ministers of 100 countries adopted the Tokyo declaration, asserting that the negotiations should aim to "achieve the

expansion and ever-greater liberalization of world trade and the improvement of the standard of living and welfare of the people of the world."

Our members still share this anticipation. The Tokyo declaration also recommended the negotiation of "measures designed to attain stable, equitable, and remunerative prices for primary products."

In that context, farmers have watched with interest and concern as negotiations have proceeded for a new International Grains Agreement and consultative agreements on coarse grains, meat, and dairy products.

We do not yet know the extent to which the grains agreement will meet the Tokyo declaration test of attaining "stable, equitable, and remunerative prices for primary products."

I might add that we are very disappointed that the wheat agreement negotiations are apparently stalemated at this time. Further, we are unable yet to fully assess the impact of the MTN trade package upon farmers and agricultural commodities.

We think that the Congress itself and the American people should have the chance to judge the worth of the trade package on its own merits. We believe it is necessary to avoid any risk that some procedural snag might develop which would torpedo the whole process just as it is being completed.

We therefore feel it important for the Congress to expeditiously consider and approve H.R. 1147, introduced in the House of Representatives on January 18, 1979, by Congressman Al Ullman.

I might say, Mr. Chairman, that our support for this bill, obviously, at this time, without our knowing the divisions that would be in the full package, is a procedural position in large measure. The attitude of the European Community in insisting on a waiver extension is sometimes regarded as arbitrary, yet it is understandable that they do not want to negotiate under what they consider to be duress.

The dispute on what is or what is not a subsidy has not yet resolved itself. Certainly it will be resolved better by reasoning together than by hard-nosed confrontation.

We are not ruling out the possibility that the subsidies code of the MTN package could provide some new machinery for disciplining the subsidy practices as they affect trade in agricultural products. But it remains to be seen what will emerge.

It should be recognized that some U.S. agricultural interests, particularly dairy farmers, are impatient to have the countervailing duty statute fully enforced at last, so as to eliminate competition in our domestic market from subsidized imports.

Dairy farmers fought for decades to have the countervailing duties law enforced fully and faithfully. Several years ago, after decades of failure or refusal of the executive branch to enforce that law, dairy farmers won a court judgment requiring enforcement of the law. The temporary waiver in the Trade Act of 1974 postponed the benefits to dairy farmers of faithful execution of the law. The extension of the waiver to September 30, 1979, will delay those benefits again.

However, we believe there is no reasonable choice but to pay that price in order to allow orderly completion of the MTN negotiations and consideration of the results by Congress and all the groups of citizens who are concerned.

When the MTN negotiations are completed, we will weigh the new codes pertaining to the use of subsidies and countervailing duties to determine how they complement and enforce the existing countervailing duties statute, which, until Congress changed it, is the law of the land.

In conclusion, we urge the Congress to approve H.R. 1147 so that our negotiators can move forward in good faith and in a cooperative spirit to complete the trade package.

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

Senator Dole?

Senator DOLE. Reuben, in the Trade Act itself, it provides the waiver cannot be granted unless adequate steps have been taken to substantially reduce the adverse effect of a subsidy. In your view, has this condition been met in the ham and cheese cases?

Mr. JOHNSON. No; I do not believe they have been met. I am hoping that the new procedure that the Ambassador explained here for cheese, bringing all cheese under quota, would be a step helpful instead of permitting some cheese to remain outside the quota authority as at present.

Senator DOLE. I know you are aware that there is a big controversy within the dairy industry on whether or not they agree with Ambassador Wolf's statement concerning their particular industry. In fact, Senator Nelson will be discussing that in markup in the implementing legislation next Monday.

I am certain that the Farmers' Union has a great deal at stake in that issue also.

Mr. JOHNSON. We have a number of members and their ideas are most important. They will have our attention, and we are going to be looking at dairy provisions very closely. We had spokesmen of the Special Trade Representatives Office, Mr. Starkey and Mr. Saylor, from the Department of Agriculture, in our national convention that just ended in Kansas City. They commented that it looks as if we are going to be asked by the Common Market to make some concessions in the area of dairy products.

They have a very serious internal problem of their own, and when you really get right down to it, I suppose you have to look at the total package and what motivated those who put it together before making an evaluation.

We are a big country; we eat a lot of dairy products and some of our citizens have a taste for these fancy cheeses. I try one every once in awhile myself.

I like some of these exotic foreign cheeses. I expect that members of this panel may have the same taste. We may have to make some concessions, particularly in these areas.

I simply say to you, Mr. Dole, we are just not in a position to permit our organization to be either in favor or in opposition of the MTN package. What we are saying to you today is if we have a procedural problem in the administration—we have to take their word for it that we do—then let's let the administration have an opportunity to complete negotiations. Certainly this hearing today puts them on notice of some of the concerns—of what they had better not bring back in the package.

I simply think that the choice here is to go ahead and permit them the authority to proceed and let's see what they can come up with.

With 5 years of time invested in it, you would think that something would have happened, would you not, Mr. Chairman?

Senator DOLE. It should happen every 5 years or so, something ought to happen.

I am also concerned. You mentioned the disappointment that we cannot do more to bring down the high barriers to farm exports and we have had consultation with the executive branch. We have been trying to at least satisfy ourselves that everything that could be done has been done, and I am just wondering if you had any specific suggestions in that area.

Mr. JOHNSON. Yes; I do.

My organization has been perhaps more vocal on the critical side of this administration's position in regard to trying to get some kind of agreement on wheat in the international market. We think that they have been much too restrictive in their view of where the price range should be and wheat trading should be.

We know that we have been successful in administering an international agreement over a long period of time. We had Senators like Pearson of Kansas and Young of North Dakota working with good, strong, Democratic leadership over those years. We had favorable wheat prices—the minimal pricing so-called reference points—and designated classes of wheat. And we made a wheat agreement work.

It was only after Clarence Palmby came to the Department of Agriculture and undercut the minimum prices which destroyed the whole basis of the formal procedure that we lost a highly successful International Wheat Agreement that worked for over 20 years with bipartisan support.

There was never a vote against it in the Senate.

Senator DOLE. There is some dispute whether they were all as successful. I do not remember the Minister from Australia's name but he has been quoted publicly as saying the best thing that ever happened to Australia was that the United States signed up with these international agreements. The benefits went to his country but the agreement did not do much for ours.

Mr. JOHNSON. Senator, if your position is that we benefit merely by staying in a forward position so that we can increase our volume, that we can do. But the producer keeps asking the question, why produce all this volume merely to keep ourselves in a position to meet market demands when we cannot make any money growing the wheat?

We are wasting energy. We have wheat right now in this trigger point reserve up to a danger level. These contracts expire 3 days from the date of entry. Most of it is 1978 wheat. I think it is about 13 million metric tons, and I am just wondering what the program administrators in USDA have in mind doing with this wheat.

Senator DOLE. You mention on page 2 you do not yet know the extent to which the grains agreement will meet the Tokyo Declaration. There has not been any grains agreement, has there?

Mr. JOHNSON. I think they have some kind of clause in there on some of the grains and other commodities. There is certainly no International Wheat Agreement that concerns pricing. There was some mention here about a third country dealing that France may be engaged with under some surveillance, under the new MTN. I hope that would be the case.

Senator DOLE. I appreciate your statement. My only concern is, I know the administration has a problem, I know the American farmer has a problem, and I guess somehow not only the American farmer, but also many American business men and women wonder whether we really gain anything with this extension, whether it is really necessary. That is the purpose of this hearing. I think you have indicated that you support the extension and you will take a look at the MTN later on.

Mr. JOHNSON. That is correct.

Senator, this planet we live on is a complicated planet. It has many different rules and tariffs and different tax advantages from one country to another. All of these things vary from one country to another.

We have seen the Common Market struggle and struggle and they have not gotten all of their agricultural problems settled there yet, and they have been in business trying to do this for a long time, so we are not going to solve these problems overnight. But I do not believe that in agriculture—I cannot speak for the rest of the industrial sectors; I do not know much about them—that building walls around ourselves is going to be any solution to solving the problems of the producer or the problems of people who consume agricultural food products.

I think that a little progress is much more beneficial than building a wall around ourselves.

But anyway, our options are open, Senator, and knowing your concern for the farmer, you have demonstrated that many times. I know that you will be objective in sitting down and looking at this.

Senator RIBICOFF. Senator Baucus?

Senator BAUCUS. No questions.

Senator RIBICOFF. Senator Danforth?

Senator DANFORTH. No questions.

Senator RIBICOFF. Senator Bradley?

Senator BRADLEY. No questions.

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

Mr. JOHNSON. Thank you, Mr. Chairman.

Senator RIBICOFF. Robert McNeill.

#### **STATEMENT OF ROBERT McNEILL, EXECUTIVE VICE CHAIRMAN, EMERGENCY COMMITTEE FOR AMERICAN TRADE**

Mr. McNEILL. Thank you, Mr. Chairman.

I am here today on behalf of the Emergency Committee for American Trade in support of Senate approval of the President's request for continued authority for the Secretary of the Treasury to waive the application of countervailing duties. ECAT is an association of 64 business leaders who firmly believe in and support expansionary international trade and investment policies.

We understand that approval of the President's request for continued countervailing duty waiver authority is directly related to a satisfactory conclusion of the Geneva multilateral trade negotiations. From our examination of public materials summarizing the status of these negotiations, we believe the prospective trade agreements will be very much in the national interest.

It would be a shame to lose their benefits. We, therefore, strongly urge favorable action by the Finance Committee and by the full Senate

in order to bring about rapid congressional approval of the President's request.

In granting the countervailing duty waiver authority in the Trade Act of 1974, Congress was concerned with the increasing use of subsidies in international trade and was desirous that an agreement be negotiated to place limits on their use. The waiver authority was to facilitate this objective.

An agreement on subsidies is very close to being concluded as part of the multilateral trade negotiations. It is a good agreement. If implemented, we believe it will significantly improve and add to the international rules and procedures concerning subsidies and countervailing duties. However, the subsidies code together with a series of other nontariff and tariff agreements near completion in Geneva may never be realized if the countervailing duty waiver is not extended. We in ECAT, therefore, recommend that you approve the President's request as embodied in H.R. 1147 as early as is possible.

Mr. Chairman, I thank you.

Senator RIBICOFF. Thank you very much.

Are there any questions?

Senator BAUCUS.

Senator BAUCUS. I am new to this committee, so I wonder if you could explain to me who are some of these business leaders and what businesses that you represent in your organization?

Mr. McNEILL. The Emergency Committee for American Trade was formed in 1967 to oppose a series of import quota bills then before the Congress. We have stayed in business for the last 12 years for that particular purpose, along with other purposes having to do with international investment. The membership is made up of the chairmen of the boards of 64 large companies representing the broad spectrum, I would say, of American industry.

Among ECAT members are representatives of the automobile industry, the earthmoving equipment industry, part of the banking industry, the publishing industry, some retailers, F. W. Woolworth, for example, and other large multinational companies with an interest in the world economy.

Senator RIBICOFF. Would you be good enough to provide a list of your membership for the record? It will be included at this point.

Mr. McNEILL. Yes, sir.

[The information to be furnished follows:]

#### EMERGENCY COMMITTEE FOR AMERICAN TRADE

##### MEMBERSHIP

Mr. Edward J. Ledder, Chairman and Chief Executive Officer, Abbott Laboratories.

Mr. David C. Scott, Chairman, Chief Executive Officer and President, Allis-Chalmers Corp.

Mr. Pierre Gousseland, Chairman and Chief Executive Officer, AMAX Inc.

Mr. William A. Marquard, President and Chief Executive Officer, American Standard Inc.

Mr. Merlin E. Nelson, Vice Chairman, AMF Inc.

Mr. David W. Mitchell, President and Chief Executive Officer, Avon Products, Inc.

Mr. A. W. Clausen, President, Bank of America, N.T. & S.A.

Mr. T. A. Wilson, Chairman and Chief Executive Officer, The Boeing Co.

Mr. James F. Bere, Chairman and Chief Executive Officer, Borg-Warner Corp.

Mr. Richard L. Gell, Chairman and Chief Executive Officer, Bristol-Myers Co.



- Mr. Paul S. Mirabito, Chairman, President and Chief Executive Officer, Burroughs Corp.
- Mr. Harold A. Shaub, President and Chief Executive Officer, Campbell Soup Co.
- Mr. H. Robert Diercks, Vice Chairman of the Board, Cargill, Inc.
- Mr. Melvin C. Holm, Chairman of the Board and Chief Executive Officer, Carrier Corp.
- Mr. Lee L. Morgan, Chairman and Chief Executive Officer, Caterpillar Tractor Co.
- Mr. David Rockefeller, Chairman of the Board, The Chase Manhattan Bank, N.A.
- Mr. Walter B. Wriston, Chairman, Citicorp/Citibank, N.A.
- Mr. Robert S. Hatfield, Chairman and Chief Executive Officer, The Continental Group, Inc.
- Mr. James McKee, Chairman and Chief Executive Officer, CPC International Inc.
- Mr. C. R. Dahl, Chairman and Chief Executive Officer, Crown Zellerbach Corp.
- Mr. J. I. Miller, Chairman of the Board, Cummins Engine Co., Inc.
- Mr. Justin Dart, Chairman and Chief Executive Officer, Dart Industries Inc.
- Mr. William A. Hewitt, Chairman and Chief Executive Officer, Deere & Co.
- Mr. John V. James, Chairman of the Board, President and Chief Executive Officer, Dresser Industries, Inc.
- Mr. Walter A. Fallon, Chairman of the Board and Chief Executive Officer, Eastman Kodak Co.
- Mr. Howard C. Kauffmann, President, Exxon Corp.
- Mr. Richard A. Riley, Chairman and Chief Executive Officer, The Firestone Tire & Rubber Co.
- Mr. Henry Ford II, Chairman of the Board, Ford Motor Co.
- Mr. E. Robert Kinney, President and Chief Executive Officer, General Mills, Inc.
- Mr. T. A. Murphy, Chairman and Chief Executive Officer, General Motors Corp.
- Mr. Colman M. Mockler, Jr., Chairman of the Board and Chief Executive Officer, The Gillette Co.
- Mr. O. Pendleton Thomas, Chairman of the Board and Chief Executive Officer, The B. F. Goodrich Co.
- Mr. J. Peter Grace, President and Chief Executive Officer, W. R. Grace & Co.
- Mr. H. J. Heinz II, Chairman of the Board, H. J. Heinz Co.
- Mr. William R. Hewlett, Chairman of the Executive Committee, Hewlett-Packard Co.
- Mr. Edson W. Spencer, Chairman and Chief Executive Officer, Honeywell, Inc.
- Mr. Gilbert E. Jones, IBM World Trade Corp.
- Mr. Brooks McCormick, Chairman of the Board, International Harvester Co.
- Mr. J. Stanford Smith, Chairman and Chief Executive Officer, International Paper Co.
- Mr. James E. Burke, Chairman of the Board and Chief Executive Officer, Johnson & Johnson.
- Mr. William O. Beers, Chairman of the Board and Chief Executive Officer, Kraft Inc.
- Mr. Charles B. Thornton, Chairman of the Board, Litton Industries, Inc.
- Mr. Harold W. McGraw, Jr., Chairman, President and Chief Executive Officer, McGraw-Hill, Inc.
- Mr. Robert M. Schaeberle, Chairman and Chief Executive Officer, Nabisco, Inc.
- Mr. Ralph A. Weller, Chairman of the Board, Otis Elevator Co.
- Mr. Donald M. Kendall, Chairman of the Board and Chief Executive Officer, PepsiCo, Inc.
- Mr. Edmund T. Pratt, Jr., Chairman and Chief Executive Officer, Pfizer Inc.
- Mr. Ross R. Millhiser, Vice Chairman of the Board, Philip Morris Inc.
- Mr. Edgar H. Griffiths, President and Chief Executive Officer, RCA Corp.
- Mr. Colin Stokes, Chairman, R. J. Reynolds Industries, Inc.
- Mr. Vincent L. Gregory, Jr., Chairman and Chief Executive Officer, Rohm and Haas Co.
- Mr. George J. Kneeland, Chairman and Chief Executive Officer, St. Regis Paper Co.
- Mr. Forrest N. Shumway, President and Chief Executive Officer, Signal Co., Inc.
- Mr. Joseph B. Flavin, Chairman and Chief Executive Officer, The Singer Co.
- Mr. J. Paul Lyet, Chairman and Chief Executive Officer, Sperry Rand Corp.

Mr. Richard M. Furlaud, Chairman and Chief Executive Officer, Squibb Corp.  
 Mr. J Fred Bucy, President, Texas Instruments Inc.  
 Mr. Raymond H. Herzog, Chairman of the Board and Chief Executive Officer,  
 3M Co.  
 Mr. James R. Shepley, President and Chief Operating Officer, Time Inc.  
 Dr. Ruben F. Mettler, Chairman and Chief Executive Officer, TRW Inc.  
 Mr. Harry J. Gray, Chairman and President, United Technologies Corp.  
 Mr. George H. Weyerhaeuser, President and Chief Executive Officer, Weyer-  
 haeuser Co.  
 Mr. Edward F. Gibbons, Chairman and Chief Executive Officer, F.W. Wool-  
 worth Co.  
 Mr. C. Peter McColough, Chairman and Chief Executive Officer, Xerox Corp.  
 Mr. William H. Flynn, Chairman, Chief Executive Officer and President  
 Zapata Corp.

Senator BAUCUS Thank you.  
 Senator RIBICOFF Senator Bradley?  
 Senator BRADLEY No questions.  
 Senator RIBICOFF. Senator Danforth?  
 Senator DANFORTH. No questions.  
 Senator RIBICOFF. Miss Ruth Hinerfeld.

#### STATEMENT OF RUTH HINERFELD, PRESIDENT, LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

Ms. HINERFELD. Mr. Chairman, members of the committee, I am Ruth Hinerfeld, president of the League of Women Voters of the United States.

As you know, this is a public interest organization.

I would like to thank you, Mr. Chairman, for rescheduling the hearings to make testimony possible. I would also like to request that the complete text of my statement be included.

Senator RIBICOFF. Without objection, the complete statement will go in the record.

Ms. HINERFELD. Thank you very much.

I come here to speak in support of the proposed extension of the waiver on countervailing duties provided in H.R. 1147. I would like to summarize the main points in my statement. Many of them have been made by Ambassador Wolff and Mr. Johnson, preceding me. Nevertheless, I feel that I must make these points in view of the fact that I speak for the members, the men and women of the League of Women Voters in 1,400 communities in the 50 States of the country, the Virgin Islands, Puerto Rico, and the District of Columbia.

League members believe that immediate passage of the bill without substantive amendment is vital to the completion of the MTN in Geneva. For almost half a century, since league members began to study the subject in connection with the cost of living, we have advocated trade policies which are expansive.

We supported the 1974 Trade Act which made possible the participation of the United States in the current round of negotiations. From what we know about what has been achieved in these negotiations, the league believes that positive progress has been made in Geneva on the subsidies code and on other nontariff barrier codes. We believe that this progress justifies continuation of the waiver of countervailing duties until Congress has the chance to act on the MTN implementing legislation, or until October 20 of this year as provided in H.R. 1147. The extension will give negotiators time to wrap up the

agreement. It will be seen by our trading partners as a measure of this country's commitment to the successful conclusion of the MTN.

We should not allow the failure to extend the waiver to become the reason for failure to conclude those negotiations, nor should we deny Congress a chance to consider and discuss the trade negotiations agreement on its own merit in light of its impact on the United States and the world economy.

The league believes that extension of the waiver will make this debate possible. Therefore, on behalf of the League of Women Voters of the United States, I urge you to act quickly and positively on H.R. 1147.

Senator RIBICOFF. Thank you.

Are there any questions?

Thank you very much.

[The prepared statement of Ms. Hinerfeld follows:]

STATEMENT OF RUTH J. HINERFELD, PRESIDENT, LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

Mr. Chairman, members of the subcommittee, I am Ruth J. Hinerfeld, president of the League of Women Voters of the United States. The LWVUS is a volunteer political action organization with 1,400 Leagues in 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands. I am here today to speak in support of the proposed extension of the waiver on countervailing duties as provided in H.R. 1147.

We believe immediate passage of this bill without amendment is vital to the successful completion of the multilateral trade negotiations currently underway in Geneva. The LWVUS believes the positive progress made in Geneva on the subsidies code and other nontariff barrier codes continues to justify waiver of the countervailing duty until Congress has had the chance to act on the MTN implementing legislation or until September 30 of this year, as provided in HR 1147. Our major negotiating partners, however, have repeatedly said they will not initial the final MTN package until the waiver is extended. The longer we delay resolving this problem, the closer we come to the January 1980 expiration of U.S. trade negotiating authority as provided in the Trade Act of 1974.

For almost half a century, LWVUS members have advocated a liberal U.S. trade policy because we believe such a policy paves the way for political harmony among nations, stimulates economic development at home and abroad, and expands consumer choice. Since our first study of trade in the late 1920's, the League has frequently reexamined the nature, direction and effect of U.S. trade policy. The upshot of these reevaluations has been a strengthening of our support for trade expansive rather than trade restrictive policies—for the good of the American economy and U.S. political relations with the rest of the world.

That is why we vigorously supported the 1974 Trade Act. And that brings us to today. Because, through the authority granted in that Act, the U.S. has been able to participate in this historic round of multilateral trade negotiations on nontariff barriers. We believe the 1974 Act served as the springboard from which the United States has been able to play an international role commensurate with its economic position in the world, to maintain its longstanding commitment to the expansion of international trade, and to assert a leadership role in stemming the worldwide proliferation of protectionist practices.

As this committee is fully aware, our countervailing duty law, and more importantly, the entire issue of subsidies, goes to the heart of the trade negotiations. It is not a new problem in our dealings with our trading partners. The U.S. countervailing duty law was a major source of controversy in our international dealings even at the time when the GATT was established. Congress understood the sensitivity of the issue when, in authorizing the President to participate in the negotiations, it included in the 1974 Trade Act a temporary waiver on the imposition of countervailing duties. This was done to avoid damaging confrontations with other governments while a subsidies code was being hammered out. But, by making that waiver temporary and setting its expiration date one year earlier than that of the negotiating authority, Congress also put pressure on the negotiators to complete a subsidies agreement before the five year negotiating authority ran out.

We believe the waiver has served a very useful purpose: the negotiations on a subsidy code were not interrupted by unnecessary confrontation and, because of the waiver's temporary nature, negotiators have been under pressure to agree and have come within reach of an agreement on subsidies and a wide range of nontariff barriers. The time has not been quite enough, however, due to the complex, difficult nature of the problems and a couple of false starts in getting the negotiations underway. If a further extension of the waiver will produce a final agreement—and we hope this is the case—then Congress must act quickly and positively on the President's request for a waiver extension.

An extension of the waiver will give negotiators time to wrap up agreement on the provisions of the subsidy and other nontariff barriers codes. It will also be seen as a measure of the degree of our commitment to an open and fair system of world trade. Our trading partners view the extension of the countervailing duty waiver authority to be a significant measure of this commitment. As such, it has come to be regarded as the pivotal issue for the outcome of the MTN. We should not allow the failure to extend the waiver to become the reason for the failure to conclude these negotiations.

Future consideration of the MTN implementing legislation will require the kind of special and expert attention this subcommittee and the Senate Finance Committee can offer. Your efforts are particularly important because when the vote is cast to determine the fate of the trade negotiations agreement, we hope every member of Congress will have had the opportunity to thoroughly discuss and consider the potential impact these new trade liberalization agreements could have on the U.S. economy and world trade. The LWVUS believes the extension of the countervailing duty waiver will make this debate possible. Thus, on behalf of the LWVUS, I urge you to act quickly and positively on H.R. 1147.

Senator RIBICOFF. Mr. Darrel Miller.

#### **STATEMENT OF DARREL MILLER, REPRESENTATIVE, AMERICAN AGRICULTURE MOVEMENT**

Mr. MILLER. Mr. Chairman, members of the committee, I am Darrel Miller of Kansas, a grain producer and participating in the American Agriculture Movement. I would like to just go over the summary of my remarks and make some reference to the charts.

Senator RIBICOFF. Without objection, your statement and the charts will go into the record.

Mr. MILLER. For two decades, the U.S. economic expansion has outrun most of our trading partners. Americans have spent lavishly overseas for oil, cars, cameras, clothing, military spending and investments, all of which has left foreign countries awash with some \$500 billion in U.S. dollars. That is enough to buy all the farmland in America at current prices, or pay off all U.S. home mortgages or buy all the equity of the top 500 U.S. corporations.

There is serious concern among dairy farmers as to the price they may have to pay because of the U.S. presence at the bargaining table. The talk of expansion of cheese imports, the nullification of the countervailing duty statute by the specific recognition of the right of exporting nations to employ export subsidies and the addition of an injury test to the U.S. countervailing duty statutes along with an international dairy arrangement are of major concern.

Based on information presently available the trade talks will mean an expansion of cheese imports of 67 million pounds over 1977 levels. This represents an increase of one-third and roughly translates into the demise of 1,200 dairy farmers. The impact on rural communities of this action is something that must be given serious consideration. The American Agriculture Movement feels that the impact on the dairy industry would be negative.

Today, with the cost of imported energy increasing rapidly, it seems foolish policy to continue to pay full price for oil and in turn sell the grain produced with that oil at less than it cost us to produce. This country suffers from that type of policy. The devastating effect of continuing to sell grain products at less than they cost to produce has only added to the increase in the number of family farms that are going out of business each day. The detrimental effect of an ever increasing trade deficit affects each of us as Americans.

If you will look at chart A you will find a graphic example of the increase in purchasing power of the Japanese yen and Deutsche marks in today's grain export market. The decline in the American dollar has made our grain the best bargain to foreign buyers since the early 1970's.

Take soybeans as an example. If you measure value in U.S. dollars, the recent lows in the \$6.50 area are over 40 percent higher than the 1975 lows at \$4.50. But if you measure in Japanese yen, today's prices are lower than 1975's. And current prices are less than half of spring 1977 prices.

If your yardstick is Germany's Deutsche mark, today's soybean prices are still at 1975 levels. And one mark will now buy twice as many beans as during the spring of 1977. The story is a little different for wheat, cotton, and corn. Wheat prices measured in yen are cheaper than they were in either 1976 or 1977. Measured in marks, they are only slightly higher than 1977 lows.

Japanese yen will buy more corn today than last year when local elevator prices sank to \$1.50. Compared to 1974, the yen's corn purchasing power has tripled. Marks will buy over twice as much corn as during 1974, when futures skyrocketed to \$4.00.

Current corn prices measured in marks are very close to last year's lows. Even though cotton prices have staged an increase from last year's lows, the Japanese yen will buy more U.S. cotton now. The 31 percent U.S. price increase is less than a 20 percent increase to the Germans.

The value of the "affected" trade in livestock and products is valued at \$900 million. The only actual potential increase in exports so far that has been identified is a projected 34,000 tons per year increase in sales of high quality beef in Japan and Europe. The potential increase is based on the assumption that the Europeans and Japanese will get hooked on American style cuts of beef. We know that changes in eating habits do not occur overnight. They are more often caused by a change in income than by written agreements. This increase in tonnage of beef to be exported amounts to barely one-third as much as the increase in beef imports into the United States last year as ordered by the President.

The textile industry is very important to the American farmer. We are not interested in shipping our cotton and wool to foreign countries to use cheap labor for processing. In 1977, textile imports came to \$5.9 billion, exceeding the \$2.5 billion textile exports by over \$3.4 billion. This amount is equal to the entire trade deficit in 1973. The use of foreign labor to process American products means thousands of workers here at home are unemployed.

The Third Act of the First Congress was a tariff law to prevent cheap foreign goods and debased foreign currencies from determining the value of American money.

Perhaps in this era of complicated trade negotiations we should review the wisdom of Abraham Lincoln during the period of railroad expansion in our Nation. "If we buy the rails from England," Lincoln told his advisers, "we will have the rails, but England will have our money. If we make the rails here, we will have both the rails and the money."

We urge your consideration in this matter and feel that the American agricultural producer and the American industrial producer should be protected by countervailing duties. Thank you.

Senator RIBICOFF. Thank you very much.

Senator Dole?

Senator DOLE. Just one question.

As I understand it, you have a view that is different from Mr. Johnson's of the National Farmers Union, is that right?

Mr. MILLER. We believe that all producers should be protected by the reinstatement of these countervailing duties to protect the imports that are coming in this country and add on those tariffs that we hope to not only refurbish our Treasury, but bring the balance of trade in line.

Senator DOLE. You oppose extension of the waiver authority?

Mr. MILLER. Yes, sir.

Senator DOLE. Thank you.

Senator RIBICOFF. Senator Baucus?

Senator BAUCUS. Thank you, Mr. Chairman.

One or two questions. Whether you oppose the present European system of export subsidies for agricultural products?

Mr. MILLER. We feel the European system as far as grain—and I am talking as a grain producer—is very inequitable due to the fact that we are exporting our grain at current market levels at around \$3 and we see the Japanese adding on tariffs, bringing our price of grain up to about a \$9 or \$10 level there. Then these subsidies, in turn, are going back into Japanese industry, coming back and being recycled and coming back to American industry.

Senator BAUCUS. My question becomes, How do you—in your judgment, how do we best encourage those European countries not to practice that system?

Mr. MILLER. I think the only thing we can do is to see that here in the United States, if we are able to raise the price of exported grains, we are going to have this tariff on no matter what the price of the grain going out of the country is. To be competitive, to raise those price levels up to where the American producer is able to receive a return back, and I think that this will be an equitable situation and should balance out in the future.

Senator BAUCUS. If I understand it correctly, you feel we should, ourselves, have an agricultural subsidy, or set a price?

Mr. MILLER. Our answer is in getting a price for a product here in the United States we are continually told by the USDA if we receive higher prices for our grain going out of this country, we will price ourselves out of the export market.

This seems to be somewhat of a fallacy. If you take a look at the total export that gets involved, the United States of America currently is exporting 50 percent of the grain that goes over international borders, so I feel, in effect, if we have a price rise in American grains,

this will somewhat reduce the tariff going into these countries, that they have only added on so we do not depress their markets.

Senator BAUCUS. My basic question is a question of philosophy. Mr. Johnson, apparently from his testimony as well as the lady from the League of Women Voters seems to feel that the better approach to reducing trade barriers is to try to work together or reduce trade barriers rather than to be more protective and erect barriers around the United States.

I take it, then, you do not agree with that approach and feel we should be more protected first, and your view is that if you pursue that course, somehow the European countries will then, on their own accord, reduce their internal subsidies, export subsidies?

Mr. MILLER. Yes.

Senator BAUCUS. That is your view?

Mr. MILLER. Yes; I think we are in basic agreement there. Mainly what I am trying to say is we should protect our own markets first against the free trade supposedly we have in this country. In agriculture we are operating on the free market system and every time it begins operating favorably to the agricultural producer we see some effect from the Government, such as the export embargoes we had on our grains in 1974; the pricing through we had it on our beef products in 1973; and the recent openings of meat import quotas which the President allowed last year.

So if we are going to operate in a system where we have tariffs and we have taxes and if we are going to market in a free market then we should operate on an equitable basis.

Senator BAUCUS. Thank you.

Senator RIBICOFF. Senator Danforth?

Senator DANFORTH. No questions.

Senator RIBICOFF. Thank you very much.

[The prepared statement of Mr. Miller follows:]

STATEMENT OF DARREL MILLER, GRAIN PRODUCER, EDWARDS COUNTY, KANS.  
PARTICIPANT IN THE AMERICAN AGRICULTURE MOVEMENT

SUMMARY OF TESTIMONY

For two decades, U.S. economic expansion has outrun most of our trading partners. Americans have spent lavishly overseas for oil, cars, cameras, clothing, military spending and investments. All of which has left foreign countries awash with some \$500 billion in U.S. dollars. That's enough to buy all the farm land America at current prices, or pay off all U.S. home mortgages, or buy all the equity of the top 500 U.S. corporations.

A. There is serious concern among dairy farmers as to the price they may have to pay because of the United States presence at the bargaining table. The talk of expansion of cheese imports, the nullification of the countervailing duty statute by the specific recognition of the right of exporting nations to employ export subsidies and the addition of an injury test to the U.S. countervailing duty statutes along with an international dairy arrangement are of major concern. Based on information presently available the trade talks will mean an expansion of cheese imports of 67 million pounds over 1977 levels. This represents an increase of one-third and roughly translates into the demise of 1200 dairy farmers. The impact on rural communities of this action is something that must be given serious consideration. The American Agriculture Movement feels that the impact on the dairy industry would be negative.

B. Today with the cost of imported energy increasing rapidly it seems foolish policy to continue to pay full price for oil and in turn sell the grain produced with that oil at less than it cost us to produce. This county suffers from that type of policy. The devastating affect of continuing to sell grain products at less than

they cost to produce has only added to the increase in the number of family farms that are going out of business each day. The detrimental affect of an ever increasing trade deficit affects each of us as Americans.

If you will look at chart A you will find a graphic example of the increase in purchasing power of the Japanese Yen and Deutschemarks in todays grain export market. The decline in the American dollar has made our grain the best bargain to foreign buyers since the early 1970's.

C. The value of the "affected" trade in livestock and products is valued at \$900 million. The only actual potential increase in exports so far that has been identified is a projected 34,000 tons per year increase in sales of high quality beef in Japan and Europe. The potential increase is based on the assumption that the Europeans and Japanese will "get hooked" on American style cuts of beef. We know that changes in eating habits do not occur overnight. They are more often caused by a change in income than by written agreements. This increase in tonnage of beef to be exported amounts to barely one-third as much as the increase in beef imports into the United States last year as ordered by the President.

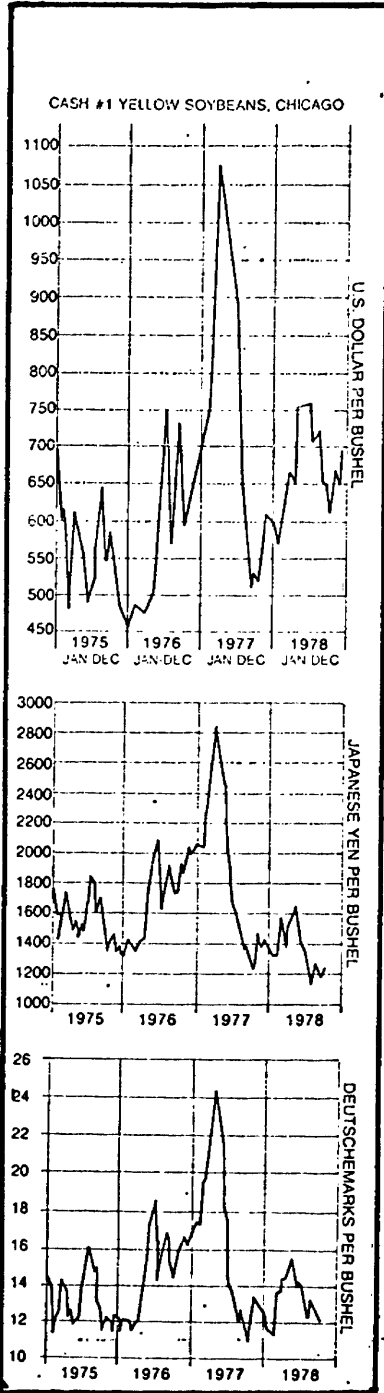
D. The textile industry is very important to the American Farmer. We are not interested in shipping our cotton and wool to foreign countries to use cheap labor for processing. In 1977 textile imports came to 5.9 billion dollars, exceeding the 2.5 billion dollar textile exports by over \$3.4 billion. This amount is equal to the entire trade deficit in 1973. The use of foreign labor to process American products means thousands of workers here at home are unemployed.

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CHART A



Mr. Chairman and fellow members of the Committee: The American Agriculture Movement has supporters from every major agriculture state in the Union. These farmers and ranchers are involved in the production of every type of agriculture commodity. Therefore the policies that regulate buying and selling procedures of all agriculture commodities are of vital importance to us.

The ultimate decision concerning the trade negotiations will be with the congress of the United States. The Trade Act of 1974 required that congress must be consulted and must have the final judgement on whether the United States will be bound to the terms. Realizing that before congress can make a sound decision they must be informed about the affects on all of the domestic industry, we would like to outline some of the impacts on agriculture.

The dairy industry is a major element of this nation's agriculture. The dairy price support program authorized by the Agriculture Act of 1949 provides a minimum degree of price assurance as to induce the domestic production of adequate supplies of milk to meet the needs of this market. It has long been recognized that the ability of the United States to develop and maintain domestic agricultural programs of this type would be seriously undermined if this market could be used as a dumping ground for surplus production of other nations. Section 22 of the Agricultural Adjustment Act was approved in 1935 to provide the basis for increased tariffs or import quotas on agricultural imports which interfere with or threaten to interfere with the effective operation of a domestic price support program. The basis for action under Section 22 is the impact imports have on operation of a domestic price support or similar program. In the absence of such impact, there is not authority to limit imports. On the other hand in the absence of the authority of Section 22 price support programs of the United States could quickly become price support programs for the world market.

There is serious concern among dairy farmers as to the price they may have to pay because of the United States presence at the bargaining table. The talk of expansion of cheese imports, the nullification of the countervailing duty statute by the specific recognition of the right of exporting nations to employ export subsidies and the addition of an injury test to the U.S. countervailing duty statutes along with an international dairy arrangement are of major concern. Based on information presently available the trade talks will mean an expansion of cheese imports of 67 million pounds over 1977 levels. This represents an increase of one-third and roughly translates into the demise of 1200 dairy farmers. The impact on rural communities of this action is something that must be given serious consideration. The American Agriculture Movement feels that the impact on the dairy industry would be negative.

There have been statements by the administration that the agreements will "affect" about 3 billion dollars a year in agriculture trade. Three billion dollars is a small portion of the approximately \$27 billion dollar volume that we export now. More importantly there has been no indication that there will be any affect on the price that will be paid to the American Farmers and Ranchers that produce that commodity. Information we have received indicates in fact there will be no change in this country's policy of selling grain overseas at artificially low prices. It is worth noting that three-fourths of the wheat that is produced and consumed in all the world brings higher prices to its producers than the "world market" price we American farmers are paid for our exports.

Today with the cost of imported energy increasing rapidly it seems foolish policy to continue to pay full price for oil and in turn sell the grain produced with that oil at less than it cost us to produce. This country suffers from that type of policy. The devastating affect of continuing to sell grain products at less than they cost to produce has only added to the increase in the number of family farms that are going out of business each day. The detrimental affect of an ever increasing trade deficit affects each of us as Americans.

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corn today than last year when local elevator prices sank to \$1.50. Compared to 1974 the yen's corn purchasing power has tripled. Marks will buy over twice as much corn as during 1974, when futures skyrocketed to \$4.00. Current corn prices measured in marks are very close to last year's lows. Even though cotton prices have staged an increase from last year's lows, the Japanese yen will buy more U.S. cotton now. The 31% U.S. price increase is less than a 20% increase to the Germans.

The value of the "affected" trade in livestock and products is valued at \$900 million. The only actual potential increase in exports so far that has been identified is a projected 34,000 tons per year increase in sales of high quality beef in Japan and Europe. The potential increase is based on the assumption that the Europeans and Japanese will "get hooked" on American style cuts of beef. We know that changes in eating habits do not occur overnight. They are more often caused by a change in income than by written agreements. This increase in tonnage of beef to be exported amounts to barely one-third as much as the increase in beef imports into the United States last year as ordered by the President.

The textile industry is very important to the American Farmer. We are not interested in shipping our cotton and wool to foreign countries to use cheap labor for processing. In 1977 textile imports came to 5.9 billion dollars, exceeding the 2.5 billion dollar textile exports by over \$3.4 billion. This amount is equal to the entire trade deficit in 1973. The use of foreign labor to process American products means thousands of workers here at home are unemployed.

The use of an "injury test" to protect American producers is of little consolation. At this point there is little confidence that such a test would be administered faithfully and rigorously. The history of this nation shows the United States has been reluctant to provide domestic industry of any type with the full protection of the law.

In many of the discussions about policy that affects agriculture there has been talk of free trade. It is unrealistic for the American Farmers and Ranchers to be the only people using the words "free trade."

Apparently the results of the current trade negotiations bring us no closer to free world trade. Instead they continue the policy of other countries realizing more money from our agriculture products than the American Farmers and Ranchers. The public policy must deal with the current situation and allow producers a medium of protection from foreign imports. For domestic producers to compete in the open market with a foreign competitor, the United States must be willing to accept the standard of living of these foreign countries. I don't think this is the type of approach the American people are prepared to take. Until there are provisions or agreements for raising and maintaining prices for domestic agriculture production while participating in world trade, the farmers and ranchers of America cannot support the current trade negotiations. We urge the members of this committee to use sound judgment and foresight in reaching their decision.

Senator RIBICOFF. The committee will stand adjourned.

[Whereupon, at 11:30 a.m., the subcommittee adjourned.]

[By the direction of the chairman the following communications were made a part of the hearing record:]

#### STATEMENT OF THE AMERICAN PAPER INSTITUTE

This statement is submitted by the American Paper Institute, a national trade association of the pulp, paper and paperboard industry. Its members produce more than 90 percent of the nation's output of these products. In 1978, this industry produced an estimated 62 million tons of paper and paperboard, and the net sales of the paper and allied products companies are estimated at \$49 billion. The U.S. paper industry operates in all states of the Union. It employs over 700,000 people, and in the South, it is among the largest employers. It is a basic industry and among the 10 largest in the country.

The U.S. paper industry is also worldwide in scope, with direct exports in 1977 amounting to \$2.6 billion, and indirect exports estimated at nearly \$5 billion. Based on a renewable resource, our industry is a natural long-term exporter. The paper industry is technologically advanced and would be cost competitive around the world, except where it is hindered by high tariff and non-tariff barriers. Removal of these barriers is essential to the present and especially the future industry's position as an effective exporter.

For these reasons our industry is vitally interested in the successful outcome of the GATT Multilateral Trade Negotiations, which are nearly completed.

Although tariff negotiations on paper with the European Community have not yet been concluded, we hope that meaningful concessions, which are imperative for the health of the industry, will be obtained.

We believe that the Congress should have an opportunity to examine the complete trade package, as envisioned in the 1974 Trade Act. This package—which includes tariff negotiations on paper—cannot be concluded without a temporary extension of the countervailing duty waiver.

The U.S. paper industry urges extension of the waiver for the following reasons:

1. The Trade Act of 1974 expressly permitted the Government to waive application of the countervailing duty for the period of the trade negotiations in order to allow for the formulation of a code on subsidies and countervailing duties within the limit of January 3, 1979, on the assumption that the negotiations would be concluded prior to that time. The code on subsidies and countervailing measures has been basically completed and we believe successfully negotiated, but it cannot be submitted to Congress as a separate item because it has been agreed among the negotiating partners that a total trade package is to be considered by each potential signatory to the trade agreements. Thus, a renewal of the extension by the 96th Congress would be fully in line with the intent of the Congress when it enacted the Trade Act of 1974.

2. The extension of the countervailing duty waiver is temporary and will be of limited duration. It will neither change the economic relations with our major trading partners, nor commit the U.S. to any new policies. In reality, the extension will simply give the U.S. negotiators additional time in which to complete the GATT negotiations. When the trade package, together with the implementing legislation, is submitted to Congress this Spring, Congress will be able to evaluate on the merits all of the agreements, including the code on Subsidies and Countervailing Measures.

3. According to our information, the U.S. major trading partners, especially the European Community, will find it difficult—if not impossible—to continue the negotiations unless the waiver is extended for the remaining time necessary to complete the negotiations. If the waiver is not extended the negotiations might fail, and Congress will be denied the opportunity to review *on its merits* this most important trade package.

With so much at stake for the paper industry, as well as for most other U.S. industries, we urge Congress to promptly extend the waiver on countervailing duties for the period necessary to complete the trade negotiations and subsequent Congressional review.

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#### STATEMENT OF THE CONSUMERS FOR WORLD TRADE

Consumers for World Trade respectfully urges the Committee to support extension of authority for the Secretary of the Treasury to waive imposition of countervailing duties on certain products. We hope the Committee will urge the Senate to adopt H.R. 1147 without encumbrance by burdensome amendments which could endanger the entire multilateral trade negotiation now nearing completion.

Extension of the waiver authority is essential to enable American trade negotiators to conclude these vitally important trade talks which could bring significant benefits to American consumers and producers. Failure to extend the waiver could not only imperil the negotiations, but would deny this Congress the opportunity to consider the proposed trade agreements on their merits.

Consumers for World Trade was founded one year ago by concerned consumers, economists, and trade experts who were alarmed by the growth of protectionist attitudes. We support expanded world trade to help promote healthy economic growth at stable prices. We believe it essential to back policies which will expand consumer choices and counteract inflationary price increases, which hit hardest at low income families and elderly persons living on fixed incomes.

In 1978, CWT supported enactment of the duty waiver extension in the form then proposed by the President. As Committee Members are aware, this measure was approved in substance by both Houses of the 95th Congress, but failed final passage due to lack of time to conform minor differences between House and Senate versions of the bill.

We urge prompt enactment of the proposed waiver authority extension so that the trade agreements can be completed and the Congress can give these matters the serious and detailed study which these important proposals require.

CHEESE IMPORTERS ASSOCIATION OF AMERICA, INC.,  
New York, N.Y., March 15, 1979.

HON. ABRAHAM RIBICOFF,  
Chairman, Subcommittee on International Trade,  
Committee on Finance,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Cheese Importers Association of America, Inc. appreciates the opportunity to record before your subcommittee its support for the position of President Carter, Treasury Secretary Blumenthal, and Ambassador Strauss on the subject of S. 538, a bill to extend temporarily the authority of the Secretary of the Treasury to waive the imposition of countervailing duties.

The multi-lateral trade negotiations are drawing to a close after more than four years of effort by three administrations and many sectors of American industry. The swift passage of the Secretary of the Treasury's authority to extend the waiver of countervailing duties will greatly contribute to the smooth conclusion of these negotiations.

Our trading partners have negotiated in good faith on the understanding that the waiver would be extended beyond January 3, 1979. Foreign nations have endeavored to comply with the terms under which the Secretary will waive imposition of the countervailing duties. Now, if the Secretary of the Treasury's authority is not extended, the sanctions will be applied *not* because of violations by foreign nations, but because the United States has been unable to honor its undertaking. To do so would be an unnecessary insult to the nations which have tried to meet our standards by reducing or eliminating their subsidies on exported products, and will have an adverse effect on American foreign policy interests.

From the standpoint of this nation's credibility, it is imperative that the Secretary of the Treasury's authority be extended.

If the waiver of countervailing duties is not reinstated, the result could be destruction of the painstakingly negotiated trade package, and a chaotic tariff war with our trading partners. Such a situation will bring about higher costs to American consumers and retaliatory imposition of tariff barriers against U.S. exports. Such an unnecessary contribution to inflation should not be countenanced at this time.

American importers have refrained from passing on to consumers the extra charges created by the imposition of countervailing duties since January 3, 1979 on the assurances of both Congress and the Executive that the waiver would be extended retroactively from January 3, 1979.

You will remember that, during the 95th Congress, the bill was passed by both houses. But due to procedural problems, it never became law. We respectfully urge that this new bill be given favorable treatment by your subcommittee as the consequences, both international and domestic, will be most unfortunate if the Secretary of the Treasury's discretionary authority to waive countervailing duties, where appropriate, is not continued.

Respectfully yours,

CHEESE IMPORTERS ASSOCIATION  
OF AMERICA, INC.,  
By ROBERT L. FROMER, Counsel.

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