

NOMINATION OF WILLIAM E. BROCK III

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-SEVENTH CONGRESS
FIRST SESSION
ON
NOMINATION OF
WILLIAM E. BROCK III TO BE U.S. TRADE REPRESENTATIVE

JANUARY 19, 1981

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NOMINATION OF HON. WILLIAM E. BROCK III, TO BE U.S. SPECIAL TRADE REPRESENTATIVE

MONDAY, JANUARY 19, 1981

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

The committee met, pursuant to call, at 9:40 a.m. in room 2221, Dirksen Senate Office Building, Hon. Robert Dole (chairman of the committee) presiding.

Present: Senators Dole, Roth, Danforth, Chafee, Heinz, Wallop, Durenberger, Armstrong, Symms, Grassley, Long, Byrd, Bentsen, Matsunaga, Moynihan, Baucus, and Boren.

Also present: Senator Jesse Helms.

[The press release announcing this hearing follows:]

[Press Release—Jan. 15, 1981]

The Honorable Robert J. Dole (R., Kans.), Chairman of the Committee on Finance announced today that he has scheduled hearings on the nomination of the Honorable William E. Brock to be United States Trade Representative on Monday, January 19, 1981, beginning at 9:30 a.m. The hearing will be held in Room 2221 Dirksen Senate Office Building.

Written testimony.—The Committee will be pleased to receive written testimony from those persons or organizations who wish to submit statements on the nomination for the record. Statements submitted for inclusion in the record should be typewritten, not more than 25 double-spaced pages in length and mailed with five (5) copies by January 19, 1981, to Robert E. Lighthizer, Chief Counsel, Committee on Finance, Room 2227 Dirksen Senate Office Building, Washington, D.C. 20510.

The CHAIRMAN. Our first order of business this morning will be hearings on the nomination of the Honorable William E. Brock to be U.S. Trade Representative.

I would say in advance that it is a pleasure, I think, for all of us on this committee to welcome to the Committee on Finance our former colleague and a former member of this committee, Bill Brock, who has been nominated, as we all know, to be U.S. Trade Representative.

We would also like to welcome his wife, Muffet. We are delighted to have you here this morning also.

I think every member has been provided with the biographical material with reference to Bill Brock. I will also say that I have reviewed Mr. Brock's financial disclosure forms and the material that Mr. Brock filed with the Office of Government Ethics, and I am satisfied that there are no problems in this area.

I have also been informed that the Director of the Office of Government Ethics will soon send a letter approving the nominee's compliance with the Ethics in Government Act. That letter will be made a part of the record when it arrives.

I have a number of questions that I would like to ask after we have had the statement from Mr. Brock himself. Unless there are statements by members, I will ask Mr. Brock to come forward.

[A letter from the Office of Government Ethics and a reply from Mr. Brock follow:]

OFFICE OF GOVERNMENT ETHICS,
OFFICE OF PERSONNEL MANAGEMENT,
Washington, D.C., January 19, 1981.

Hon. ROBERT DOLE,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Mr. William E. Brock, III. President-elect Reagan has announced his intent to nominate Mr. Brock for the position of U.S. Trade Representative.

We have reviewed the report and have also obtained advice from the Office of the U.S. Trade Representative concerning any possible conflict in light of the Office's functions and the nominee's proposed duties.

Mr. Brock has advised us that he intends to submit a blind trust to this Office for qualification under the appropriate provisions of Section 202(f) of the Ethics in Government Act of 1978. Further, we have been advised that Mr. Brock will disqualify himself from acting with respect to any particular matters in the Office of the U.S. Trade Representative involving the financial interests of his family until he or his family has disposed of the financial interest requiring disqualification or this Office has qualified a blind trust and the disqualification is no longer required.

Subject to these conditions, we believe that Mr. Brock will be in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

J. JACKSON WALTER, *Director.*

STATEMENT OF HON. WILLIAM E. BROCK III, U.S. TRADE REPRESENTATIVE-NOMINEE

Mr. BROCK. First, Mr. Chairman, let me express a rather considerable delight at being back in this room with some very good friends. I valued my time with all of you, and I am very grateful to you. I directly worked with this committee, and I have an enormous respect for the staff as well as the members. I think that it is going to be a very exciting time.

If I may, I do have some comments, which I will try to summarize, relating to this particular office. Then I will be delighted to answer any questions you might have.

The Office of the United States Trade Representative has acquired increased significance as recognition has grown of the expanding impact of international trade upon the American economy. Trade is no longer a marginal activity in the United States. It has become a vital element in our domestic economy.

The United States has become a huge exporter of agricultural products, services, chemicals and capital goods, among other things. We are also the largest importer in the world of consumer goods and, of course, petroleum. This year, American exports and imports of goods and services combined will reach 25 percent of the total gross national product, twice the comparable figure for 1970. Achievement of full and equal access to the markets of those who wish to sell to us will insure a continuation of a healthy growth.

My point is not simply to dissect trade statistics, though they do reveal some important trends, but rather to illustrate the growing impact of foreign trade upon our economy, and the importance of this office to businessmen, farmers, and workers.

I want to assure this committee of my personal commitment, and the commitment of the Reagan administration to aggressive work on trade issues and to a strong USTR office to carry out that task.

The U.S. Trade Representative and his predecessors have played a vital role in balancing the competing, and sometimes conflicting, interests of various American constituencies.

It performs an indispensable function in coordinating Government policy and, in contrast to the more diffuse responsibilities of other agencies and departments, USTR has as its singleminded goal the advancement of American commercial interests.

As a matter of fact, I believe if there were not a USTR now in existence, one would have to be invented. Given its experience and the confidence it has achieved among a wide constituency, I believe the USTR must continue to be, for the President and the Congress, the Government's principal architect and exponent of trade policy to insure that we act and speak as one in our common desire to create American jobs and expand American economic opportunity.

In that regard, let me take this opportunity to emphasize the importance which I place upon establishing close, continuous and candid relations with the members of this committee. As one of your alumni, I am especially sensitive to the fact that the Constitution vests authority to regulate foreign commerce in the Congress, and that the USTR, in developing and administering American trade policy, owes a responsibility to the Congress as well as to the President.

I have long felt that a partnership between the Congress and the USTR can only serve to strengthen the hand of American trade negotiators, and I intend to see to it that both this committee and the House Ways and Means Committee are fully involved in all that we do.

It seems to me that there are several major goals that we should keep foremost in our mind in pursuing these objectives.

First, we should strive above all to preserve and strengthen the open and fair trading system that has enabled world trade to be such an engine of prosperity in the post-war period.

Second, we need to build upon the results achieved in the Tokyo Round negotiations. We must inject life into the codes which were negotiated and transform them into functioning instrumentalities that can deliver the kinds of benefits, and impose the sorts of disciplines that the Congress expected when it ratified them.

Third, we must vigorously pursue further liberalization in world agricultural trade. The United States is the world's biggest and most efficient agricultural producer. Yet, we find many of our products—grain, beef, citrus, and others—blocked by arbitrary trade measures imposed by other countries.

Foreign markets are essential to U.S. agricultural productivity, and we must continue to press for the lowering of agricultural trade barriers abroad, and to oppose their use of export subsidies to dispose of uneconomic surpluses.

Fourth, we should expand the scope of multilateral disciplines to trade in the services industries.

Fifth, we must continue efforts to improve trading relations with developing countries. At the same time, however, we should en-

courage these governments to assume some greater responsibility in the international trading community.

This is particularly so for those countries which are rapidly industrializing, and which have become formidable international competitors in a number of markets.

Sixth, one of our highest priorities should be the adoption of an export policy which will remove obstacles which our laws and regulations place upon American exports, and which rewards rather than penalizes American companies engaged in export trade. This is of crucial and urgent importance.

Mr. Chairman, I do hope that this committee will join me in seizing what I believe is an historic opportunity. Let us work together in fashioning an export policy for America that will help the United States resume its rightful place as the world's leading trading nation.

May I briefly touch on four matters of very current importance.

First, there are inescapable trade aspects to the current disastrous state of the U.S. automobile industry. Knowing you have just completed an initial round of hearings on this subject, I would simply state my desire to work closely with this committee in seeking solutions to the industry's problems.

Second, negotiations seeking renewal of the multi-fiber arrangement are just getting underway in Geneva. I share with President-elect Reagan a strong commitment to the well-being and continued vitality and viability of the American textile-apparel fiber industry and its more than two million workers.

I also share his commitment to work for renewal of the MFA in the forthcoming negotiations, hopefully in a strengthened form. We must explore means of relating import growth to domestic market expansion. Bilateral agreements must be strengthened as part of this overall effort. I am delighted, in addition, to see the growth in American textile exports and will work to broaden and deepen that effort.

Third, I state the obvious when I say to you that trading relations with the Japanese are less than satisfactory. The deficit on our bilateral trade balance with Japan is far too large. We will redouble our efforts to expand U.S. exports to Japan and to press for improved access to Japanese markets for American goods.

We need to monitor closely the NTT agreement which was concluded at the end of last year, for example, to insure that it in fact provides market access for U.S. technology, and is not simply a diplomatic dead end. In a host of other fields, we need to press for Japanese acceptance of American competition.

As the Japanese have adopted our national pasttime, I am sure they will understand when I express the belief that we are ready to take our turn at bat, and we are not at all reluctant to play some good hard ball business.

Finally, as regards Europe, I will watch very carefully the implications of enlargement of the membership of the Common Market, now 10 with the addition of Greece earlier this month, and soon to be 12 with the accessions of Spain and Portugal in the near future.

While our commercial relations with Europe are not without strains, particularly in meat products, steel and synthetic fibers, overall they are satisfactory. In fact, I want to point out to any

member of this committee, whose notice it may have escaped, that the United States has enjoyed a balance of trade surplus with the European community nearly every year since its inception.

In recent years this surplus has grown to the point where for 1980 it is estimated to be nearly \$20 billion in our favor. Any imbalance of this magnitude causes strains, as is plain in our relations with Japan where the shoe is on the other foot.

However, as mature and friendly competitors, with shared political values, we have managed our trade negotiations with Europe quite successfully, avoiding unreconcilable disputes. It will be my clear and strong intention to continue that effort.

My conclusion, Mr. Chairman, is direct and straightforward. U.S. trade relations in the years immediately ahead offer great opportunity and enormous challenges. Both will test our mettle. I look forward with enthusiasm and confidence to the opportunity of serving as the U.S. Trade Representative and, with your consent and needed assistance, striving toward our shared objectives.

Thank you very much.

[Statement of the Honorable William E. Brock III follows:]

STATEMENT OF HON. WILLIAM E. BROCK III

The Office of the United States Trade Representative has acquired increased significance as recognition has grown of the expanding impact of international trade upon the American economy. Trade is no longer a marginal activity in the U.S.; it has become a vital element in our domestic economy. The U.S. has become a huge exporter of agricultural products, services, chemicals and capital goods, among other things. We are also the world's largest importer of consumer goods and, of course, petroleum. This year, American exports and imports of goods and services combined will reach nearly 25 percent of total G.N.P., twice the comparable figure for 1970. Achievement of full and equal access to the markets of those who wish to sell to us will insure a continuation of healthy growth.

At any rate, my point here is not to dissect the trade statistics, though they reveal some important trends which we should analyze on another occasion; rather, it is simply to illustrate the growing impact of foreign trade upon our economy and thereby to stress the importance of USTR to American businessmen, farmers and workers. I want to assure this Committee of my personal commitment and the commitment of the Reagan Administration to aggressive work on trade issues and to a strong USTR office to carry out that task.

USTR and its predecessors have played a vital role in balancing the competing—sometimes conflicting—interests of various American constituencies in dealing with particular trade concerns. It performs an indispensable function in coordinating government policy, and, in contrast to the more diffuse responsibilities of other agencies and departments, USTR has as its singleminded goal: the advancement of American commercial interests. As a matter of fact, I believe if there were not a USTR now in existence, one would have to be invented. Given its experience and the confidence it has achieved among a wide constituency, I believe that USTR must continue to be, for the President and the Congress, our government's principal architect and exponent to trade policy to insure that we act and speak as one in our common desire to create American jobs and expand American economic opportunity.

In that regard, let me take this opportunity to emphasize the importance which I place upon establishing close, continuous and candid relations with the members of this Committee. As one of your alumni, I am especially sensitive to the fact that the Constitution vests authority to regulate foreign commerce in the Congress and that the USTR, in developing and administering American trade policy, owes a responsibility to the Congress as well as to the President.

I have long felt that a partnership between the Congress and USTR can only serve to strengthen the hand of American trade negotiators and I intend to see to it that both this Committee and the House Ways and Means Committee are fully involved in all that we do.

That kind of solidarity is going to be vitally important, because even as international trade is expanding in its importance to the American economy, the trade policy issues we confront as a nation are becoming more pervasive, more subtle and

more challenging. They will clearly require all the wisdom and vision we can muster in order to identify where our interests lie, and then to adopt—and to adapt—the kinds of far sighted policies needed to achieve them.

It seems to me that there are several major goals which we should keep foremost in our minds in pursuing our objectives.

First, we should strive above all to preserve and strengthen the open and fair trading system that has enabled world trade to be such an engine of prosperity in the post-war period. Information gathered by GATT in Geneva shows that between 1961 and 1979 world production increased by 123 percent, while world trade grew by 200 percent, creating jobs, income and capital for investment at a pace far faster than internal markets alone could match. Certainly the rate of growth has slowed in recent years under the impact of severe economic dislocation, but the world trading system survives and should be defended against political attack or narrow nationalistic retrenchment.

Second, we need to build upon the results achieved in the Tokyo Round negotiations. We must inject life into the codes which were negotiated and transform them into functioning instrumentalities that can deliver the kinds of benefits and impose the sorts of discipline that the Congress expected when it ratified them. In addition, we should continue to pursue the two unfinished pieces of business from that negotiation, a safeguards arrangement that will impose objective criteria upon government resort to import restraints and an anticounterfeiting code which will help to deter trade in counterfeit merchandise. We must also renew our commitment to forceful and determined enforcement of the domestic laws we enacted at the same time to shield American companies and workers from unfair and injurious foreign competition.

Indeed, as we gather experience and accumulate information on the operation of these laws we will need to evaluate whether improvements or modifications are needed to meet our objectives.

Third, we must vigorously pursue further liberalization in world agricultural trade. The United States is the world's biggest and most efficient agricultural producer. Yet, we find many of our products—grain, beef, citrus, and others—blocked by arbitrary trade measures imposed by other countries. Foreign markets are essential to U.S. agricultural productivity, and we must continue to press for the lowering of agricultural trade barriers abroad and to oppose their use of export subsidies to dispose of uneconomic surpluses. We also must act swiftly and strongly to restabilize our performance as a reliable source of supply and a producer upon whom customers can depend.

Fourth, we should expand the scope of multilateral discipline to trade in the services industries. The GATT does not extend to services and, in many of these industries, glaring and uneconomic barriers are being erected which threaten serious damage. I have in mind particularly such industries as insurance, marine and air transport, international information networks, construction, engineering and banking. The outgoing Administration made a start at mobilizing domestic support on this subject; we must now move toward building the international consensus which is a prerequisite to negotiations aimed at overcoming barriers to trade in the services industries.

Fifth, we must continue efforts to improve trading relations with developing countries. The Third World is an increasingly important market for U.S. manufactured goods and agricultural commodities alike, and two-way trade is essential if these countries are to earn foreign exchange with which to pay for our exports. At the same time, however, we should encourage these governments to assume greater responsibility in the international trading community; this is particularly so for those countries which are rapidly industrializing and which have become formidable international competitors in a number of markets. Stability and growing prosperity among the citizens of developing nations are important political objectives of this Administration. We must pursue policies which will afford expanded trading opportunity in a climate which also encourages investment and development.

Sixth, one of our highest priorities should be adoption of an export policy which will remove the obstacles which our own laws and regulations place upon American exports, and which rewards rather than penalizes American companies engaged in export trade. This is of crucial and urgent importance. The areas where action is warranted have been exhaustively analyzed: Senator Roth introduced a bill during the last session, co-sponsored by many members of this Committee, to establish a National Export Policy for the United States; the President's Export Council issued an extensive report late last year and the Carter Administration last fall issued a report on export disincentives. What is needed now is the political will to act on this patchwork of disincentives and barriers which we have placed in our own path. Mr. Chairman, I hope this Committee will join me in seizing what I believe is an historic

opportunity. Let us work together in fashioning an export policy for America that will help the U.S. resume its rightful place as the world's leading trading nation.

In closing, Mr. Chairman there are four matters of current importance which I wish to touch on briefly.

First, there are inescapable trade aspects to the current disastrous state of the U.S. automobile industry. Knowing you have just completed an initial round of hearings on this subject, I would simply state my desire to work closely with this Committee in seeking solutions to the industries' problems.

Second, negotiations seeking renewal of the Multi Fiber Arrangement are just getting underway in Geneva. I share, with President-Elect Reagan, a strong commitment to the well-being and continued viability of the American textile-apparel fiber industry and its more than 2 million workers. I also share his commitment to work for renewal of the MFA in the forthcoming negotiations, hopefully in a strengthened form. We must explore means of relating import growth to domestic market expansion. Bilateral agreements must be strengthened as part of this overall effort. I am also delighted to see the growth in American Textile exports and will work to broaden and deepen that effort.

Third, I state the obvious when I say to you that trading relations with the Japanese are less than satisfactory. The deficit in our bilateral trade balance with Japan is far too large. We will redouble our efforts to expand U.S. exports to Japan and to press for improved access to Japanese markets for American goods. We need to monitor closely the NTT agreement which was concluded at the end of last year, for example, to ensure that it in fact provides market access for U.S. technology and is not simply a diplomatic dead end. In a host of other fields, we need to press for Japanese acceptance of American competition. As the Japanese have adopted our national pastime, I am sure they will understand when I express the belief that we are ready to take our turn at bat, and we are not at all reluctant to play some good hard ball business.

Finally, as regards Europe, I intend to watch very carefully the implications of enlargement of the membership of the Common Market, new ten with the addition of Greece earlier this month and soon to be twelve with the accessions of Spain and Portugal expected in the near future. While our commercial relations with Europe are not without some strains, particularly in meat products, steel and synthetic fibers, overall they are satisfactory. In fact, I want to point out to any members of this Committee whose notice it may have escaped, that the U.S. has enjoyed a balance of trade surplus with the European Community nearly every year since its inception. In recent years, this surplus has grown to the point where for 1980 it is estimated to be nearly 20 billion dollars in our favor. Any imbalance of this magnitude causes strains—as is plain in our relations with Japan where the shoe is on the other foot. However, as mature and friendly competitors with shared political values, we have managed our trade negotiations with Europe quite successfully, avoiding unreconcilable disputes. It will be my clear and strong intention to continue that effort.

My conclusion, Mr. Chairman, is direct and straightforward; U.S. trade relations in the years immediately ahead offer great opportunities and enormous challenges. Both will test our mettle. I look forward with enthusiasm and confidence to the opportunity of serving as U.S. Trade Representative and, with your consent and much needed assistance, striving toward our shared objectives. Thank you.

U.S. TRADE REPRESENTATIVE DESIGNATE

William E. Brock III, 2740 32nd Street, N.W., Washington, D.C. 20008.
Chairman, Republican National Committee.—January 1977-January 1981.
United States Senate.—Tennessee—November 1970-January 1977.

Committee assignments

Committee on Banking, Housing, and Urban Affairs—1971-75; Subcommittee on Financial Institutions. Subcommittee on Production and Stabilization; Subcommittee on Small Business. Subcommittee on Consumer Credit. Subcommittee on International Finance.

Committee on Finance—1975-76; Subcommittee on Financial Markets.

Committee on Government Operations—1971-77; Subcommittee on Reports, Accounting & Management; Subcommittee on Intergovernmental Relations; Subcommittee on Budgeting, Management, and Expenditures.

Select Committee on Small Business—1975-77

Special Committee on Aging—1975-77

U.S. House of Representatives.—3rd District of Tennessee—1963-70

Committee assignments

Committee on Banking and Currency 1963-70; Subcommittee on Domestic Monetary Policy; Subcommittee on International Development Institutions and Finance; Subcommittee on International Trade, Investment and Monetary Policy.

Joint Economic Committee 1967-1970

Brock Candy Co.—Chattanooga, Tennessee—1956 to 1962—Vice President of Marketing.

U.S. Navy.—1953-56 Lieutenant (jg)—USS *Cacapon* AO-52—Pacific.

EDUCATION

Washington and Lee University—1953—B. S. in Commerce

FAMILY

Born: 23 November 1930.

Married: Laura Handy—January 11, 1957.

Children: William E. Brock, IV, Oscar H. Brock, Laura H. Brock, and John K. Brock.

MEMBERSHIPS

Woodrow Wilson International Center for Scholars (Member, Advisory Council).

Virginia Polytechnic Institute (Member, College of Business Advisory Board).

International Management and Development Institute—Advisory Board.

Georgetown Center for Strategic & International Studies.

American Enterprise Institute (Advisory Council for Center for Study of Government Regulations).

The Brookings Institution—Congressional Advisory Group.

The Council on Foreign Relations.

Sigma Alpha Epsilon Fraternity.

The American Legion.

The CHAIRMAN. Thank you, Senator Brock.

First I want to thank members of this committee for their cooperation in trying to expedite this hearing. I know this is a view shared by the witness. I appreciate the cooperation we have had from every Senator.

Second, I would ask permission that Senator Baker's statement in support of the nomination appear prior to the statement you have given.

[Statement of Senator Baker follows:]

STATEMENT BY HOWARD H. BAKER

Mr. Chairman and Members of the Finance Committee. I appreciate this opportunity to record a few words in support of my good friend and colleague, Bill Brock, the nominee for United States Trade Representative. Senator Brock has enjoyed a distinguished political career, both here in Congress and as Chairman of the Republican National Committee. I hasten to add that he will no doubt prove to be one of the most effective trade ambassadors this country has ever had.

Bill Brock grew up in a family dedicated to the free enterprise system, and the family business thrived under the guidance of the commercially astute Brocks. He began his government career in 1962, when elected to the House from Tennessee's Third District. In 1970, he was elected Tennessee's United States Senator. During his Congressional tenure, Bill Brock served on the House Banking and Currency Committee and the Senate Finance, Government Operations, and the Joint Economic Committees; he was also chosen as a representative to the Asian Development Bank Conference.

Senator Brock became Chairman of the Republican National Committee in 1977, and has rebuilt the GOP to a strength that only a person of Bill's organizational talents and political ideals could envision.

I believe this brief analysis of Chairman Brock's career highlights both his leadership abilities and his talents as an excellent businessman, legislator, and executive. Chairman Brock will tackle the job as United States Trade Representative with the same enthusiasm and expertise he has shown in the past. Bill Brock has a keen understanding of the importance of economic growth to America's future. The improvement of this nation's trade balance is key to such growth. I can think of no

man better qualified to restore strength to the American share of the world market nor better deserving of this Cabinet position than Bill Brock.

The CHAIRMAN. I have two formal questions. The first being, have you discussed the possible conflicts of interest with the committee's chief counsel?

Mr. BROCK. I have.

The CHAIRMAN. Is there any reason that you know that you cannot responsibly serve in the office to which you have been nominated?

Mr. BROCK. None whatsoever, Senator.

The CHAIRMAN. You know of no other conflicts.

You have also, as I understand, been in touch with the Ethics Department, and they will be sending a letter up hopefully sometime today or tomorrow.

Mr. BROCK. I understand that it will be today, Senator. I have had extended conversations with those individuals.

The CHAIRMAN. You are not aware of any problems?

Mr. BROCK. No. I will talk sometime later with you about the law, but we have other concerns.

The CHAIRMAN. There has been a lot of discussion in the last several weeks about the status of the Trade Representative, and his position as the Chairman of the Interagency Trade Policy Committee. I think nearly everyone on this committee has held the view that the role and the powers of the U.S. Trade Representative should not be diluted.

I am also convinced that the law clearly mandates that the USTR chair the Trade Policy Committee. Since the Trade Expansion Act of 1962, this has been one of the primary means through which our trade policy has been coordinated. As recently as the 1979 Trade Agreements Act, the Congress clearly stated its intention that this role be strengthened.

In view of that, I would ask to make a part of the record an analysis of the different statutes which I think support that contention.

[Analysis of statutes follows:]

CHAIRMANSHIP OF INTERAGENCY TRADE ORGANIZATIONS

The statutes, executive orders, and reorganization plan which relate to the Trade Policy Committee clearly establish and clearly contemplate that the committee will be chaired by the United States Trade Representative.

Section 242(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1872(a)) directs the President to establish an interagency organization to assist him. The organization established was composed of the trade representative and such cabinet members and heads of offices designated by the President, with its duties set forth in subsection (b).

In section 141(c)(1)(E) of the Trade Act of 1974 the reorganized Office of the Special Trade Representative was required: "to be chairman of the interagency trade organization established pursuant to section 242(a) of the Trade Expansion Act of 1962."

As a result of Executive Order 11846, March 27, 1975, the interagency organization was denominated as the Trade Policy Committee and its composition established. The purpose of the executive order was to confer certain functions on the Trade Representative in addition to those already conferred by section 141 (and by reference section 242).

Section 1-102 of Reorganization Plan No. 3 of 1979 continued the Trade Policy Committee established under Executive Order 11846. It did not and could not change the statutory requirement that the Trade Representative chair the committee. Under the reorganization plan certain duties in addition to those specified in

the law (a clear reference to section 242 of the 1962 Act) were assigned to the newly created United States Trade Representative.

Reorganization Plan No. 3 was submitted to the Congress in conformity with section 1109 of the Trade Agreements Act of 1979 which directed the President to restructure the international trade functions of the Executive Branch and to consider strengthening the coordination and functional responsibilities of the Trade Representative.

It is clear that since the 1962 Trade Expansion Act, the legislation has required the Special Trade Representative to chair the interagency trade organization and that the Congress clearly intends that the responsibilities of this office be strengthened. There is complete agreement among those involved in both the 1974 and 1979 Acts with whom we have discussed this issue that the Congress intended that the Trade Representative continue to chair the Trade Policy Committee as the Trade Representative has since 1962 and that the law so requires.

The CHAIRMAN. What are your views on the role of the Trade Representative in the formulation and coordination of U.S. trade policies?

Mr. BROCK. Senator Dole, the Congress intention is, I think, explicit in the law. The reorganization plan was very straightforward in its commitment. The U.S. Trade Representative shall be—and these are mandates—the President's principal advisor on foreign trade and the Nation's chief negotiator on matters affecting trade, and the Representative shall have the lead role on trade policy.

There is an explicit statement in the law under section 141(c)(2)(E) to the effect that the U.S. Trade Representative shall be the Chairman of the interagency trade organization established pursuant to section 242(a) of the Trade Expansion Act of 1962. I think the Congress intention is abundantly clear.

We must have in the Government some office which acts as the fulcrum for the development of our trade policy in order that we may speak and act with one voice. We have had too often in the past an inconsistency in the application of trade policy in our relations with other countries. It is confusing to them, and deleterious to our best economic interests.

It is my intention to fulfill the mandate of the Congress and the expressed wishes of the President in this regard.

The CHAIRMAN. Do you agree that the USTR by law chairs the Trade Policy Committee?

Mr. BROCK. That is specifically stated in the law, as I understand it, Senator.

The CHAIRMAN. Have you given any thought, or do you have any views on reorganizing the Government's trade functions? I think you touched on some of that in a general way.

Mr. BROCK. I am not sure that I would suggest a reorganization of the trade functions. The Congress did that almost precisely 1 year ago, with the request of the former administration. It seems to me that perhaps the better part of wisdom would be to take some time and see whether or not the reorganization plan already adopted is, in fact, adequate to our circumstance and need.

If it is not, we will know very quickly, and then we can suggest some changes to you. My own hope would be that you would give us the opportunity to see whether the reorganization plan that you have already passed does in fact work. I think it will.

The CHAIRMAN. There has always been a strong relationship between this committee and the USTR, and we have had some

outstanding Special Trade Representatives. I notice two in the room this morning.

We understand, of course, your obligation to the President, but there is also an obligation to Congress. I think there is a willingness on behalf of this committee to strengthen your hand wherever possible, because we see the the role of the USTR as reflecting not only the President's view but the views of the Congress.

Do you expect to carry on the close cooperation with this committee, and if necessary to be on call if we have questions, and to help us in the implementation of trade policy?

Mr. BROCK. Senator Dole, I would to do that and more. It seems to me that not only is it the right way to go, but the Constitution, as I said in my opening statement, clearly vests authority in this area to the Congress. I view my responsibilities as being obviously first to the President, but also in an almost equal sense, in a joint sense, with the Congress.

I am very comfortable in working with the members of this committee. I am very comfortable working with its staff. I frankly would like to expand upon our communication and coordination. I would like you to be very much a part of the decision process of our office, because I think I am going to need all the help I can get and this country is going to need all the help it can get in this field. We simply must become more competitive in trade, and it will not happen unless we work together—and very effectively so.

The CHAIRMAN. I would like, finally, in this round of questioning, to give you an idea of the interest in the trade area. The spirited efforts which have already been made by the new chairman that subcommittee and the interest in it reflects our attitude. Of the 11 Republicans on the Committee on Finance, eight are members of the Trade Subcommittee, and I am sure that there will be about the same ratio on the other side.

Mr. BROCK. That might give me some pause.

The CHAIRMAN. Right. [General laughter.]

It should indicate the interest.

Senator LONG. If the chairman would yield. Eight will be members, and three will be ex-officio, especially if you arrange a good trip somewhere. [General laughter.]

The CHAIRMAN. Senator Long.

Senator LONG. I would prefer to go by the early bird rule, Mr. Chairman. Senator Byrd, I think, was here ahead of me.

The CHAIRMAN. Senator Byrd.

Senator BYRD. Thank you.

I am glad to join in welcoming Senator Brock back to this committee, where he served with distinction for a number of years. He was a very valuable member of this committee.

Mr. BROCK. Thank you, Senator.

Senator BYRD. Of course, I am delighted to support your confirmation, Senator Brock.

I have only three questions, and they are somewhat technical. They deal with the multi-fiber arrangement in regard to textiles. I will not press you for an answer to these questions at the moment, but ask if you would answer them for the record.

As we all know, the textile industry provides so many jobs for the American people. It is a very important industry. I would hope that you, in your new endeavors as U.S. Trade Representative, would give very important and significant consideration to the textile industry.

I will submit these questions to you to be answered for the record.

[Questions submitted by Senators appear as the appendix to this hearing.]

Mr. BROCK. I am as you know familiar with this particular industry, and I have a great respect for it and its importance to our country. I would be delighted to respond as best I can.

Senator BYRD. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Danforth.

Senator DANFORTH. Mr. Brock, the overall question that some of us have had is whether or not we are going to be more aggressive or less aggressive under the new administration in pursuing the question of international trade. You have stated in your testimony that you want to assure this committee of your personal commitment, and the commitment of the administration to aggressive work on trade issues.

What has given, I think, some of us concern is, first of all, some indication from the new administration that the STR would be subsumed within the Commerce Department. Some of us have been pressing for a new Cabinet level Department of International Trade, with the view that that would elevate the trade function. But the concern, is that instead of a new department focused on international trade, the STR would be subsumed underneath the Commerce Department. This would be the opposite of an elevation. It would be a regression, a lesser role for the trade function.

Second, as Senator Dole pointed out, there was some concern that the Trade Policy Committee would be chaired by the Secretary of Commerce. In fact, that indication has come from Mr. Baldrige himself. That, together with the possible subordination of the USTR to the Commerce Department, has created some concern on our part.

Third, the question is who your deputy is going to be. You might not know, and I am not asking you at this time. But the question is, would you have a deputy who is knowledgeable in the field of trade who could hold his or her own in trade policy matters.

These three subissues are all part of a general concern as to whether or not the Reagan administration is going to pursue a more or less aggressive position with respect to international trade.

Mr. BROCK. I appreciate very much the expression of concern and, obviously, the interest of this committee in the trade question.

For myself, I don't have that concern. I have had fairly extended conversations with the Secretary of Commerce, and he is intensely interested in an aggressive stance on trade and the expansion of American exports. The cooperation that is required between our groups is obvious. I think we will have that.

As far as the chairing of the committee, I think the law is sufficient to the case thereof. I am not sure there is any further

need to discuss it, unless a suggestion has been made for a change of the law, and I know of no such suggestion.

I frankly would not even begin to work in my job if I did not have the active support of the Secretary of Commerce, the Secretary of the Treasury, the Secretary of Agriculture, and the Secretary of State—particularly those four almost more than any particular sector of Commerce.

We have that. Secretary Baldrige and I have found a very healthy and solid commitment to the same goal, in the conversations we have had. I am very excited about his leadership in that agency. I know we can work very effectively together. I do not sense a problem. Conversely I sense a great opportunity for a more aggressive stance.

Senator DANFORTH. Trade policy is necessarily related to other objectives of the country, for example, foreign policy. I would guess that if you were to talk to each of us individually, we feel that relative to other national objectives, trade should assume a more important role than it has traditionally in governmental policy in this country. Do you share that view?

Mr. BROCK. Absolutely and totally. I could not more strongly put it than that. I do think that the description of the levels and styles of responsibility in the Reorganization Act of last January make a lot of sense. When you have the people involved in commercial activities in our U.S. Embassies now assigned to the Commerce Department for the implementation of trade policy and when you have the U.S. Trade Representative assigned the role of leading the development and coordination of that policy, I think you have the possibility of the best synergistic relationship we can devise at the moment. It may be that we can find ways to improve it, but certainly you have a commitment to a very strong and aggressive stance in the trade area.

The CHAIRMAN. Senator BENTSEN.

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

Bill, I am delighted to see you in this position. I remember you as a very able and respected member of this committee, and I am very pleased to support your nomination.

I ask only that you do as effective a job in promoting U.S. products as you did in your previous role of promoting Republican candidates. [General laughter.]

Mr. BROCK. Thank you, Senator.

Senator BENTSEN. Last year I made a trip to the Far East to study U.S. and competitiveness trade in that area. When my friend Russell Long talks about an exotic trip, I want you to know we went into South Korea in January, when the average temperature is 15 degrees, so it was not exactly a junket.

I really believe that is the exploding area for trade in the world. We are seeing East Asian trade growing during the last 3 years at a compounded growth of about 22 percent. The United States has been losing its percentage and its share of that trade. I would urge very strongly that you direct a substantial part of your attention to that area.

I also find that in many cases, it is not just the fault of U.S. Government policies. Often U.S. business is not aggressive enough

in pushing trade in that particular area. I would like to hear your views concerning trading companies.

Mr. BROCK. Senator, it seems to me that this is one of the areas where we do need a modification of U.S. law in order to enable American business people and working people to have a chance to compete. We are dealing with nations of all types.

We are dealing with some market economies that are virtually identical to our own, but we are also dealing with market economies where the Government and the industrial giants are of one mind and one policy—where they are cooperative. Then we are dealing with totally nonmarket economies.

It seems to me that it is imperative that we give our business people the opportunity to act in combination to achieve a fair stance in competitive terms. I would like very much to work with this committee to do that.

Senator BENTSEN. Senator, another area where I believe we need a great deal of attention and support is the Cabinet itself. Time and time again, we talk to Cabinet officers who seem to feel that it is beneath them to get actively involved in pushing the export of U.S. products.

I hope you will be able to prevail on some of your fellow Cabinet members to take a very active interest in our export policies, whether it is the Department of Commerce, the Department of Agriculture, the Department of Defense, or the State Department.

I can recall one particular case where I think a phone call is all it would have taken on the part of the U.S. Government to secure a contract. I assure you that if it had been President Giscard, he would have made that phone call. In fact, I have a hunch he made one in that particular case.

Mr. BROCK. I would bet on it, Senator.

It is interesting, in watching the travels of the Cabinet-level officials of other nations, that they almost always take their business people with them. I think we ought to do that.

Senator BENTSEN. I think we ought to take some of our business and some of our labor leaders, and make them understand how important these policies are in order that we can keep the jobs at home, instead of exporting them.

Mr. BROCK. I very strongly agree. I think we will have a good deal of support from this administration in that regard. I will do what I can to help.

Senator BENTSEN. Thank you.

The CHAIRMAN. Senator WALLOP.

Senator WALLOP. Thank you, Mr. Chairman.

Bill, I reflect the remarks that have been made by everybody else. This is another one of those extraordinarily controversial nominations. [General laughter.]

I am not sure that I want you to perform as well in trade as you did for the Republicans because nothing will be left for Americans to buy of their own products. [General laughter.]

I am interested in a couple of things. Obviously, coming from the State that I do, the agricultural comments that you made in your statement are of concern to me.

First, do you find any particular intellectual problems in your new job with the countercyclical beef bill that we passed 2 years

ago, the countercyclical proposal that we have in this country which raises and lowers the level of beef imports.

Mr. BROCK. Senator, I am just not sufficiently familiar with the workings of that bill to respond. In general terms, with regard to agriculture, I just think that it has to be a top priority, and we would like to stress that. However, I am not sure that I know the particular subject matter you have brought up sufficiently.

Senator WALLOP. One of the things that I would hope that you would do is to press those people who want to send large volumes of their agricultural products into this country to let our products, for example, our beef products, compete with the Australian beef products even in their own markets.

We have something they don't have. They are unwilling to let us have all the kinds of access, there, but they demand and insist on it here.

Mr. BROCK. There can be no more important component of trade policy than the establishment of fair trade. This simply means that if they want access to our markets, we ought to have access to theirs. That is a simple and straightforward approach.

Senator WALLOP. I certainly hope so.

Mr. BROCK. If that is what you are suggesting, then I am for it.

Senator WALLOP. It is.

I suggest that if you are going to be a leader in free trade, that is well and good as long as somebody is following. But it does no good to be over the hill with the guidon all by yourself, which we have been in too many cases.

Mr. BROCK. I am aware of that.

Senator WALLOP. The other question I have is how much should we constrict American businesses, as they operate abroad, with such things as environmental impact statements in countries that in effect, don't recognize or want, or yet need, our standards laid upon them? Yet, our manufacturing have to compete with French manufacturers of heavy equipment, with European manufacturers and Japanese manufacturers, when they don't have the same kinds of constrictions upon them in their international trade.

Would you just generally philosophize on that.

Mr. BROCK. Senator Wallop, I think it is a matter of some considerable arrogance that we try to impose our standards and values on other people. It seems to me that they are fully competent to make those decisions for themselves.

If they choose to have different standards, then our businesses should be allowed to compete within the circumstances they have established themselves. It is in their interest. They have determined what their own interests are. It seems to me that we should be allowed to compete as they define the terms, whether it is relating to environmental standards or something else.

Senator WALLOP. I appreciate that. I hope, as you work in these areas, that you will make recommendations to some other committee of the Congress, as well as this one, as to what is happening to America's ability to compete in the very, very competitive world by creation of certain standards that other countries don't want, and frankly don't need.

Mr. BROCK. I appreciate that. I think you will notice in my sixth comment I suggested that it is of urgent importance that we reexa-

mine our own laws in order to remove those inhibitions which affect our ability to compete. I would like to try to take a very strong leadership role in that area.--

Senator WALLOP. This is my last question. In your third part, where you say, "We also act swiftly and strongly to restabilize our performance as a viable source of supply and producer upon whom customers can depend." You are referring, of course, to agricultural products.

-- I wonder if you have any general idea as to how we might do that?

Mr. BROCK. Yes, I have some fairly general ideas. It does seem to me that in looking at the actions of those who have been in past authority that we have got to reevaluate those policies very quickly. I have already had some discussions with the members of the administration. That conversation will continue.

I am just reluctant to put any time frame on it, but you can have the assurance that a lot of us are concerned about actions taken by former administrations that may have given the rest of the world the impression that we are an unreliable supplier. I think those impressions certainly have to be corrected very quickly if we are going to compete.

Senator WALLOP. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Long.

Senator LONG. Let me say, Mr. Brock, that I am pleased you have been nominated for this position. I think it again justifies the position that some of us on this committee took when we insisted that the Special Trade Representative be a Cabinet level job, and that it have the stature that is necessary for a person to do this job.

It is my judgment that you are not going to be able to make any big success out of our trade program if the trade program has to take a back seat to other objectives. I can understand how any effective Secretary of State would like to take the view that our trade policy is part of your foreign policy.

Not just the Secretary, but the average functionary over there in the State Department would like to feel that if there is a very important vote coming up in the United Nations, all they have got to do is just make a concession over here, let's say, so that somebody gets landing rights. They pick it up in New York, and land it over at St. Louis, and land again at Denver, and put it down again at San Diego, and then fly on through the country. Then take another route going south, and drop some in San Antonio on the way through.

They get various people in foreign countries who feel very emotional about that, therefore, if they can make that little concession, they will pick up that vote at the United Nations.

The trouble is that when you try to buy those people that way, they don't stay bought. Every deal is a new deal. So the next time you need their vote, you have to buy them all over again with another trade concession.

It was once my privilege to attend a meeting on the Law of the Sea. The people involved in the fishery industry over there told me at that point that this Conference had to fail. To try to get an agreement that would satisfy the Navy about our territorial

waters, the U.S. negotiators had agreed to give away more than 100 percent of all the fish that we have. They had agreed to give away 200 percent of the fish. When the other countries found out that there is no way that the United States could deliver all the fish they had agreed to give away at the Conference, they told me the Conference would fail.

The Conference did fail when one of the Canadians made a speech and said that they could not go along with the United States because too many fish had been given away. Mind you they were concerned about the fact that Canada's fish had been given away in trying to meet the U.S. objective. [General laughter.]

For this trade program to succeed, it has to be portrayed in a priority where it has to be a good deal for the United States. That means that our negotiators can't continue trading it off because they get a telephone call from the United Nations, "Look, we need a vote desperately on the Security Council. Can't we give those people this trade concession?"

I hope that you will talk to Bob Strauss about all the problems that he had, when he had a similar job, because I think you will find that even though he is a Democrat and you are a Republican, the problems will be very much parallel. You are going to have the bureaucracy to fight. You are going to have the State Department feeling that they ought to write your budget for you. You will have other people thinking that they ought to take over your function.

I hope you will tell those people, that you are the same rank they are. When it comes to trade, the President ought to listen to you, and not the Secretary of Commerce, or the Secretary of Transportation, or the Secretary of Agriculture. It happens to be your job. That is what we wanted to insist on when we insisted that it be a Cabinet level job.

Mr. BROCK. Thank you, Senator.

I am aware of the problem—thoroughly so. I have had a very delightful, as usual, and extended conversation with Ambassador Strauss. He is a man for whom I have enormous personal regard, and a close personal relationship.

Frankly, I think this office has been blessed with some very fine people from both parties for some period of time. However, it is true that the conflicts remain because there are competing and conflicting interests. It is the job of the U.S. Trade Representative, as the Congress has described, to provide the lead role in the establishment of trade policy. I shall do that.

Senator LONG. Thank you.

The CHAIRMAN. Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman.

Mr. Brock, I think the President has made a splendid selection in nominating you for this position. I think we are all grateful as citizens that you are prepared to undertake it, and all the travel and onerous duties that it will entail.

I was impressed by your statement that you recognize both sides of the coin. We have a whole series of people come before us and bemoan of the deficit of our trade with Japan, but you also recognize that we have a surplus with Western Europe. There are two sides to this coin as you mention.

You talked about the patchwork of disincentives. We had, as you know, a series of people come before this committee, and they are all against the disincentives, but nothing ever seems to happen. I know your predecessor, Ambassador Askew, was concerned about those disincentives, and worked hard. But I guess it all went up to the top, and the decision was made there not to eliminate them.

I would hope that you would make it a particular point to work on these disincentives because we have got to have incentives, but certainly we have got to get rid of those disincentives. I am particularly talking about some amendments we need in the Foreign Corrupt Practices Act—I don't know whether you have had the chance to give that much consideration. Can we count on some support from you in connection with that, and the taxation of Americans abroad. Do you have views in either of those?

Mr. BROCK. I certainly do. I feel very strongly the need to make some modifications in these and a number of other areas, frankly, that provide very substantial impediments, and sometimes absolute barriers, to the ability of American workers to be competitive in some product areas overseas.

If it is within my power, I shall meet with this committee. I would seek your advice and your active support in the modification and improvement of those laws.

Senator CHAFEE. I was pleased by the mention in your testimony of the MFA, the multi-fiber arrangements. I have some questions for the record, which I would appreciate if you could answer. They are of concern to the textile industry, which in my State we have 16,000 people employed in the textile industry, both as textile workers and in the apparel industry.

I would like to ask you a little bit about the GSP, the Generalized System of Preferences. Are you very familiar with that? If not, I would hope that you would familiarize yourself with it as you go along.

Mr. BROCK. Senator, I am somewhat familiar with it.

Senator CHAFEE. To me it seems to be a quasi-trade and foreign aid program. As was mentioned by Senator Long previously, these things often get entangled. I believe that the GSP needs to be looked at very carefully, both to be more sensitive to the needs of the poorer nations—the really poor.

That is what it set out to be, a generalized system of preferences, but it is not working that way. A very few, and relatively well-off nations are the principal beneficiaries of the GSP currently. So I would hope that you would have a chance to look at it, and also the problems that it raises with the domestic industry.

Last year they made a very dramatic change in it, in which they took a certain division of jewelry and divided into five, so each one of those subdivisions now had the total important allowance that was permitted with the one.

Mr. BROCK. That is right.

Senator CHAFEE. It was very harmful to the industries located in my State. So I would appreciate it if you could give that some thought.

Mr. BROCK. I will, and I think it is fairly obvious that we need to do better work in appraising the relative levels of these nations. There is logic to some form of GSP, both in economic and in

foreign policy terms, but there also is logic to the principle of graduation as nations move from one stage of development to a higher stage and become competitive. There are some countries that are fully competitive.

Senator CHAFEE. Thank you very much. I am delighted you are here.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

Mr. Brock, I think you will find that all of us are in virtual agreement in lauding U.S. trade overseas, particularly agriculture products. And, we encourage you to be more successful than your predecessors in fighting off the bureaucracy, particularly in the State Department, and others, who take an exalted view of themselves in the international arena.

I think Senator Long made an excellent point when he talked about the problems you are going to have with the State Department, and some of the other Cabinet positions. I hope when you try to work with those agencies and Departments you will impress upon them that while the United States might concede a trade point to win a political point, in the long run we weaken ourselves economically. And, if we weaken ourselves economically, we will have less power in the political arena.

It seems to me the U.S. Government, the executive branch and particularly the State Department, realizes that ultimately our political strength in large respect is based upon our economic strength. I hope the executive branch, especially the Department of State, will listen to you and take a more aggressive trade position.

Obviously, when you begin your job, you are going to be like all of us here, immersed in detail. I don't know of an area that is more complex than trade, with GSP and GATT, and all the arcane provisions. So now is probably a good opportunity for you to sit back and think about what you ought to accomplish in the next 4 years, or however many years you wish to or are able to remain in the position.

This will also give you a chance to reflect about how the American economy is moving, where it is going, let us say, by the year 2000. I am talking about the fundamental pressures that are working on our economy and the instantaneous communications that now exist around the world, causing rising expectations in the world.

Would you, just for a few minutes, please tell us how you see the economy moving?

We all talk about the decline in relative productivity. We all agree that has to be increased. We speak about the bureaucratic problems. We know that those have to be changed. At a more basic level, how do you see our country moving? Where are we going? What would you like to accomplish by the end of your 4 or 8 years?

Mr. BROCK. What an incredible question. [General laughter.]

It should have come from the Senator from New York, I think. [General laughter.]

Senator BAUCUS. I might say that a former Montana Senator is now in Tokyo.

Mr. BROCK. And a very great one, too.

It is a fascinating subject, and I have given it some thought since it is related to what I have been doing in the last 4 years.

It does seem to me that we are yet unaware of how fast this world is changing, and how small it has become. I am not sure that the world trading system is ready to adapt to that, particularly in the area of information and services exchange.

We are talking about changing our computers now from using electric manipulation to using light which goes so much faster, and we can trade in billions of bits of information in milliseconds. It is absolutely beyond the comprehension of my mind to look at something like that.

By the same token, it poses not only an enormously complicated problem, but also I think a fantastic opportunity for us to be aggressive in taking a lead role in expanding trade in financial areas and services.

Senator BAUCUS. Where do you think the United States should be more active, in what increased roles? The traditional roles are steel, auto. For example, we have to rebuild our auto industry, our steel industry, and the basic manufacturing industry. I agree with all that.

Some suggest that the world is changing so quickly that even Japan is moving away from steel, recognizing that South Korea, for example, is going to be taking over that area. Or even shipbuilding—Poland, for example, or Brazil might be the country that is more active in shipbuilding compared, let us say, to Japan. Some suggest that the United States should go into bio-industries—different and alternate forms of energy.

What is the role of the so-called developed countries as these fundamental changes take place?

Mr. BROCK. I have never established any unique credentials as a prophet. It does seem to me, however, that any society has the blessings of (a) freedom, and (b) an educational system that affords us the opportunity to learn more than other people who don't have quite the same access to education.

This gives us the reason to emphasize the intellectual component, if you will, of relationships. This suggests information exchanges, financial exchanges, and services, as priority growth areas.

I say that, but I want to be very, very careful that in looking over the long term toward the financial, service, and information benefits which I think we can help provide to the rest of the world, that we do not ignore the fact that without our basic industries nothing else really will work.

We must have a strong steel industry. We must have a strong automobile industry. We must have good fiber and textiles industry in this country to sustain our own people and to be competitive.

Senator BAUCUS. I agree with you. I want to thank you very much, and wish you all good luck. You have a very exciting job.

Mr. BROCK. I think so, too.

The CHAIRMAN. Senator Heinz.

Senator HEINZ. Thank you, Mr. Chairman.

I want to congratulate the President, Mr. Chairman, on having selected Bill Brock for this job. I think he has just made a wonderful selection.

You may have gathered that I am going to vote for your confirmation enthusiastically, and twice if I could.

Having said that, I don't want you to labor under any false pretenses that what you have got is an easy job. In fact, I am concerned very deeply that you have the job that both you and Congress intend you to have.

Senator Danforth earlier touched on a number of questions, and I suspect that there is really a more difficult problem here than perhaps is apparent. I want the USTR, irrespective of whether it is you or anybody else, to be the trade spokesman for the administration. That is also Congress intent.

Are you absolutely certain at this point that there really are no disagreements between you and the Secretary-designate of Commerce that you will be the spokesman, that you will chair the Trade Policy Review Group, that you will not have to report indirectly to the President through the Commerce Department, to name three possible pitfalls?

Mr. BROCK. I am absolutely confident. It is my responsibility, explicitly stated to me, to report directly to the President on a continuing basis. My performance in office is to be entirely in compliance with the law, as expressed in that law and as intended by the Congress.

I think, to take one further step, my conversations with the Secretary of Commerce have convinced me that rather than having difficulties, we will complement each other very nicely. He is a remarkable man, a very talented man, and a very committed man in this area. I think we can work very comfortably together.

Senator HEINZ. I have no reason to believe that anything you have said about Secretary Baldrige is not accurate. My concern is misunderstandings, and I hope you are right. I hope there is not a single one.

I hope you will recognize that if there is some potential problem that is not now apparent, you have a responsibility, I think, to come back to us and make sure that any discrepancies are resolved.

I don't know whether that is going to be your easiest or hardest job. There are a number of tough issues you are facing. The renegotiation of multi-fiber arrangement, which you rightly mentioned in your statement, is probably the most important task you will undertake during 1981.

In Pennsylvania, textile and apparel are the largest employers. So I am very concerned about one MFA. My question to you is, will you make this one of your priorities in negotiating an aggressive multi-fiber arrangement so that we may have the extension of such an arrangement and the stability that it brings to our domestic employers?

Mr. BROCK. Yes, I will.

Senator HEINZ. The second issue that will be confronting you quite soon, in March if my recollection serves me, is the extension of the 201 escape clause on shoes. The shoe industry also is found, I think, in Tennessee. When you were a Congressman and Senator, I suspect you had more than passing familiarity with the industry, as we in Pennsylvania do.

As you may or may not recall, import relief has been in place for the past 3½ years through orderly marketing agreements with Taiwan and Korea. The industry, and the unions have filed for an extension of the import relief program, which will expire on June 30.

The ITC will make a recommendation on this in March or April. As the U.S. Trade Representative, you will have a major voice in the administration's decision on the extension of the footwear import relief program. Assuming a favorable decision out of the ITC, will you support a full 3-year extension of this program as allowed under the Trade Act?

Mr. BROCK. I am afraid we may be in an area where I simply have lacked the time to analyze where we are today. As with the question that Senator Wallop asked earlier, I think I had better do a little ducking and weaving here for the moment, but I will try to give you an answer in the very near future.

Senator HEINZ. I thank you.

The CHAIRMAN. We hope, following these hearings, to go into business matters, to vote on the Regan, Schweiker, and Brock nominations.

Senator Matsunaga.

Senator MATSUNAGA. Thank you, Mr. Chairman.

As one who came to the Congress at the same time with you, Senator Brock, I want to congratulate you and to express my delight in your nomination.

Mr. BROCK. Thank you very much.

Senator MATSUNAGA. As a former member of this committee, you of course realize that the Finance Committee has, throughout the chairmanship of Senator Long, acted on a bipartisan basis. Under Senator Abe Ribicoff, the Subcommittee on Trade has acted on a bipartisan basis also.

For example, committee deliberations on the trade agreements' implementation bill was on a bipartisan basis, with major contributions reaching across party lines, especially in the drafting of the antidumping and countervailing duties provisions at all stages of the preceding multilateral trade negotiations and the various bilateral trade negotiations were open to bipartisan participation. I could go on and relate the many major issues this committee handled on a bipartisan basis.

You successfully conducted a most partisan election campaign. I do hope that your nomination to the post of Special Trade Representative does not mean a change in direction of that office or its relationship with the committee.

Mr. BROCK. May I reassure my friend of long ago in the House and respected colleague that there are no partisan connotations to trade policy. It is a national question. It simply would not be possible for me to perform my assigned duties in this job without the active involvement, support, and interest of both sides—the majority and the minority, the Democrats and the Republicans.

May I say a little more specifically that I was unable to get to the Senator, which I apologize for, in the 4 days since I was announced. I particularly would value his interest, however, because he represents the state most aware of the values of a good, positive trading system. I would very much appreciate that.

Senator MATSUNAGA. I am certainly happy to hear that.

With an effective Trade Representative the United States can realize its tremendous export potential especially in trade with Japan. I mention Japan because the U.S. export possibilities there are the greatest. Have you given any consideration as to how we might be able to sell more American products to Japan?

Mr. BROCK. I have. I think a number of things need to be addressed. First of all, the Japanese have been living in a very protected environment for a long time. It may seem to be to be their advantage in their own eyes for the moment, but I am not sure it is for the longer term.

While they have had almost totally free access to American markets, they have not been willing to give us the same opportunity.

I think one of the first steps is to allow them the opportunity to choose a better and wiser course. This means that we have to be, frankly, fairly tough, because I don't think they sense the American Government cares a whole lot. I think we have to tell them that we do.

It is going to take more than that. I think we need to remove any barriers we have in our country to exports. Frankly, our business people simply have not done an adequate job of competing over there. They really have not. Doggone it, it is time some of them got off their duff.

Senator MATSUNAGA. That is what I was hoping to hear from you. My time has expired, but I would like to make a few specific suggestions on this matter when we meet later.

Mr. BROCK. I would appreciate that very much. Thank you.

The CHAIRMAN. Senator Durenberger.

Senator DURENBERGER. I want to thank you for accepting the job, and thank you for bringing a beautiful family to the job, which is tremendously important.

I bring greetings to you from a mutual friend and colleague of ours, Bill Frenzel, who thought he was the most qualified American for this job until you came along.

Mr. BROCK. He may yet be. He is an outstanding person. [General laughter.]

Senator DURENBERGER. I want to thank you for your statement, and your reaction to these questions. You served on Governmental Affairs as well as Finance, and I think you understand what Chairman Long in past hearings has referred to as the lilliputian theory of Cabinet members. You have heard the message here today from all of us about our concern for your independence and your influence.

I want to compliment you further on your direct recognition of the importance of United States-Japanese trade relations, not only to the United States but to the future of the entire world.

In that regard, because I know your time has been limited, I would recommend to your early review the work that was just completed of the Joint Japan-U.S. Economic Commission, the so-called eight wise men.

Mr. BROCK. I have a copy on my desk.

Senator DURENBERGER. It makes for great reading, and I think it is the important future of our relationships.

I want to compliment you also on your response to Senator Baucus's question. We live at a time when a lot of politicians talk about the economic independence of the United States which has some isolationist ring to it. Your response would indicate, at least to me, that when you talk about the size of the world and rapid change, you bring to this job an understanding that the future of the world lies in our recognition of the interdependence of all nations and the economies of all nations.

Mr. BROCK. I feel that very strongly.

Senator DURENBERGER. I want to compliment you on your recognition of the importance of agriculture in our future.

Now that I have finished with the compliments, just one question. In terms of organizing for the job, have you given any thought to the possibility of creating a position of Deputy Trade Representative for Agriculture in your office?

Mr. BROCK. I have. I have not reached a final conclusion. It does seem to me, however, that we must treat agriculture with the interest and intensity that it obviously deserves. It is our biggest single earner today for this Nation. It is essential to the well-being not only of our farmers, but also our consumers, that we compete effectively.

We are the world's most effective agricultural producer by far. For all of those reasons, it seems to me that we should take every possible step to raise agriculture to a priority position, and treat it with all the emphasis and support we can give.

Senator DURENBERGER. I thank you for your willingness to take this on.

Mr. BROCK. Thank you.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. Following the general pattern, I will say how pleased this committee is that a distinguished former member should take this chore, this great task.

I will also say, that if you can do for the competitiveness of the American economy what you did for the competitiveness of the Republican Party, I would be willing to forget the latter. [General laughter.]

You have really been one of the great political men of your age and in my view no words of higher honor can be spoken in a democracy.

Mr. BROCK. You are very gracious.

Senator MOYNIHAN. If you would not mind I'd like to ask a rather specific question, one on a subject that has interested many of us, and will be a concern of yours.

When the MTN was agreed to, that great departure from the postwar GATT history it embodied the idea that we would agree to rather elaborate codes of trade conduct, and would begin to develop case law with respect to specifics. We said to your predecessor, Ambassador Strauss, that this case law will develop only to the extent that the United States is energetic and takes the initiative in bringing cases.

Do you have any views on the extent to which we have done this? My impression is very little. Do you think that that is endemic? How do you hope to handle this problem?

Mr. BROCK. Senator, my impression is the same as yours. I think a part of the problem is that were we to raise some question about a particular case, other cases might be raised that we didn't particularly care to have raised.

Senator MOYNIHAN. Yes.

Mr. BROCK. We have been in a position of trying to avoid that. It does seem to me that in the longer term, without the establishment of some degree of precedents in the form of case law, it is going to be very, very difficult for us to have a pattern of evolution that is essential to the conduct of good trade policy.

I think that we are going to have to take a strong look at that and see if in fact the short-term view is necessarily the best for the longer term. I think the evolution of case law is important.

Senator MOYNIHAN. I am very pleased to hear you say that, because the MTN was brought to us we were told, all right, here is another huge reduction in rates, but a new regime is going to be put in place. Now, we are going to bring these cases. We are going to argue when we find we have not sold a telephone to Japan in 40 years. But now it turns out that we haven't brought the cases.

I think that if you could use some of your energies, which are formidable, to that purpose. To encourage American business to bring these cases. To say to American business there is only one way that we will get a code of conduct out, and it is if we exercise our rights under MTN.

Mr. BROCK. It is a very important right for our business people to have, and it should be supported.

Senator MOYNIHAN. I thank you, and again congratulations.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Armstrong.

Senator ARMSTRONG. Mr. Chairman, I just want to join the other members of the committee in complimenting the President on his brilliant selection of Mr. Brock. I wish our former colleague well.

I would say to him that I think a lot of people in the Congress and in the country believe that international trade affords some relief from all the problems to which we do not know the answers.

Trade has a mystic quality about it that if we really were able to get the kinds of trading policies we would like to have, some other problems like tax policy, budget policy, and monetary policy would not press us so hard. I guess, I am no different than anybody else.

I hope that you can pull all of our chestnuts out of the fire, and I wish you well in that task.

I must confess, Mr. Chairman, I have some suspicion that the new STR's ability to really perform his task is going to depend as much on what this committee and our colleagues in the Senate do, as it will bear on what he himself is able to accomplish. But it is hard for me to see how the President could have selected somebody as well qualified by temperament, outlook, and intellect as he has. We wish you all the best.

Mr. BROCK. Thank you very much.

The CHAIRMAN. Senator Boren.

Senator BOREN. Thank you, Mr. Chairman.

I am sorry I was detained in another committee, and missed some of the earlier statements.

I don't want to take the time of the committee now to ask any questions orally, but I do want to join with the others in saying to Mr. Brock how delighted I am at this appointment. I certainly commend the President-elect for selecting someone of your immense ability for this task.

As the others have already spoken, I wish you much success. It is alarming to all of us when we realize that we have lost some 23 percent of our world market share in the last 15 years. We all know that this is not just a reflection of trade policy, but a reflection of difficulties within the economy, the declining productivity, and lack of capital formation.

I also suspect that it is at least in part because our own Government has too often been the adversary, rather than the helping partner of American businesses attempting to sell their products overseas.

I hope that you will advise with this committee, and let us know ways in which we can be helpful in strengthening your hand to develop the kind of trade policy this country needs. I am very pleased to enthusiastically support your nomination.

Thank you, Mr. Chairman.

Mr. BROCK. Thank you very much, Senator, and I shall do so because I will need your help.

The CHAIRMAN. Senator Symms.

Senator SYMMS. Thank you, Mr. Chairman.

I congratulate you, Senator Brock. I wish you all the best. I share in what Senator Boren and Senator Armstrong just said. I think in large part, if we can restore, through the work of this committee and the rest of Congress, advantageous tax policies that will encourage productivity in this country, it will make your task much easier. We will look forward to working with you.

I wish you every success.

Mr. BROCK. Thank you, Senator.

Senator DANFORTH. Senator Grassley.

Senator GRASSLEY. Thank you, Mr. Chairman.

Again, I want to congratulate you on your appointment. Based on your previous service as a Member of the House and the Senate, and most importantly as National Committee Chairman for the Republican Party, I know that you have demonstrated your ability to do almost anything well.

You are tackling an especially difficult area. Many aspects of this challenge have already been brought out.

The things that have concerned me have already been asked, so I am only going to emphasize certain points and not ask any questions. However, I would like to submit for the record some specific questions on agricultural export policy, and particularly on the meat import quotas for your consideration, and your answer. I appreciate your consideration of these inquiries.

I do want to emphasize, as a Senator from an agricultural State, the importance of free exchange of goods and services between countries for the health, not only of the Midwest and the State of Iowa, but particularly the health of all of America. Agriculture is a basic part of the economy; consequently, opening those doors, and keeping them open, is very important.

I would also ask you, in your new position, to review the Multilateral Trade Agreement that was passed upon by this Congress 2 years ago. I would ask you to review that from the standpoint of whether it has followed the stated intent of Congress and the people that negotiated it. Has it worked out the way we were told it was supposed to work out?

This legislation was well-received by the outgoing administration. Everybody thought it was in the best interests of our country. I want you to review whether or not this is true. I say that in light of the fact that it passed the Congress by an overwhelming margin. I say that even in light of the fact that I supported it and voted for it.

All of us were in basic agreement philosophically, but specifics within the law may not be working to execute the intent that was originally perceived.

I think one of your first goals should be to review it and see if it is serving the purpose that it was supposed to serve. I think if it isn't working, please report its deficiencies to us and corrective action to the greatest extent possible will be taken. We would look to you for leadership in that area.

Mr. BROCK. I would do that. Thank you very much.

The CHAIRMAN. I want to have included in the record, in addition to the statement of Senator Baker, a letter from Senator Roth and a letter from Senator Helms.

[Statements of Senators Roth and Helms follow:]

STATEMENT OF WILLIAM V. ROTH, JR., U.S. SENATE

I am pleased Bill Brock has been nominated as United States Trade Representative for two reasons.

As we all know, Bill Brock served for 14 years in Congress, including tenure on this panel. His knowledge of the Hill will certainly be invaluable both to the administration and to us in the Congress. That knowledge should lead to an excellent working relationship. I applaud President-elect Reagan for having the foresight to select one of our former colleagues for this cabinet position.

Having worked closely with Bill Brock on many issues while we served together in the House and Senate, I have found him to be a man of depth, conviction and possessing an intrinsic ability to communicate his ideas and views. Bill has been described in the media as one of the truly effective negotiators within Congress, and I think that proven ability will be crucial in his work as U.S. Trade Representative.

Secondly, Bill Brock is a proven administrator. In the past years since leaving the Senate, he has shown he is up to the task of performing a very difficult job, probably much to the consternation of my colleagues on the other side.

Turning for a moment from the man to the tasks, the U.S. Trade Representative's responsibilities and functions are key in the global trade and domestic policy arenas. His tasks cover a wide range, including developing and coordinating overall trade policy; representing the United States in international negotiations and consultations involving import and export practices, commodities and certain forms of investment; and reporting to the President and Congress on the success of our international trade agreements and other trade endeavors.

The USTR must champion our trade rights internationally, ensuring that tariff and nontariff agreements concluded in the Multilateral Trade Negotiations are honored by our trading partners. He must mobilize other executive branch agencies to work with U.S. firms in discovering new market opportunities. He must be a strong supporter of U.S. trade expansion, especially at a time when our merchandise trade balance persists in the red.

Issues related to trade have become increasingly complex, spanning such diverse subjects as services, foreign investment practices, unfair trade practices, export policy and import preferences for developing countries. The Trade Representative must be able to juggle these issues and arrive at policies that place America back in the winner's circle in trade.

I believe Bill's proven abilities lend themselves very effectively as a strong voice for essential trade policymaking and negotiations that lay before us.

U.S. SENATE,
Washington, D.C. January 15, 1981.

HON. RONALD REAGAN,
President-elect of the United States,
Washington, D.C.

DEAR MR. PRESIDENT: You will recall that several of us have written to you in the past regarding our concern about reports that you are contemplating shifting overall responsibilities for our trade functions from the office of the United States Trade Representative to the Department of Commerce. According to most recent information, we understand that a decision has been made to leave the USTR's function in the office of the President at Cabinet level and reporting directly to you. We applaud this move. However, we remain concerned at information we have received that you are considering shifting the responsibility for trade policy coordination from the USTRA to the Secretary of Commerce and wish to register our strongest opposition to such a move.

In reviewing the statute, we have concluded that such a shift of responsibility from USTR to the Department of Commerce could be accomplished only through a re-organization plan submitted to Congress or by an amendment to the Trade Act of 1974.

We see the shifting of trade coordination from USTR to the Department of Commerce as posing substantive problems. We do not believe that the Commerce Department as presently constituted, with its own constituency on trade issues, will be able to be an effective arbiter and coordinator among the other agencies involved in trade policy such as Agriculture, State, Labor and Commerce itself. USTR performs this function well because it places trade objectives above all others. All of this is done with the USTR reporting directly to the President.

Another reason we would oppose the shift is that the Office of the USTR, without the trade coordination function, will become merely a collection of professional negotiators who are given their position papers and travel to Geneva and Brussels to negotiate without having led the policy formulation process. Dividing the coordinating and negotiating function will lead to an even greater lack of consistency and coordination in the trade area than presently exists.

Finally, but no less importantly, we believe that the subordination of trade policy coordination in the Department of Commerce would send a signal to foreign governments that we do not place foremost priority on the aggressive negotiation and implementation of our international trade rights and on pursuit of export opportunities. The Commerce Department, with its competing interests, priorities, and budgetary needs, simply cannot give international trade matters the full-time and high-level attention they merit. The proposed change in policy coordination responsibility sends exactly the wrong signal to our trading partners and our own exporting community, at the very time we should be increasing rather than reducing our focus on trade policy.

Sincerely,

JESSE HELMS.
STROM THURMOND.
JOHN HEINZ.
ERNEST HOLLINGS.

The CHAIRMAN. I would like to acknowledge the presence of the chairman of the Senate Agriculture Committee, which I think indicates not only close friendship with the witness, but also the interest we have in a strong emphasis on agriculture by the USTR.

Do you have anything you want to say?

Senator HELMS. You have said them, Mr. Chairman.

The CHAIRMAN. Having said that, I have been trying to count, as we have been going around, just how many Senators come from States that not only have an interest in agriculture, but perhaps a predominant interest. I assume that it is over half of this committee.

We, of course, have other interests in each of our States, but some of us rely heavily on the agricultural sector. I don't know who your deputies may be, but I have felt for some time that the

USTR would benefit a great deal if one of its top officials had an agricultural background.

Have you given any consideration to selecting, as one of your deputies, an individual with an agricultural background and expertise?

Mr. BROCK. I have very much so. The problem that I might have at the moment, Senator, is that if we assign to our deputy in Geneva the multifiber agreement, which is now pending and which is a matter of consuming and enormous importance, and if we had someone doing only agriculture in the other deputy role here, it would be somewhat difficult for us to accommodate the other urgent needs that we have, particularly of automobiles, steel, and areas like that.

If I might, I would like a little opportunity to think about that. It does seem to me that the validity of the point is obvious. We do need a major, a top, role in the USTR office for an agricultural person, and I would like to see that happen. With regard to how best to achieve it, I would very much appreciate your advice.

The CHAIRMAN. One way to achieve it is probably to authorize an additional deputy USTR position through the enactment of legislation. I understand in my conversations with you that if that were done, it could be done without expanding your office, because that is not the thrust of the new administration.

Mr. BROCK. We are not of a mood to expand any area of Government at the moment.

The CHAIRMAN. But if it could be accomplished, it would be by legislation authorizing that position.

Mr. BROCK. Yes.

The CHAIRMAN. It is my understanding that that could be accomplished without any additional expense.

Mr. BROCK. That is correct. I have not discussed that possibility with the White House or the personnel people, but I would like to do so.

The CHAIRMAN. I might suggest that if anybody has an interest in cosponsoring such legislation, we will have it prepared. If anybody doesn't have an interest, please signify by raising your hand, or by leaving the room. [General laughter.]

That is an indication of some interest.

Senator Proxmire, as he customarily does, has submitted some questions that you can't answer.

[Questions submitted by Senators appear as the appendix to this hearing.]

The CHAIRMAN. I mean right now, I understand, you are a Lone Ranger. You don't have a big staff, and a lot of technical advice and expertise, except that which you have accumulated over the years.

We will leave the record open for the balance of the day, and we will be happy to provide staff assistance so that you might reflect on those questions. They are good questions, and if I knew the answers I would have applied for your job. I did not know the answers, and Senator Moynihan was not around to help me. [General laughter.]

The CHAIRMAN. Senator Roth has just entered the room.

We could have another round of questions, but I would like to move on and approve the nominations.

Senator LONG. Might I suggest this, Mr. Chairman, that we let everybody have their first shot at the nominee. Then that we submit the questions from other Senators which some of us have, and then if there is no objection that we proceed to vote on this matter. Then if the nominee could stick around, we could ask him some further questions.

I don't think that any of us who have served here with Bill Brock are going to change our mind. We either came here for him or against him. I don't think that anything he can say here today is going to change our mind.

We could vote on that, and then if he could stick around for a little while, we might ask him some more questions, and those who have other things to do could be on their way.

The CHAIRMAN. Senator Roth was at another meeting prior to this one.

Do you have any questions, Bill? I have inserted your letter in the record.

Senator ROTH. First of all, I come with a prejudice in favor of Bill Brock.

Mr. BROCK. Thank you.

Senator ROTH. As you know, Senator Brock, I feel very strongly about the importance of trade to this country. I, for one, am not satisfied with the organizational structure in the Government. It is something that, as chairman of Government Affairs, I will be spending considerable time studying to determine exactly how we can develop an organization that will put trade on the front burner, which no prior administration has done. For that reason, your nomination is indeed most welcome, because I know you understand Washington and how it works.

I might say that I just returned last night from a week in Japan, probably the leading trading nation of the world, where I also had the opportunity to get involved in some discussions on automobiles. I must say that I come home completely convinced that it is going to be important to try to arrive at some kind of an orderly agreement on automobiles, whether it is done on a voluntary basis, or through a government-to-government arrangement.

Unquestionably this is a critical problem, and I personally feel that the Japanese understand the need, even though they don't like it, but that we must do what is necessary to maintain a viable automobile industry in this country.

I have no questions, Mr. Brock, except to say that I look forward to working with you in this vital area.

Mr. BROCK. So do I.

Thank you very much.

Senator LONG. Mr. Chairman, I would like to submit some questions on behalf of Senator Bill Bradley, and I hope that they can also be answered.

[Questions submitted by Senators appear as the appendix to this hearing.]

Senator LONG. I would urge that you answer these questions.

I also have some questions from Senator Proxmire. If they are the same questions that you have, they will be taken care of under the previous agreement.

I would suggest, by all means, that as soon as you have the answers, especially with regard to the questions of Mr. Proxmire, see that he gets a copy of them.

The CHAIRMAN. Are there any other members who would like to submit questions in writing?

Senator MOYNIHAN. I do.

Senator CHAFEE. I have questions, Mr. Chairman.

[Questions submitted by Senators appear as the appendix to this hearing.]

Senator SYMMS. I do also.

Senator GRASSLEY. I also have questions, Mr. Chairman.

Senator LONG. The witness has made himself available to answer further questions, but I don't think that any member has any question the answer to which is going to change his mind. That being the case, I would hope that we could act on this matter, and do some other things this morning.

[Whereupon, at 11:20 a.m., the committee recessed, to reconvene immediately in executive session.]

The CHAIRMAN. Senator Long.

Senator LONG. I have my doubts that you have enough bureaucracy over there, enough support to do the job. Do you know how big a staff the STR has?

Mr. BROCK. Approximately 113, I think, is the number of authorized full time permanent positions. In addition, we have a number of, other than permanent employees, and the number there would be about another 35 to 40.

Senator LONG. So far as I know this is the only agency of Government that does not have enough staff to do the job. I doubt very much that you have what it takes to do the job that should be done over there.

I wish you would look at it with that in mind. Just as we on this committee voted that we needed to improve the staff we have. Before reducing our budget by 10 percent, we think that the other committees should reduce their budget by more than 10 percent. We have a lot less than what some other committees have, so we think that they should be reduced by more than 10 percent.

Now there ought to be enough people to help you do your job. One reason I am asking that of you is that during your tour of duty, I am going to be asking you to give us a projection of how many jobs you think we will have in the automobile industry, 3 years, 5 years, 10 years, 15 years down the road; a projection of how many jobs we will have in textile over a similar period; a projection of how many jobs you think we will have in steel.

In some of those areas, if that is in line with what I read in some of those knowledgeable publications, which I think seem to be some of the best informed, in some of those areas we are going to have less jobs.

I will be asking you for a projection of where you think we are going to pick up jobs for our economy, while we are losing jobs to someone else's economy. That type of information ought to be available to the American people.

I would hope that this committee does not have to go beyond your agency to get the information that you should have for you to act. Because, obviously, if we do, that creates other problems.

My impression about the way departments always keep information is that they tend to keep it in ways that serve their purpose.

Mr. BROCK. I am familiar with that.

Senator LONG. My thought is that your agency is one that should move, to trade on a nondiscriminatory, nonpolitical basis, in the best interest of all the people of this Nation, the best interest of all the people of the world.

So looking at your responsibilities, you ought to be able to provide us with the information we both need. Whatever it takes to do that, it ought to be there.

Having touched on that subject, I noticed an article in a magazine named the Economist, which seems to me to have about as much information to speak as knowledgeably on this subject of trade as any publication I have run across. It is basically a British magazine, but it has some very interesting information from time to time.

They indicated there that not only are we losing jobs in automobiles, but we are going to continue to. They indicated that an industry in which the same trend would develop would be textile.

They indicated in an editorial recently that in the area of automobiles and steel, both the United States and Britain ought to accommodate themselves to the view that that type of activity ought to be gradually moving over to the areas where they have large numbers of low-cost manpower, such as South Korea and India.

They indicated that America and Britain should more and more become service-oriented countries. There was some explanation there of the type of thing that we could expect for these new jobs in the service areas.

Is it your view that expanded trade will mean the loss of jobs in those industries here?

Mr. BROCK. I think that it would be at considerable peril if we allowed the diminishment over a period of time of our basic industries. I just don't think that that is wise. I am not sure we can tolerate a circumstance where we simply would lack the capacity to respond in terms of our own defense needs, that is, to sustain this society in terms of protracted conflict, if that were to become necessary.

We cannot take that chance with the American people or with our Nation. Obviously, I think there are other areas that have a higher potential for growth. I think services clearly fits in that category, and so do information and financial markets. There is a great opportunity for expansion of jobs there, and they are good jobs.

However, such expansion, without taking care of the needs to maintain our essential domestic industries, would be very, very shortsighted, and I would hate to think that this country would follow that path.

Senator LONG. As soon as practical, and I don't care to have it before we act on your nomination, but after you have been confirmed, would you please have people in your area that have the

best competence prepare something of a study of the potential expansion of jobs in the service-oriented activities of this Nation, and how we might expect to gain more employment in those areas?

I must say that when I first heard about it, it sounded kind of ridiculous, but the more you hear about it, especially from someone who is knowledgeable, the more it sounds like there might be some merit to it. If so, I would like to know more about it.

Mr. BROCK. All right, sir, I will be delighted to.

Senator LONG. Thank you very much.

Senator DANFORTH. Senator Brock, I anticipated doing this in writing, but since you are here I will do it orally.

Mr. BROCK. I would just as soon do it that way.

Senator DANFORTH. I am very concerned about the automobile industry. I think it is a disaster case right now. The one thing that we cannot afford to do is to have this long period of transition with the new administration where eventually, after a number of weeks and months, somebody is appointed to take the lead on the issue, a long period of analysis commences, and eventually we have some idea of where the new administration is going to go on it.

I was wondering if you could tell me, first of all, who it is, what individual in the new administration will be taking the lead on policy with respect to the automobile industry. Second, when we could expect the policy to be in place from the administration?

Mr. BROCK. The first question relating to any assignment of role by the President-elect has not been answered to my knowledge. I think the matter is almost self-described in the sense that Congress approved the reorganization plan, which stated the role for the interagency organization established under section 242, of the Trade Expansion Act of 1962. It is the Trade Policy Committee in an overall sense that has been assigned by law the role of taking the lead on very intractable and difficult questions of that sort.

It seems to me that the first step is to gather together those individuals who are primarily concerned, including the Secretary of Commerce, and very importantly, the Secretary of the Treasury with the Chrysler loan problem, the Secretary of State, the Secretary of Transportation, and others, I am sure, into a very quick discussion of how we deal with the problem.

I would hope that not only would we do that—May I state it more affirmatively? We will do that. It is my role, I think, to see that it does happen. So I consider myself responsible, under the law, if not by explicit request from the administration yet.

Senator DANFORTH. There are at least three general areas to be considered. One is trade policy, whether or not to attempt to negotiate some restrictions on imports.

The second would be tax policy, which would involve such questions as whether or not to, by a refundable tax credit, or however, provide more cash for the automobile industry, so that it can retool. Or, as some including the UAW have suggested, the sort of tax policy which would stimulate demand for automobiles by scrap-page credits, or some other credit.

The third general area would be regulatory policy, what should be done with respect to safety standards, emission standards, to try to relieve the pressure on the automobile industry.

It is an area which really does span various departments of the Federal government. I would hope that the new administration would view this as a matter of great urgency. We had hearings before the International Trade Committee for 2 days last week on just this subject primarily for two reasons: One, to try to bring the issue to a head, and two, to try to outline the various options which are open to us.

I think there is a tremendous amount of thinking that has been done on this subject. Now it is a matter of trying to develop that thinking into some sort of coordinated policy. I urge that you and your office, and the various departments involved set in motion a process which hopefully would develop a policy, not in a matter of months from now, but hopefully in a matter of days.

Mr. BROCK. I don't think we have the luxury of taking several months. I agree with the sense of urgency.

I might point out that we have what has been described as the economic policy group aboard, which as I understand will be chaired by the Secretary of the Treasury. That has a more encompassing mandate. Perhaps this would be another place for this kind of consideration.

Those are decisions that I am certainly not prepared to make yet, and I think that is something the President will address. Certainly, he will have my active involvement in the decision.

Senator DANFORTH. Thank you very much.

That concludes the meeting.

[Whereupon, at 12:05 p.m., the committee adjourned, to reconvene at the call of the Chair.]

[The following was received for the record:]

APPENDIX

QUESTIONS BY SENATOR SYMMS

Question. Given the current political, economic and demographic trends on the Continent of Africa, how do you intend to continue to secure the necessary strategic minerals for the United States?

Answer. We are well aware of the concerns expressed about U.S. dependence on imports of strategic minerals from Africa, particularly Southern Africa. The Republic of South Africa, Zimbabwe, Zaire and Zambia are major suppliers of manganese, cobalt, chromium, platinum-group metals, and asbestos—all of which are of critical importance to U.S. industry and to our national security.

While I think it is premature to make any specific policy proposals at this time, I can assure you that these concerns about mineral availability will have an important influence on the formulation of our trade and commodity policy. We will be working in various international fora (e.g., UNCTAD, OECD) and bilaterally to create a climate favorable to the worldwide development of mineral resources and trade and to maintain a steady and secure supply of strategic minerals.

USTR is now involved in several endeavors which have particular relevance to the question of minerals availability. We are chairing an OECD High Level Group on Commodities and will seek to use that forum to examine, with our developed country partners, the dimensions of potential problems in minerals investment and supply. Also, we are participating in an interagency review, which the State Department chairs, of how to alleviate U.S. dependency on potentially uncertain foreign sources of supply of certain strategic minerals. These efforts should help guide us in tackling, from the perspective of international trade and commodity policy—where USTR has been given the lead role, the issues concerning minerals availability.

Question. In the past the trend has been towards trade liberalization—a traditional part of the Republican philosophy. However, it is evident at this time that perhaps some of our industries might need protection and that some of the high technology sales to the Soviet bloc were not in the best interest of the United States.

Does the Reagan Administration intend to continue towards more trade liberalization, or does it intend to take a different approach?

Answer. As I mentioned in my testimony, we should strive to preserve and strengthen the open and fair trading system. The liberalization of trade in the post-war period has been an engine of prosperity for us, as well as the world economy as a whole. We must pursue the liberalization of trade, particularly in sectors such as agriculture and services, where the United States has maintained a strong competitive position. However, in areas of high technology, we need to recognize that issues of security may have to take precedence over increased export sales.

Overall, liberalization of trade cannot be a one-sided effort. We must insist on reciprocity among trading partners. I do not believe that the people of this country will long support a system which they perceive as giving the preponderance of benefits to others.

An open trading system must also rest on agreed international rules of fair competition. The basic GATT agreement and the codes negotiated during the Multilateral Trade Negotiations establish a basic framework of such rules and we must insist that they are faithfully implemented. We must also continue efforts to extend such rules, where we can identify deficiencies.

Question. Insofar as agricultural exports are concerned, it is apparent that the United States is trying to operate in a "free-trade" manner, while the rest of the world does not. For example, the European Economic Community has imposed nontariff trade barriers with regard to red-meat products.

How do you intend to address this continuing problem which greatly affects the American agricultural community?

Answer. The European Economic Community has adopted regulations with respect to the processing of poultry that have had a damaging effect on the exports of a number of smaller U.S. producers. We have actively engaged in discussions with the EC on this issue and believe that its resolution will serve to put the EC on notice that its plans to adopt similar discriminatory practices with respect to the red-meat products you mentioned will not be acceptable.

We will continue to seek increased access to markets that are closed to us or are protected by tariff or nontariff barriers. We will also seek to dissuade others from the use of export subsidies that give their exports an unfair share of the world market. In many cases a bilateral solution to these trade issues is both possible and preferable, but in some cases it will be necessary to invoke our GATT rights. I will not hesitate to do so when I feel it justified.

I assure you that I consider agricultural export expansion a priority goal and will be working with our private sector advisors and with the Congress in developing ways in which this goal can be met.

Question. While the United States has been going in the direction of "free trade," Japan has been extremely reluctant to adopt a similar attitude. As a result, Americans have continually lost in the negotiating process.

How do you intend to address this particular problem?

Answer. The Japanese over the last six or seven years have been moving towards a policy of opening their markets. Their acceptance of the Multilateral Trade Negotiations tariff reductions, their adherence to the Code of conduct covering nontariff measures, and their willingness to resolve bilateral trade problems (such as tobacco, auto standards, and access to their high technology telecommunications projects) are examples of this movement.

Nevertheless, the pace has been slow. Each negotiation has been long and drawn out. There still exist barriers to trade, particularly in the agricultural sector. I certainly am hopeful that over the next four years Japan will increasingly realize that it has a stake in the international market and will take more of a leadership position. I intend to press for the full implementation by the Japanese of the agreements they have entered into, as well as to push for more access to the Japanese market. Certainly, it is important for our exporters to work harder to penetrate the Japanese market. In this regard, I look forward to working with my colleagues in the Cabinet to ensure that Government policy promotes and does not inhibit U.S. exports.

QUESTIONS BY SENATOR BYRD

Question. The Multi-fiber Arrangement which provides for orderly trade in textiles and apparel between the low cost developing country exporters and the developed country importers is due for renewal by the end of 1981 and your office will have the lead role for the U.S. in this exercise. How do you believe the MFA should be strengthened?

Answer. As President Reagan has said, we do believe in the need for a strengthened MFA. The specific steps required to achieve such a goal are a matter of current discussion in my office now. Additionally, I will want to have the views of

Congress, of my colleagues in other parts of the U.S. Government, and of all interested parties affected by the Arrangement, before reaching a decision on the appropriate recommendation to the President. May I turn the coin and request from you any suggestions you might have on the subject.

Question. Over 60 percent of our imports of textiles and apparel come from Hong Kong, Taiwan, and South Korea—three countries which are no longer truly developing countries, and can be better described as newly industrialized. Do you believe our textile and apparel imports from these three countries should continue to grow at a rate far above the 1-2 percent growth rate of the U.S. market? Should the rate of growth of U.S. imports from these countries be limited to our domestic market growth rate?

Answer. In order to respond to your question, we must distinguish between the total level of trade from these three suppliers and imports in particular categories. Limiting the rate of growth of U.S. imports from these suppliers to our domestic market growth rate for total trade or for trade in non-sensitive categories would be a new concept under the present MFA. It should be noted that the present wording of the MFA provides rather broad parameters and discretion to the U.S. and its bilateral trading partners for the negotiation of bilateral agreements. For example, our present agreements with the three major suppliers call for only three percent growth in quota levels for a number of sensitive apparel categories.

Question. In 1980, the U.S. government and the People's Republic of China (PRC) signed a bilateral textile agreement which sets quotas on eight categories of PRC apparel imports into the U.S. The agreement also provides for quotas to be established on other categories if China's trade threatens to disrupt the U.S. market. Thus far, the U.S. government has put only 2 of the other 98 categories under quota even though imports from the PRC are growing rapidly. What is your view about these imports? Should we react more quickly to limit these imports? If so, how would you use your office to accomplish this?

Answer. We are carefully watching the growth in trade from the PRC in every category on a monthly basis, and we will not hesitate to request consultations on additional categories if the market situation should require. The current agreement provides safeguards under which we can protect base levels appropriate to our total market and the rights of other suppliers. If the PRC follows a highly disruptive pattern of trade in particular categories, we will request consultations earlier than previously contemplated in order to safeguard the domestic market from the threat of market disruption.

QUESTIONS BY SENATOR CHAFEE.

Question. It is my understanding that President-Elect Reagan in a letter to Senator Thurmond during the campaign supported a renewed but strengthened Multi-fiber Arrangement (MFA). I noted from press reports that you have placed priority on the MFA renewal. Of course, time is marching on.

When would you expect, for example, to bring together the industry/labor government advisors to get their input needed to formulate the government's policy positions on the MFA?

Answer. While I have not yet been able to schedule actual dates, I will meet with the appropriate advisory committees and the Government's Textile Trade Policy Group as soon as possible.

Question. You might recall that when the present MFA was up for renewal, our government sent representatives out to meet with each of the countries involved individually to promote the U.S. position in the upcoming negotiations prior to the multilateral negotiating session itself. Do you anticipate doing something similar? If so, what is your timing since the negotiating session resumes in April?

Answer. We have already held initial bilateral consultations with a number of other signatories to the MFA (European Community, Japan, Canada, Singapore, Malaysia, and the Philippines) and will have such talks with all other signatories as soon as possible. There will be further contacts with other signatories in the Far East in February and early March in connection with scheduled negotiations, and our representatives will have further contacts with other signatories later that same month. These bilateral consultations will be held on a virtually continuous basis until a satisfactory international arrangement is achieved.

Question. One of the big problems we've seen in the textile trade area is the fact that even though we've made bilateral textile agreements with those Far East countries, our government has been lax in the past in enforcing those agreements. Now I know that enforcement is not in your purview directly. That is a Customs Service and Commerce Department responsibility. However, as Chairman of the Trade Policy Committee which coordinates overall U.S. trade policy, won't you be

able to do something about this problem? I guess my question really is will you in that capacity address this problem?

Answer. Working in cooperation with other agencies, I intend to make every effort to see that our bilateral agreements with all other countries are properly enforced.

Question. The European Economic Community has taken and is considering further measures to try to limit U.S. textile exports to Europe. How do you anticipate dealing with this problem?

Answer. I will hold my first meeting with officials from the Commission of the European Community here in Washington on February 9-10 and will take that opportunity to impress upon them the seriousness with which the new Administration will view any efforts to limit U.S. textile exports to Europe.

QUESTIONS BY SENATOR MOYNIHAN

Question. As you may know, Senator Heinz and I introduced last session legislation to reform the Generalized System of Preferences (GSP). Could you give me your views on this program and whether you think the drastically uneven distribution of GSP benefits is reason to consider reform? At present, 70 percent of all GSP benefits are accrued by only five countries: Taiwan, Hong Kong, Korea, Brazil and Mexico. The purpose of our bill is to ensure that GSP benefits are more evenly distributed, particularly to the less developed developing nations.

Answer. The U.S. GSP grants duty-free treatment to 140 developing countries on about 2,800 articles, most of which are manufactures and semi-manufactures. For a developing country to benefit from the program to any considerable extent, it must be far enough along the development path to have the infrastructure and productive capacity necessary to produce the types of products currently on the GSP list. The five countries you specified, which are the top beneficiaries of the U.S. scheme, have the export capability to participate more fully in the U.S. program. On the other hand, many of the items exported by the less developed developing countries, such as textiles and footwear, are statutorily excluded from receiving GSP treatment. I think it is also important to note that the GSP program contains "competitive need" limitations which are designed to graduate GSP beneficiaries in products where they have demonstrated international competitiveness. Although it is true that the five countries mentioned in your question currently account for 70 percent of GSP benefits, they also account for 70 percent of the GSP's competitive need limitations. In fact, if only industrial products are considered, these countries account for nearly 80 percent of all competitive need limitations.

Last year the Carter administration announced reforms of the GSP in its report to Congress on the first five years' operation of the program. That report contained recommendations on "graduation," to be implemented on a product-by-product basis, which I believe over time will help to shift GSP benefits from the more to the less developed developing countries. Although I have not yet had a chance to review the specific details of your legislation, it is my view that the reforms suggested in the 1980 GSP report, in conjunction with ongoing efforts to add more products of specific export interest to the poorest developing countries, will accomplish the objective of more evenly distributing GSP benefits.

While trade trends shift only gradually at best, I believe that product-by-product limitation of GSP eligibility for advanced developing countries in products where they have demonstrated competitiveness will result in redistribution of GSP benefits among the 140 beneficiaries of the program. These changes are being implemented beginning in March 1981, and I believe we should see how they work before further modifications in the program are proposed.

QUESTIONS BY SENATOR GRASSLEY

Question. As a Senator from the State of Iowa, agriculture is extremely important to the economy of our State. I am sure that you are also aware of how important agricultural exports are to a healthy, economically sound agricultural economy.

I'd appreciate your comments as to whether or not you feel that the promotion of agricultural exports will be important to the Office of the Special Trade Representative during your tenure.

Do you have any ideas, either generally or specifically, as to what the federal government can and should be doing to increase the shipment of farm products overseas?

Answer. I consider the promotion of agricultural exports a priority goal of the USTR. Only with increased market access can we continue the expansion that has

characterized agricultural trade over the past few years. We will be actively attempting to encourage liberalization of barriers maintained by a number of countries and, at the same time, we will be seeking to reduce or eliminate export subsidies that some countries use to gain an inequitable share of the world market for products in which we would otherwise be competitive.

I believe that the system of private sector advisory committees that USTR uses has done much to reduce the tension that sometimes exists between the public and private sectors. By continuing and extending this working relationship I believe we can work on several different levels to seek the elimination of foreign barriers to trade and the elimination of useless restrictions in the United States that tend to reduce our competitiveness.

Question. The outgoing Administration, within the past month and a half or so, announced that it would be suspending meat import quotas for the coming year. Will you take into account the concerns and circumstances of American meat producers in re-evaluating this decision?

The 96th Congress passed legislation establishing counter-cyclical meat import quotas. This is substantial evidence of Congressional concern with this matter. Will you be willing to work with the Congress on this and related matters?

Answer. The decision of the Carter administration to suspend meat import quotas for 1981 will be reviewed in the near future. In arriving at the conclusion to suspend there was a review of calculations done by USDA, and the views of a number of concerned Federal agencies were taken into account. At this time I am uncertain as to how the reevaluation of the decision will come out, but we will be very definitely involved in the process. Incidentally, if there are to be restraints on meat imports in 1981 or in future years, the negotiations with foreign governments to establish those levels will be conducted by my staff.

I offer you my assurances that I will be willing to work with the Congress on the issue of meat, the counter-cyclical legislation, and on any other trade issue involving agriculture.

QUESTIONS BY SENATOR PROXMIRE

Question. Senator Brock, you are quoted in the New York Times of Friday, January 16, as saying "I have a lot to learn in the foreign trade area."

In light of that candid admission, what are your qualifications to serve as the President's Special Trade Representative? What role did you play in negotiating and writing of trade legislation during the time you served on the Senate Commerce and Finance Committees?

Answer. I do have a lot to learn about the trade area, as did many of my illustrious predecessors. Nevertheless, I believe that I am familiar with the basic skills of negotiation from my years of service in the House and in this chamber, and as chairman of a political party. Fortunately, the Office of the USTR possesses a professional staff of the highest quality, and I would expect to obtain additional help in the form of well-qualified assistants.

During my service in the Senate, I served on this Committee during the early years in which the Tokyo Round of Multi-lateral Trade Negotiations was under way, and participated in the close consultations between the Administration and the Congress which distinguished that process. In addition, I served on the international finance subcommittees of the House and Senate Banking Committees for eleven years. I feel that those years of service left me with a solid background in the trade area, on which I could now build.

Question. What are your views on the restricting of foreign auto imports through the use of tariffs and quotas?

Answer. This issue has to be addressed early on, and I am fully prepared to work with Senator Danforth and other Members of the Committee in exploring possible solutions to the automobile problem, including actions with respect to imports. The U.S. International Trade Commission concluded that imports are not the major cause of current problems in the American auto industry. Basically the combination of serious economic recession, high interest rates, and shifting consumer preferences toward smaller cars was found to be behind these current problems. However, imports have risen substantially, with Japan accounting for most of the increase, and have contributed to the industry's current difficulties.

Import restrictions are likely to provide little economic benefit to the domestic automobile industry in the current overall economic situation. We should, however, review the situation on a continuing basis.

Question. Under what circumstances would you restrict free trade among nations?

Answer. The United States is committed to an open world trading system. However, this commitment is based upon reciprocal access by the United States to foreign

markets. Our international trade agreements and our domestic trade laws reflect this commitment. For instance, only signatories of the government procurement code negotiated in the Multi-lateral Trade Negotiations benefit from access to the U.S. procurement market.

Although the United States is committed to a reciprocal open trading system, trade restraints are sometimes needed. Imports may be restrained temporarily under U.S. law to allow import-injured domestic industries to adjust to increased competition and international safeguard provisions. In a similar vein, the Multifiber Arrangement provides a framework for bilateral quantitative agreements for imports of textiles and apparel products, in recognition of the special problems of that sector.

The antidumping and countervailing duty provisions allow actions to offset unfair foreign competition through below cost pricing and subsidies.

I do not see the import relief and fair trade provisions of U.S. law as being contrary to our goals of an open-trading system. In fact, they are complementary. I intend to press forward to make world markets more accessible for the products of all nations, while continuing to enforce U.S. trade laws and international rules for fair competition.

Question. Do you believe that foreign-made television sets and steel are being dumped upon our domestic market and if so, what would you propose to do about it?

Answer. Televisions from Japan are already subject to an antidumping finding. Therefore, I would expect the Commerce Department to move expeditiously to collect such duties. To my knowledge there have been no other allegations of dumping. In any event, color televisions imported from Taiwan and Korea are subject to restrictions through June 1982 under Orderly Marketing Agreements.

There are a number of steel products which are now subject to antidumping duties and imports of all basic steel products are being monitored through the Trigger Price Mechanism, which includes an anti-surge procedure. President-elect Reagan has publicly endorsed these monitoring mechanisms and I would expect the Department of Commerce to vigorously administer them to ensure prompt and effective application of the law.

Question. Specifically, how do you propose to make foreign markets more accessible to American goods?

Answer. The recently concluded Tokyo Round of Multilateral Trade Negotiations is a major step in the direction of improved access for U.S. products in foreign markets. The MTN, more extensive and comprehensive than any previous trade negotiation, was designed not only to reduce or eliminate tariff and non-tariff barriers to trade in agricultural and industrial products, but also to shape the multilateral trading system and international trade relations into the 1980s and beyond.

As this Committee knows, although we reduced industrial tariffs around the world by some 33 percent and made significant progress in liberalizing agricultural trade in the MTN, the real keystone of the negotiations is a set of non-tariff measure codes which revise and expand GATT rules in some areas and introduce new GATT disciplines in others. The seven non-tariff measure codes along with the two agricultural arrangements and the framework understanding set forth a much-needed modernizing set of rules for the world trading system that will govern world trade for the next decade.

The basic objective of the codes is to minimize non-tariff trade distortions, which will lead to improved market access abroad for U.S. exporters. Our fundamental objective is to make the agreements work. Our strategy to attain this objective includes seeking the widest possible participation in the agreements; ensuring that other countries fulfill their obligations under the agreements at both the national and international levels; and contributing to the effective administration of the agreements at the international level within the GATT committee structure.

In my effort to promote American exports abroad, I intend to take great care to ensure that our negotiating partners live up to their commitments under the codes and to develop mechanisms to assist U.S. firms in taking full advantage of code benefits. As we review closely the implementation of the agreements by our trading partners, we must make it clear that we will settle for nothing short of full compliance. We will be watching closely for any signs of non-compliance and will pursue aggressively any complaints of code violations lodged by U.S. exporters. This strategy will be particularly important for the implementation and operation of the Agreement on Government Procurement, which, by conservative estimate, opens an international market in excess of \$25 billion to U.S. exporters.

The effective implementation and operation of the MTN agreements is just one way I propose to make American goods more accessible to foreign markets. In addition, we will pursue negotiations to reduce or eliminate other non-tariff distor-

tions to trade. One such item on our future work program is an agreement to deter international trade in counterfeit merchandise. We will also pursue other barriers to trade in product sectors where U.S. export potential is significant. In this regard, we will rely heavily on the advice of our private sector advisors and the Congress.

Question. What is your position with regard to dairy imports including the use of countervailing duties?

Answer. It is my understanding that certain dairy products were the subject of a complex set of agreements in the course of the Multilateral Trade Negotiations, and that certain of those agreements, implemented by sections 701-702 of the Trade Agreements Act of 1979, provide for administrative action by the President and the Secretary of Agriculture under defined circumstances in lieu of a countervailing duty investigation by the Department of Commerce. While I would not wish to prejudge any specific case, I would not want to see American dairy farmers deprived of any of the protection to which they are entitled under the law.

Question. Specifically, what will you do to reduce the cost and size of staff in your office? Could you supply me with your cost and personnel cutting timetable by March 1?

Answer. Under the recent trade reorganization, Congress increased the agency's full-time permanent positions from 59 to 116 positions for Fiscal Year 1980. With the departure of an individual who was assigned to the agency from the President's Executive Pool, total authorized positions were reduced to 115. When the agency was granted an exemption on March 26, 1980 from the hiring limitation, full-time permanent positions were reduced again to 113 positions.

For Fiscal Year 1981, the agency did not request an increase in full-time permanent staff. Therefore, authorized positions remained at 113.

The agency's fiscal year 1982 budget proposal requested additional personnel to satisfactorily accomplish assigned responsibilities. However, following a Presidential review of EOP agencies, total authorized positions for fiscal year 1982 were established at 109 positions, four less than the authorized fiscal year 1981 level.

Now I will be reviewing cost and personnel plans, and I will be giving you my views by March 1.

Question. Do you favor continuing the Grain Embargo against the Soviet Union? Under what conditions would you recommend the President end the Embargo?

Answer. As you know, the partial embargo placed on grain sales to the Soviet Union is not solely a trade-related matter. Thus, while in general I prefer the widest possible market for U.S. grain exports, a decision to end the embargo will require a determination by President Reagan, based on both foreign policy and trade factors. The Embargo was imposed in the wake of the Soviet invasion of Afghanistan, with the hope that other grain exporting nations would similarly cut back on their sales to the Soviet Union. In determining whether to continue the Embargo, we must consider this factor as well. At the same time, we should bear in mind the importance of maintaining our ability to serve as a reliable source of grain exports for the rest of the world.

Question. Under what circumstances would you recommend granting most-favored-nation status to the Soviet Union?

Answer. The granting of most-favored-nation status to the Soviet Union should be inextricably tied to the improvement of other aspects of our relationship with the USSR. Consequently, MFN for the Soviet Union would require: (1) That it fit within the context of our overall policy towards the Soviets, (2) that we receive adequate guarantees that U.S. exports will receive nondiscriminatory treatment in Soviet purchasing decisions, and (3) that adequate mechanisms are in place to prevent disruption to U.S. domestic industries resulting from imports from the Soviet Union. Any consideration of MFN for the Soviet Union should take place within the framework set forth by the Congress.

QUESTIONS BY SENATOR BRADLEY

Question. During the last decade, we have focused our negotiations on trade with countries of the developed world. That orientation clearly is reflected in the multilateral trade agreements and the list of signatories to them. This is an important accomplishment in the interest of improving U.S. access to foreign markets, and I'm sure you'll agree that still more needs to be done. However, low attention has been given to U.S. trade with countries of the Third World. Indeed, most of these countries have found the MTN agreements irrelevant or even offensive to their interests. Nor have we made much progress negotiating improved access for U.S. products on a bilateral basis. Even more importantly, U.S. export promotion to these countries has not been a central concern of U.S. trade policy. Yet it is becoming manifestly clear Third World markets are the area of greatest potential

growth for U.S. exports. In 1978 Third World countries took almost 38 percent of total U.S. exports, more than U.S. exports to the European Community, the Soviet bloc and the PRC combined. And our exports to the Third World have grown at 18 percent a year in the last decade, compared with only 15 percent-annual growth of U.S. exports to industrialized countries. Shouldn't this signal to us the need for a change in emphasis concerning trade negotiations and policy? Shouldn't we be putting more resources into creating more opportunity for U.S. products in Third World markets and framing a healthier trading environment concerning these countries? Are you prepared to give trade with Third World greater emphasis, and if so, do you have any ideas about what initiatives might be most useful? E.g., encourage AID to increase U.S. personnel in aid programs to create a more favorable climate for U.S. products.

Answer. It is correct that historically GATT rounds of trade liberalization have concentrated on reducing barriers to trade among the developed countries. In the mid-1970s, however, it became apparent that the developing countries were emerging as important traders in a growing array of products. Accordingly, the Tokyo Declaration launching the latest round of GATT negotiations—the Multilateral Trade Negotiations (MTN)—called upon participants to make special efforts on behalf of the developing countries.

Thanks in large measure to U.S. leadership, the MTN did focus on LDC trade liberalization. Among the more important steps taken by the United States were:

Bilateral agreements with 27 developing countries, including nearly all of the major trading countries in the Third World, which expand opportunities for U.S. exporters in these dynamic markets;

Tariff concessions that will reduce U.S. tariffs on industrial products from developing countries by approximately 25 percent;

The Framework Agreement, which establishes a firmer basis within GATT for voluntary differential treatment of LDCs and affirms the principle of graduation (i.e., the assumption of increased obligations and discipline as individual LDCs improve their trade performance);

Codes governing non-tariff barriers to trade (e.g., subsidies, government procurement, customs valuation, technical standards and import licensing), all of which include provisions designed to encourage LDC membership.

These impressive advances in fostering improved trade relations between the United States and the developing countries mark the beginning of an intensified effort to bring the LDCs into the market-oriented trading system that has served the U.S. so well for the past 35 years. USTR will be taking several steps to ensure the success of that effort:

We will continue our full-court press of the developing countries to obtain maximum LDC participation in the MTN Codes. Their adherence to the codes, especially by the advanced developing countries, is essential to improved market opportunities for U.S. exporters and to increased trade among the developing countries themselves.

We will support the strengthening of the GATT as the premier institution for resolving international trade disputes in pragmatic, balanced ways.

We will participate actively in multilateral efforts to translate the principles of differential treatment and graduation into concrete policies that take account of the legitimate concerns of developed and developing countries.

We will cooperate with the developing countries in exploring approaches to trade problems that were not addressed during the MTN (e.g., barriers to trade in services, safeguards, and trade-related investment problems).

We will participate in the trade aspects of the broader North-South dialogue, with the aim of avoiding the radicalization of the dialogue and preserving the integrity of the GATT. At the same time, we will take seriously the developing countries' aspirations to use trade as a vehicle for efficient economic development.

Question. The effective demand of these countries is determined largely by the foreign exchange available to them to finance imports. But the outstanding debt of non-oil producing Third World countries totals near \$300 billion, their oil import costs for this year were nearly \$60 billion, and their cumulative current account deficit was nearly \$70 billion. Clearly, for many of these countries, import financing will be a grave problem, and that could mean slow export growth for the U.S. Given these circumstances, would you agree that financing for the Third World should be an important U.S. concern, and that for this and other reasons, high priority must be given to developing policies to manage Third World financing needs? Will the STR office take an interest in Third World debt problems, petro dollar recycling and international lending programs under your leadership?

Answer. I am deeply aware of the importance of non-OPEC LDCs for U.S. exports and of the factors in the international economy potentially limiting their economic

growth and import demand. Our trade with these countries, which currently accounts for roughly a quarter of U.S. total exports, is under constant monitoring by the Office of the USTR.

The problem of petroleum-related LDC deficits and appropriate U.S. policy actions is one that particularly concerns this office because of the potential impact on U.S. trade. The U.S. Trade Representative is a member of the National Advisory Council on International Monetary and Financial Policies (NAC) which coordinates U.S. multilateral lending and debt policies. The USTR is also an ex-officio member of the Board of Directors of the U.S. Exim Bank. The office is thus in a position to support trade-related lending to LDCs. I intend to support policies which recognize the financing needs of LDCs and which benefit U.S. exports.

Question. Foreign trade and domestic economic performance are strongly interconnected. Export performance is a source of domestic economic growth and trade policies can be used to improve the structural competitiveness of the U.S. economy. The Japanese well know this and look at trade as an integral, if not the leading instrument, of domestic economic growth. Will your office do more to integrate considerations of structural adjustment and competitiveness in the U.S. economy into trade negotiations? For example, will you explicitly seek information on which sectors have the greatest potential for growth and employment, and then seek access for those products in foreign markets in ways that will enhance their potential?

Answer. Rapid changes in the structure of the world economy in recent years present the United States with adjustment problems and opportunities that must be closely related to the formulation of our trade policies and trade negotiating objectives.

On the export side, we must become more aware of the barriers—foreign or domestic—which limit the ability of our export industries to compete more effectively in foreign markets. We must also act to remove those barriers which prevent U.S. industries having the greatest export potential from gaining further access to markets overseas. To accomplish these objectives I will promptly (1) consult with our domestic private sector advisors to obtain their information and views concerning export barriers; and (2) utilize the analytical capabilities of my office and that of other departments in the examination of sectors to determine where and what action is needed to enhance our export competitiveness.

On the import side, we must be conscious of the problems faced by some of our industries which are experiencing serious pressures from competitive foreign producers. In any future trade negotiations, we must be careful to avoid exacerbating unnecessarily the domestic adjustment process of these firms and workers. In addition, we should examine our domestic regulatory, investment and tax policies to ensure that current government policies do not impair our competitive positions.

Question. How will your office set negotiation priorities? What considerations will be paramount?

Answer. U.S. negotiating priorities will be established through a process of consultation with the Congress and the private sector advisory committees. The Trade Act of 1974 put in place a new mechanism for building a broad basis of support for U.S. trade policy, through a process of consensus building on U.S. negotiating objectives and priorities. This process worked admirably during the Multilateral Trade Negotiations, and the Congress has expressed its support for this process in the Trade Act of 1979. I intend to develop this process further and, where appropriate, to strengthen it. I am confident that it will enhance the effectiveness of U.S. trade policy, and the support for it by the public and the Congress.

Question. Do you think there is a role in U.S. trade policy for voluntary restraint agreements which are arrived at without a positive finding by the ITC that imports are a substantial cause of serious injury, as required by Section 201 of the 1974 Trade law? If so, under what conditions are such agreements appropriate in your view? Do you tend to think that the situation of the automobile industry in the U.S. meets those conditions?

Answer. The questions you pose deserve careful consideration. Section 201 of the 1974 Trade Act is a provision with more than 30 years of history which has been refined several times by the Congress. One should not lightly propose a significant departure from the use of that procedure.

Voluntary Restraint Agreements have been negotiated in the past without a positive finding by the ITC. Such agreements currently exist under Section 204 of the Agricultural Adjustment Act and may be negotiated pursuant to Section 704(c)(3) of the Tariff Act of 1930. Thus, with the Section 201 procedure there are three statutory provisions which permit negotiation of voluntary restraint agreements. I believe we all need to reflect further on whether an additional provision is

appropriate at this time and whether the situation of the U.S. automobile industry would warrant negotiation of voluntary restraints.

QUESTION BY SENATOR DOLE

Question. What is the legal status of the Chairmanship of the Trade Policy Committee?

Answer. Section 242 of the Trade Expansion Act of 1962 requires the President to establish an interagency trade policy committee, i.e., the Trade Policy Committee. Section 141(c)(1)(E) of the Trade Act of 1974 specifies that the Trade Representative "shall be Chairman of the interagency trade organization established pursuant to section 242(a) of the Trade Expansion Act of 1962". Reorganization Plan No. 3 of 1979 states that the "Trade Representative shall have primary responsibility, with the advice of the interagency organization established under Section 242 of the Trade Expansion Act of 1962 . . . for developing, and for coordinating the implementation of the United States international trade policy, including commodity policy matters and to the extent they are related to international trade policy, direct investment matters". Executive Order No. 12188 of January 2, 1980, implements the reorganization plan by continuing the Trade Policy Committee. Section 1-102(b)(1) of that Executive Order specifies that the Trade Representative "shall be Chair of the Trade Policy Committee, as required by section 141 of the Trade Act.

In light of the statutes, reorganization plan, and Executive Order cited above, it is explicitly clear that the Chairman of the Trade Policy Committee must, by law, be the U.S. Trade Representative. Therefore, obviously, I will be the Chairman of the Trade Policy Committee.

