

# NOMINATION OF OLIN L. WETHINGTON

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## HEARING

BEFORE THE

### COMMITTEE ON FINANCE UNITED STATES SENATE ONE HUNDRED SECOND CONGRESS

FIRST SESSION

ON THE

NOMINATION OF

OLIN L. WETHINGTON TO BE DEPUTY UNDER SECRETARY OF THE  
TREASURY DEPARTMENT

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JULY 25, 1991

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# CONTENTS

## OPENING STATEMENTS

	Page
Bentsen, Hon. Lloyd, a U.S. Senator from Texas, chairman, Senate Finance Committee .....	1
Baucus, Hon. Max, a U.S. Senator from Montana .....	2
Moynihan, Hon. Daniel Patrick, a U.S. Senator from New York .....	3

## ADMINISTRATION NOMINEE

Wethington, Olin L., nominee to be Deputy Under Secretary of the Treasury Department .....	2
--	---

## ALPHABETICAL LISTING AND APPENDIX MATERIAL SUBMITTED

Baucus, Hon. Max:	
Opening statement .....	2
Bentsen, Hon. Lloyd:	
Opening statement .....	1
Moynihan, Hon. Daniel Patrick:	
Opening statement .....	3
Warner, Hon. John:	
Prepared statement .....	7
Wethington, Olin L.:	
Testimony .....	2
Biographical information .....	8
Responses to questions submitted by:	
Senator Bentsen .....	11
Senator Moynihan .....	13
Senator Rockefeller .....	13

# NOMINATION OF OLIN L. WETHINGTON TO BE DEPUTY UNDER SECRETARY OF THE TREASURY DEPARTMENT

THURSDAY, JULY 25, 1991

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

The hearing was convened, pursuant to notice, at 11:41 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the committee) presiding.

Also present: Senators Moynihan and Baucus.

## OPENING STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM TEXAS, CHAIRMAN, SENATE FINANCE COMMITTEE

The CHAIRMAN. The Secretary of the Treasury has visited with me, and I am sure other members of this committee, concerning the nomination of Mr. Olin Wethington and the necessity, from his point of view, of early action by this committee. We have done all we can to assist the Secretary on this, recognizing his concern.

You have been nominated to be Deputy Under Secretary of the Treasury Department, and upon your confirmation by the Senate, the President will designate you as Assistant Secretary for International Affairs.

Your job will be to advise the Under Secretary for International Affairs and the Treasury Secretary on some of the most critical issues facing our country, including international monetary, financial, commercial, and trade policies.

You are no stranger, from what the Secretary tells me, to these issues that you would be handling at the Treasury Department. I am told that since 1990 you have served as Special Assistant to the President, and as Executive Secretary to the President's Economic Policy Council.

From 1983 to 1985 you served as Deputy Under Secretary of the Commerce Department for International Trade. You have also practiced law in the private sector as a partner with the Washington law firm of Steptoe & Johnson. I think that kind of combination of public and private sector experience is particularly helpful in taking on the kind of role that you are willing to take on, Mr. Wethington.

So, we will be looking toward your applying your technical background and your negotiating skills very aggressively and effectively to advance the United States' economic policies and international interests. I yield to any other comments that might be made.

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

Senator BAUCUS. Mr. Chairman, I would simply like to congratulate Secretary Wethington, and say how much we look forward to working with him, as we have done.

Secretary WETHINGTON. Thank you, Senator.

The CHAIRMAN. Thank you. Are there other comments? Mr. Wethington, we would be pleased to hear any comments you have.

**STATEMENT OF OLIN L. WETHINGTON, NOMINEE TO BE DEPUTY  
UNDER SECRETARY OF THE TREASURY DEPARTMENT**

Secretary WETHINGTON. Thank you, Mr. Chairman. I am deeply honored to appear before this committee. I am also very grateful to the President and to Secretary Brady for their confidence and support in placing my nomination before this committee.

At the outset, I would like to say, Mr. Chairman, that if confirmed, I intend to work closely with the Congress in general, and with this committee, and with other committees with jurisdiction over international economic policy matters. I am committed to a cooperative and constructive relationship with the Congress.

The committee, as you just indicated, Mr. Chairman, has received my biographical information. I do not propose to read that portion of the statement which I have submitted to the committee. I would simply ask that it be included in the formal record.

The CHAIRMAN. That will be done.

[Secretary Wethington's biographical information appears in the appendix.]

Secretary WETHINGTON. With your permission, Mr. Chairman, I would like to offer several very brief and general observations as to policy.

First, I believe that in this period of our Nation's history we have, perhaps, an unparalleled opportunity to promote in the world economy key American values, including free market orientation; reliance on the private sector; and liberalization of trade investments and services regimes. These policies, I believe, produce economic growth and encourage political democracy.

Second, my experience in the private sector and in government leaves me with no illusions as to the difficulties of pursuing and achieving the ends I have just noted, and of ensuring fair, competitive opportunities for American economic interests.

Finally, in formulating U.S. policy for the international economic arena, I believe that our national economic interests should be our starting point.

We should derive strategies accordingly, recognizing in this complex and inter-dependent world that close coordination and cooperation with other nations is essential to fostering an international economic environment conducive to our prosperity at home.

If confirmed, I will devote my full energy and abilities to my responsibilities. I am prepared, Mr. Chairman, to respond to any questions the committee may have as to my views on policy matters, or as to my qualifications for this position. Thank you.

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

Senator MOYNIHAN. Mr. Wethington, we have just the greatest pleasure in having you before us, and we look forward to your early confirmation.

I am beginning to be, though, just a little bit tired of this litany that we keep getting from the administration about American values, in particular, free market orientation, reliance on the private sector, and the liberalization of trade, so forth, and so on, which is getting the quality of a mantra about it that does not have very much context.

We talked all this through the 1980's, and we ended up with what proportion of imports in the United States are now controlled by special agreements, in value terms, like the automobile agreements with the Japanese?

Secretary WETHINGTON. I do not have that estimate.

Senator MOYNIHAN. Perhaps you could give us—I see the chairman has returned. I was just saying, Mr. Chairman, we keep hearing this very able statement by Mr. Wethington about the administration's commitment to free market, reliance on the private sector, and liberalizations of trade.

And yet, through all this, we have seen the growth of protectionist arrangements negotiated with other governments that have all the patterns of oligopoly and managed trade. I asked Mr. Wethington if he could give us a sense of what proportion of trade coming into our country today comes under the heading of the managed agreements we have with the Japanese, and perhaps you could give it to us.

Secretary WETHINGTON. I would be glad to provide that for the record, if I could.

I would add, if I might, Senator, that the context for my statement is really the very significant, I believe, historic process that is going on, for example, in Latin America, where we have seen in recent years—

Senator MOYNIHAN. We know all those things. But I guess my other question, sir, is simply could we get some idea of the degree to which American exports are controlled by the U.S. Government under COCOM and things like that? We have an enormous cold war apparatus, saying you cannot export this, and you cannot export that.

Could you give us some sense of what proportion of foreign export trade is now controlled, and perhaps what a free system would produce as against the present controlled system?

Secretary WETHINGTON. I would be glad, if I might, to provide those estimates for the record, if I could, sir.

Senator MOYNIHAN. And could we hope that as you pick up your very large duties you keep this thought in mind?

Secretary WETHINGTON. Well, I believe wherever possible, not only as to the restraints that our competitors impose, we also have to be mindful of the kind of regulatory barriers that we place on our own exporters.

Some of those in a national security context, obviously, have very legitimate reasons. But we should, at the same time, never forget

to incorporate into those assessments, I believe, what are also very real commercial and economic interests.

Senator MOYNIHAN. Fine. I will not pursue this any more. But please do not say things like decisions of national security obviously have very legitimate reasons. They are not obvious at all. They are Top Secret; nobody is allowed to know.

Thank you, Mr. Chairman.

Secretary WETHINGTON. Thank you.

The CHAIRMAN. Quite right. Mr. Wethington, one of my concerns is the balance of payments loophole that we see a lot of the developing countries grabbing onto. One of our objectives in the Uruguay Round is to change that, because without that kind of reform, you are going to see more and more of them utilizing that loophole. And we have been stonewalled on those negotiations. The current Assistant Secretary took the lead at Brussels in their meetings there in trying to address that kind of a problem.

Do you agree that changing the balance of payments exemption is crucial in the Round?

Secretary WETHINGTON. I think it should be changed, Senator. It is, in fact, one of the negotiating objectives of the administration in the Round.

And it is important, particularly as countries move from the stage of less developed countries to greater levels of industrialization that they be moved out of the ability to invoke those kinds of exceptions. And I would agree with you that that should be—I believe it is—one of the administration's objectives in the Uruguay Round.

The CHAIRMAN. In the Brussels meetings, we ran into a real problem on service negotiations. We ran into that problem particularly when we are talking about MFN. We have a situation where we would give MFN, and you would see the other countries that had it take advantage of our open market system, but would not reciprocate, really, in giving us access to their markets.

Do you agree that we need to get those commitments prior to our opening up our markets: getting them to open up their markets, too, before we give them MFN in a service agreement?

Secretary WETHINGTON. Well, I am concerned that in any arrangement that we might enter into in a Uruguay context that we do not lock into place a relationship with our competition that does not provide competitive opportunity for our companies. We need a reciprocal set of undertakings in the services area; we need commitments in services, particular sectors, from our trading partners in the context of the Round.

The CHAIRMAN. Do you think we ought to get that before we give them MFN on services?

Secretary WETHINGTON. Well, I think we have to look at the overall package, Senator, in terms of—

The CHAIRMAN. Let me tell you, if you do not get it then, you will not get it later. You have got a chance; you have got some leverage then. That is the time to do it.

Secretary WETHINGTON. I would agree we certainly need to press as hard as we can to secure those commitments up front. And I would agree that ought to be—I believe it is—an objective of this administration in the Uruguay Round.

The CHAIRMAN. Mr. Wethington, I have a number of other questions I will send to you that I want you to respond to in writing.

Secretary WETHINGTON. I will be glad to, Senator.

The CHAIRMAN. Senator Moynihan, are there further questions? I have some other questions from Senator Rockefeller that I would like for you to respond to in writing.

Secretary WETHINGTON. I would be glad to do that, as well.

[The questions and responses appear in the appendix.]

The CHAIRMAN. I might note that Senator Warner was by, and had hoped to introduce you, but because of the length of the discussions earlier, was not able to do so with other commitments he had. Tell our friend, the Secretary of the Treasury, that we moved quite expeditiously.

Secretary WETHINGTON. He is most grateful, as am I, Senator. Thank you very much.

Senator MOYNIHAN. Good luck to you.

The CHAIRMAN. Thank you.

[Whereupon, the hearing was adjourned at 11:54 a.m.]





# A P P E N D I X

## ADDITIONAL MATERIAL SUBMITTED

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### PREPARED STATEMENT OF SENATOR JOHN WARNER

Mr. Chairman and members of the Committee, I am pleased to introduce Olin L. Wethington of Virginia, who has been nominated to be Deputy Under Secretary of Treasury.

Mr. Wethington, a Virginia resident, has enjoyed a varied and extensive career. He currently serves as Special Assistant to the President at the Economic Policy Council. Prior to that, Mr. Wethington was a partner at the law firm of Steptoe & Johnson here in D.C. While there, he specialized in trade issues.

Mr. Wethington can boast considerable trade experience. He served as Deputy Under Secretary for International Trade at the U.S. Department of Commerce where he coordinated trade policy formation within the ITA. He served as an advisor to President Bush on international trade and competitiveness issues, and is a frequent speaker and author on trade policy issues. He has testified before Congress about these issues on numerous occasions.

Mr. Wethington's educational background is equally impressive. He received his bachelor of arts degree from the University of Pennsylvania. He then went on to get his Ph.D. from Columbia University and his law degree from Harvard.

Olin L. Wethington will make a great contribution to the Department of Treasury and I enthusiastically endorse his nomination.

Thank you Mr. Chairman and members of the Committee for your attention to this matter.

## OUTLINE OF INFORMATION REQUESTED OF NOMINEES

## Senate Finance Committee

## A. BIOGRAPHICAL:

## 1. Name:

(Include any former names used)

Olin Lewis Wethington

## 2. Address:

List current residence address and mailing address

645 Potomac River Road  
McLean, Virginia 22102

## 3. Date and place of birth:

November 17, 1948; Durham, North Carolina

## 4. Marital status:

(Include maiden name of wife or husband's name)

Married to Nadine Barbara (Peiffer) Wethington

## 5. Names and ages of children

Stephanie Lorene Wethington; 14 years old

Bryan Lewis Wethington; 11 years old

Catherine Amelia-Ruth Wethington; 4 years old

## 6. Education:

List institution(s), dates attended, degree received  
and date degree granted

Harvard Law School, 1974-77; J.D. May 1977

Columbia University, 1971-74; East Asian Institute  
Certificate 1976; Ph.D. candidate

- 2 -

University of Pennsylvania, 1967-71; B.A. 1971;  
M.A. 1971

Fu Ren University, Taiwan 9/69-6/70

7. Employment record:

List all positions held since college, including title or description of job, name of employer, location of work, and dates of inclusive employment.

2/90 to present; Special Assistant to the President  
and Executive Secretary to the  
Economic Policy Council  
THE WHITE HOUSE  
Washington, DC 20500

7/85 to 2/90; Partner  
STEPTOE & JOHNSON  
1330 Connecticut Avenue, NW  
Washington, DC 20036

1/83 to 6/85; Deputy Under Secretary for  
International Trade  
U.S. DEPARTMENT OF COMMERCE  
14th & Constitution Avenue  
Washington, DC 20030

2/82 to 12/82; Director, Planning and Evaluation  
Staff, ITA  
U.S. DEPARTMENT OF COMMERCE  
14th & Constitution Avenue  
Washington, DC 20030

5/81 to 2/82; Executive Assistant to the Under  
Secretary for International Trade  
U.S. DEPARTMENT OF COMMERCE  
14th & Constitution Avenue  
Washington, DC 20030

1977 to 1981; Associate Attorney  
STEPTOE & JOHNSON  
1330 Connecticut Avenue, NW  
Washington, DC 20036

1979 to 1981; Adjunct Professor of Law  
GEORGETOWN UNIVERSITY LAW CENTER  
400 New Jersey Avenue  
Washington, DC

- 3 -

6/76 to 8/76; Summer Associate  
HUGHES, HUBBARD & REED  
One Wall Street  
New York, NY 10005

6/74 to 8/74; Research Assistant  
HARVARD LAW SCHOOL  
Cambridge, MA 02138

8. Government experience:

List any experiences in, or association with, Federal, State or local Governments including any advisory, consultative, honorary or part-time service or positions

2/90 to present; Special Assistant to the President  
and Executive Secretary to the  
Economic Policy Council  
THE WHITE HOUSE  
Washington, DC 20500

1/83 to 6/85; Deputy Under Secretary for  
International Trade  
U.S. DEPARTMENT OF COMMERCE  
14th & Constitution Avenue  
Washington, DC 20030

2/82 to 12/82; Director, Planning and Evaluation  
Staff, ITA  
U.S. DEPARTMENT OF COMMERCE  
14th & Constitution Avenue  
Washington, DC 20030

5/81 to 2/82; Executive Assistant to the Under  
Secretary for International Trade  
U.S. DEPARTMENT OF COMMERCE  
14th & Constitution Avenue  
Washington, DC 20030

1986-1988; Member, U.S. Department of Commerce  
Dalian Advisory Board

1987-6/91; Member, Maryland/Washington District  
Export Council, U.S. Department of  
Commerce

RESPONSES OF OLIN WETHINGTON TO QUESTIONS FROM CHAIRMAN BENTSEN

*Question 1. North America Free Trade Agreement Negotiations.* Your responsibilities at Treasury would include the negotiations on investment in the U.S.-Mexico talks. Mexico has come a long way in liberalizing its restrictive investment regime, but most of that has been through regulation only. Their restrictive investment laws are still on the books. What would you propose to do in the negotiations to lock in Mexico's liberalizations?

*Answer.* I believe the United States should insist upon binding obligations from the Mexicans to liberalize their investment regime. These obligations should be stated in the treaty and implemented through corresponding changes in Mexican investment law and practice.

*Question 2. North America Free Trade Agreement Negotiations.* Mexico has a number of trade-related investment measures on the books—including export performance requirements and domestic content restrictions (for example, that auto-makers must export 2½ times what they import)—that we would like to get rid of through the free trade negotiations. How do you deal with the problem of companies that are already doing business in Mexico and are living with those requirements? Do you phase them out? What about new investors?

*Answer.* I believe that the NAFTA should require that Mexico eliminate performance requirements on new and existing investors. So as to avoid any competitive disadvantage between existing and new investors, this could be accomplished through an appropriate phasing out process.

*Question 3. Serving a Full Term.* I think it is essential to maintain some stability in the top policy-making positions at the Treasury Department. Accepting a position in the Federal Government often requires individuals with impressive professional and academic credentials to make significant financial sacrifices in the short term. Can you provide this Committee with assurances that, considering your economic circumstances, you will complete the full term as Assistant Secretary at the Treasury Department if you are confirmed?

*Answer.* I give the Committee this assurance.

*Question 4. Administration's Energy Policy.* I am concerned that the Administration's energy policy has been a failure on the conservation side. You were the Executive Assistant to the President's Economic Policy Council which reportedly rejected the energy conservation proposals submitted by the Department of Energy. Does the Administration believe we can solve our energy problems without aggressively promoting conservation? Don't you think this nation's reliance on foreign energy supplies is a serious threat to our economic security and development?

*Answer.* The Administration believes that conservation is a key element for an effective energy policy. The National Energy Strategy contains many important conservation provisions both in the proposed legislation and in measures that are being implemented through executive branch action. The President has recently issued an Executive Order directing Federal agencies to reduce energy consumption, purchase alternative fuel vehicles, and purchase energy efficient products. The IRS has issued proposed rules to increase tax-free commuter subsidies by employers and to clarify the tax-free treatment of utility rebates related to conservation investments. The NES proposes requiring alternative fuel vehicles in commercial fleets of specified size and supports a significant increase in government research and development on cleaner, more efficient energy technologies, especially in the transportation sector. These legislative, regulatory, and budgetary commitments signify the Administration's support for conservation.

I believe that the United States must address seriously its vulnerability to disruptions in the supply of foreign oil. The extent of our vulnerability to disruptions depends on such factors as the amount of reserve oil stocks, our domestic production capacity, the amount of spare worldwide production capacity and our capacity to switch to alternative fuels. Energy policy should address all of these factors. The National Energy Strategy aims to enhance national security by increasing domestic oil production, decreasing domestic oil consumption, developing alternative fuels, and expanding production from nations outside of the Persian Gulf. In addition, I believe the U.S. must maintain its commitment to the strategic petroleum reserve. I also believe that the U.S. must pursue aggressive research and development on a variety of promising energy technologies, including electric vehicles batteries, fuel cells, solar energy and high-speed rail.

*Question 5. Economic Summit and Soviet Union.* One of the Administration's principal objectives in the Economic Summit was to sidestep the issue of providing direct economic aid to the Soviet Union by offering President Gorbachev associate membership status in the International Monetary Fund and the World Bank. limit-

ing any aid to technical assistance. Yet, just before the summit, the Administration received a letter from President Gorbachev requesting *full* membership in the IMF and the World Bank. So that strategy failed. How is the Administration going to respond to the Soviet's request for full membership in these organizations? Is the Administration going to support providing direct economic aid to the Soviets?

*Answer.* The Administration continues to regard pursuit of membership in the IMF and the World Bank for the Soviet Union as ill-advised. The U.S. believes that the proposal by the G-7 at the London Summit to establish a Special Association for the USSR with the IMF and World Bank is the best means to help the Soviet Union integrate itself into the world economy. Special Association will provide the Soviet Union with the help it needs *now* in preparing and implementing the transformation to a market economy. The IMF is the logical choice to assist in the areas of macroeconomic, financial, and exchange rate reforms. The World Bank could provide technical assistance on structural and sectoral reforms, including the development of viable private markets.

Special Association would also allow the IMF to conduct reviews of the Soviet economy, similar to those conducted with all members. These reviews would provide the basis for the Soviet Union, in consultation with the IMF, to develop a comprehensive program of market reform.

The process of becoming a member in these institutions is protracted in any circumstance. There are major uncertainties about the quality and availability of Soviet economic data, which the Fund requires to exercise effective surveillance. Moreover, the process involves an assessment of the country's commitment to follow policies consistent with IMF obligations. Such an assessment is particularly difficult when the country is only in the initial stages of the transition to a market economy and integration with the world economy. Finally, membership negotiations raise difficult questions of quota rankings, representation, and voting power which can take considerable time to resolve.

We believe that targeted technical assistance to the Soviet Union, rather than direct cash support is appropriate, particularly in the food distribution and energy sectors. Our experience with many other countries in the past has shown that fundamental economic reforms should precede any significant direct economic assistance.

*Question 6. Sale of U.S. Technology to Foreign Companies.* I am concerned about recent reports where U.S. companies who received millions of Federal research dollars to develop new technologies have proceeded to sell those technologies to foreign companies. In 1990, Atlantic Richfield sold Arco Solar to West Germany's Siemens. This year, Ford Motor Company sold licensing rights for newly developed high temperature engine ceramics to Japan's Kyocera. What's happening here is that U.S. taxpayers have subsidized research that benefits foreign firms. I don't think that makes sense. What do you think we should do about this problem?

*Answer.* With regard to the type of transaction described above—the sale of a U.S. firm that previously benefited from government research grants, this is a transaction between a private U.S. company and a private foreign company. I believe it would be inappropriate for the government to prohibit such transactions unless there are national security or antitrust reasons for doing so. Presumably the U.S. firm and the foreign firm will observe our laws governing the transfer of technology in a transaction of this type. I also believe that generally, U.S. companies do, for their own competitive reasons, seek to safeguard their most significant proprietary technology.

*Question 7. Access to Japan's Market.* I am deeply concerned by the blatant actions taken by the Japanese Government to keep technologically-advance products out of Japan's market. For example, a Japanese company has asserted pre-existing proprietary rights to Texas Instruments semiconductor technology, usurping the company's intellectual property rights. How can U.S. companies which develop products that would otherwise be marketable in Japan compete against unfair trading practices like these? What is the Treasury Department doing about this?

*Answer.* As to the question of Japanese firms usurping intellectual property rights of U.S. firms, I believe the most important step which can be taken to resolve this serious problem is for Japan to have an effective non-discriminatory patent protection system. It is my opinion that the U.S. Government should make every effort to resolve whatever inequities disadvantaging foreign companies exist in the Japanese patent system. I note that the Japanese patent system is a topic of discussion in the Structural Impediments Initiative. As for the specific case you cite, it would be inappropriate for me to comment on it as it is the subject of active litigation.

## RESPONSES OF OLIN WETHINGTON TO QUESTIONS FROM SENATOR MOYNIHAN

*Question 1.* What percentage of U.S. imports are subject to market arrangements?

*Answer.* To the best of my knowledge, there is no official government number estimating the percentage of U.S. imports subject to marketing arrangements. In its review of U.S. trade policy, the GATT Secretariat concluded that in 1988 9.5 percent of U.S. imports were subject to Voluntary Restraint Agreements. However, this number poses methodological questions, not the least of which is what constitutes a market arrangement.

If confirmed, I would request that Treasury economists work with experts in other agencies to try to construct a reliable measure for this trade.

*Question 2.* What percentage of U.S. exports are covered by trade restraining or regulatory arrangements?

*Answer.* The United States does not have Voluntary Restraint Agreements affecting U.S. exports.

We do maintain a variety of export controls for national security and foreign policy reasons affecting a wide array of countries and products. The Department of Commerce estimates that in 1990 approximately 18 percent of U.S. commercial exports required validated licenses for exportation.

## RESPONSES OF OLIN WETHINGTON TO QUESTIONS FROM SENATOR ROCKEFELLER

*Question 1.* Mr. Wethington, as you know, the VRAs for machine tools are scheduled to expire December 31, 1991. The machine tool industry is seeking an extension of the VRA program. What are your views regarding the extension of this program?

*Answer.* The National Machine Tool Builders Association has expressed its support for extension of the VRA. The Administration has taken note and appreciates the important issues that the association has posed. I believe that the U.S. industry's views will receive careful consideration in the Administration's analysis of the VRA extension question.

I believe that as the Administration proceeds in its examination of the VRA program particular attention should be paid to several significant factors, including:

- the extent to which the VRA program has provided the U.S. industry the opportunity to adjust to import competition;
- the effect of the VRA program on users of machine tools and also on consumers; and
- the effect of import competition on our national defense preparedness.

*Question 2.* What steps has the Bush Administration, or more specifically, the Economic Policy Council, taken to provide the President with recommendations on this issue?

*Answer.* The Office of the United Trade Representative has begun an interagency, staff-level review of the VRA program. Once completed, I would expect the issue of program extension will be taken up by more senior level policy officials. This review will provide a basis for final recommendations.

*Question 3.* The Reagan Administration, in establishing the machine tool VRA program in 1986, stated that the machine tool industry was a "small, yet vital component of the United States defense base." In your view, is the machine tool industry any less important to our defense base today?

*Answer.* In my judgment machine tools are an important element of our defense-related industrial base. Whether machine tools are any less vital to our defense base today than in 1986 is an issue which ought to be addressed in the context of the Administration's analysis of whether to extend the VRA program.

*Question 4.* Recent studies show that the machine tool companies covered by the VRAs have invested heavily over the last five years in new technology and new or improved product lines as they should have done. In fact, they have invested so heavily that company profits for 1990 were only 2.2 percent. Given the current economic climate in the U.S., doesn't it make sense extend the VRAs to allow our industry the chance to "get on its feet" and recover their extensive investments?

*Answer.* The fact that the U.S. industry over the last five years has sought to invest significant resources to improve its product line and state of technology is significant. This fact should be considered as one element supporting industry's argument in favor of extending the VRA. A final judgment on extension ought to depend on a variety of factors, including those noted in the response to question 1 above. It would be inappropriate for me now to express any definitive view.