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HEARINGS

Before the

COMMITTEE ON FINANCE

UNITED STATES SENATE

EXECUTIVE SESSION

Washington, D.C.

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EXECUTIVE SESSION

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Thursday, May 12, 1983

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United States Senate

Committee on Finance

Washington, D.C.

8 The committee met, pursuant to notice, at 10:05 a.m. in
9 room SD-215, Dirksen Building, Hon. Robert J. Dole presiding.

10 Present: Senators Dole (chairman of the committee),
11 Packwood, Danforth, Chafee, Heinz, Wallop, Durenberger,
12 Symms, Grassley, Long, Bentsen, Matsunaga, Moynihan, Baucus,
13 Boren, Bradley, Mitchell, and Pryor.

14 Staff present: Ted Kassinger, International Trade
15 Counsel; Roderick DeArment, Deputy Chief Counsel; Michael
16 Stern, Minority Staff Director; Jeffrey Lang, Minority Trade
17 Counsel; David Brockway, Chief of Staff, Joint Committee on
18 Taxation.

19 Also present: Ambassador William Brock; John Chapoton,
20 Assistant Secretary of Tax Policy, Department of Treasury;
21 Alan Granwell, International Tax Counsel, Department of
22 Treasury; Bill McKee, Treasury Department; Claud Gingrich,
23 General Counsel, U.S. Special Trade Representative; Gerald
24 Rosen, Department of State.

25

1 Chairman Dole: Let us see. Are we going to start on
2 authorization or CBI? What do we have, the USTR
3 authorization?

4 Mr. DeArment: We have three authorizations, Mr.
5 Chairman, USTR, the International Trade Commission and the
6 Customs Service.

7 Chairman Dole: On the USTR are there any areas that --
8 are we aware of any members who have the amendments to the
9 USTR other than Senator Danforth?

10 Mr. DeArment: Senator Long may have some amendments, Mr.
11 Chairman.

12 Chairman Dole: On USTR?

13 Mr. DeArment: Yes, sir.

14 Chairman Dole: What about the ITC?

15 Mr. DeArment: I know of no amendments in that area.

16 Chairman Dole: I think Senator Danforth has an amendment
17 to the USTR. Why don't we move to the USTR? We are waiting
18 for a few members to come before we get into the Caribbean
19 Basin. I know there are some amendments on the Customs.

20 Senator Danforth: Mr. Chairman, with respect to the
21 USTR, I think there are a couple of points to make. I would
22 like Mr. Kassinger to elaborate on them, but it has been
23 thought for some time that the USTR is a place really for
24 professional negotiators. That is a skill which is
25 acquired. It is learned. It is possible to train people, in

1 that there should be a more comprehensive and consistent job
2 of training people in that office as negotiators and as trade
3 personnel.

4 So the thought was to provide some funds for training.
5 Also, it is my understanding that the state of the word
6 processing equipment at USTR is far behind what it is in
7 other departments of government.

8 The first question I would raise with respect to USTR is
9 whether or not we could provide additional funds for, first
10 of all, training and second, word processing equipment. Ted,
11 you might like to embellish that.

12 Mr. Kassinger: Mr. Chairman, as Senator Danforth pointed
13 out on the training money, basically follows up on a study
14 that he and Senator Long and other members of the Committee
15 asked for two years ago and USTR reported last year about a
16 number of steps that might be taken to improve the in-house
17 training programs of the Office of the Trade Representative.

18 Chairman Dole: What are you talking about? \$340,000?

19 Mr. Kassinger: For both training and word processing. I
20 might point out that the reciprocity bill is going to
21 require --

22 Chairman Dole: Is there any objection to the amendment?
23 If not, the amendment will be agreed to.

24 Senator Heinz: May I ask a question as clarification?
25 Will this also assist USTR in negotiating with the Treasury

1 Department on a GATT table disk alternative?

2 Chairman Dole: I think it is directly tied to that.

3 Senator Danforth: Mr. Chairman, one other point in
4 connection with the USTR. As you know, there are several
5 proposals for creating a new Department of Trade. There are
6 hearings going on, as a matter of fact this morning, in the
7 Governmental Affairs Committee on the creation of a
8 Department of Trade.

9 The President has supported the concept. Secretary
10 Baldrige is strongly supporting it. I have attempted to
11 maintain at least a reasonably neutral posture myself on it.
12 It is becoming increasingly difficult for me to do so, but it
13 seems to me that the issue of whether we have a Department of
14 Trade is not simply a question of organization, but it does
15 have a question of trade policy, where trade policy is made,
16 whether or not trade policy should be from the White House or
17 should be entrusted to a separate department.

18 There are necessarily, as far as the Senate is concerned,
19 subsidiary issues such as who confirms the Secretary and so
20 forth and, therefore, it seems to me that the Finance
21 Committee should at least take a look at the whole question
22 of whether or not there is a Department of Trade and raise
23 the issue. I think right now most of the talk about it is in
24 the Congress.

25 The Senate at least has just said, well, that seems like

1 a good idea, without really thinking the matter out. I think
2 if there is any committee that has the concern and the
3 knowledge about the issue to think the matter out, it is the
4 Finance Committee. So I simply raise the question as to
5 whether or not you and Senator Long could seek referral of S.
6 121, which is the Department of Trade bill.

7 Chairman Dole: Let me say we discussed this yesterday,
8 and I think it is probably a good idea. I will discuss it
9 with Senator Long.

10 Obviously we have a direct interest in not only trade
11 legislation but what might happen to some agency we have
12 jurisdiction over in the new trade reorganization program. I
13 would think that Senator Roth would be very willing to have
14 us take a look at his idea.

15 Senator Heinz: Mr. Chairman, I would like to strongly
16 support that notion. When we crafted the 1979 Trade
17 Agreements Act we specifically made some very considered
18 judgments about what authorities should administer various
19 portions of the trade law.

20 As the Chairman and Senator Long will recall, many
21 members of this Committee felt very strongly about the
22 realignment of that decision-making authority, and I would
23 think this Committee should be very deeply involved in any
24 reorganization of the trade functions which strikes at where
25 those decisions are made.

1 Indeed, it is almost impossible to conceive of the notion
2 of trade reorganization which would not change the locus in
3 which decisions are made. So I strongly agree with Senator
4 Danforth.

5 Chairman Dole: I would just say I visited with Senator
6 Long briefly about it. I think perhaps if Senator Long is
7 willing we could prepare a joint letter and ask for referral
8 to this committee. Senator Baucus.

9 Senator Baucus: I was just going to second the
10 recommendation of the Senator from Missouri. I think it is
11 critical that we have jurisdiction.

12 Chairman Dole: Okay. I think there is general feeling
13 then that we go ahead and take a look at it, and I appreciate
14 Senator Danforth raising that question.

15 Are there any other amendments? We want to move to the
16 Caribbean Basin because Ambassador Brock is here. I thought
17 while we were waiting for a quorum, are there any amendments
18 to the USTR authorization?

19 Senator Long: Mr. Chairman, I want to make one
20 suggestion. That is, based on what I have been able to
21 observe, the representation allowance to the USTR is not
22 adequate. It should be increased. It might not sound like a
23 big thing, but when those people from other countries in
24 positions to take somebody out, take them to dinner and pick
25 up the tab, it makes them look a lot more significant than

1 our poor souls who have not got two nickels to rub together.

2 It does not project the right kind of image for the
3 greatest country on earth. They have got to be as tight as
4 Dick's hatband and cannot afford even as much as a dutch
5 treat.

6 [Laughter]

7 Senator Long: So that should be increased. I would
8 strongly urge that we take a look at it and see what would be
9 a more appropriate figure.

10 Chairman Dole: I think that is probably a good
11 suggestion. Do you have an amendment in mind?

12 Senator Long: Let me ask Mr. Brock if he could give us
13 some thought about the matter. What is it now, Mr. Brock?
14 What is the representation allowance in that area?

15 Ambassador Brock: I do not have it in front of me, but I
16 think it has been about \$50,000 for several years now in a
17 row. We have been trying very hard to live with the
18 constraints all of us in government have to live with so we
19 have not asked for an increase.

20 Mr. Lang: The ceiling in the fiscal year 1983
21 authorization was \$65,000, but since then USTR has added a
22 deputy trade representative, a third deputy that they did not
23 have before.

24 Senator Long: Might I suggest \$75,000. That is such a
25 small amount you cannot find it in the budget, but it does

1 help the personnel that would be affected.

2 Senator Chafee: Mr. Chairman, I support that. I do not
3 think we want people having to go around and cadge lunches.
4 As the Senator from Louisiana said, it is hard for them to
5 even participate in a dutch treat. They have to bring along
6 their own brown bag.

7 [Laughter]

8 Senator Chafee: I do not think that is quite the set up
9 we want from this country. No one will ever accuse
10 Ambassador Brock of being a spendthrift. I have participated
11 in lunches with him.

12 [Laughter]

13 Senator Chafee: If there is a slower man on the draw in
14 reaching for a check, I have not met him yet.

15 [Laughter]

16 Senator Chafee: I heartily endorse --

17 Senator Long: I would to suggest that it be a hundred.

18 [Laughter]

19 Senator Chafee: Well, I am generous.

20 [Laughter]

21 Senator Chafee: I think we ought to let them proceed in
22 a satisfactory way. I do not know what a satisfactory figure
23 is. Is there any way of getting some recommendation rather
24 than reaching in the air?

25 Senator Packwood: One hundred is not excessive, John,

1 even if it is reaching in the air considering where they are
2 now. I think Russell's suggestion of 100 is a minimum, but I
3 accept it.

4 Senator Chafee: That will buy four breakfasts in Geneva.
5 [Laughter]

6 Chairman Dole: I know of no objection to that figure.
7 Without objection, the amendment is agreed to.

8 Are there other amendments to the USTR authorization? If
9 not, then perhaps we could approve that authorization.

10 Senator Long: Could I just ask one other thing? As I
11 understand it, did Senator Danforth bring up this matter
12 about trying to see that our people have better training,
13 trying to affect better training for our people?

14 Senator Danforth: Yes.

15 Senator Long: Did they agree to that?

16 Senator Danforth: Yes.

17 Senator Long: Great. I am pleased to hear that. That
18 is good.

19 Chairman Dole: I understand in the ITC authorization,
20 wasn't there to be at least some expression by this Committee
21 with reference to their working quarters?

22 Mr. Kassinger: I believe Senator Danforth might have
23 something to say about that, Mr. Chairman.

24 Chairman Dole: Were you going to put in some sense of
25 the Committee comment concerning the working quarters of the

1 International Trade Commission?

2 Senator Danforth: Yes, on the International Trade
3 Commission, Mr. Chairman, it was my idea that you be
4 authorized to write the Chairman of the Environment and
5 Public Works Committee with respect to the conditions of the
6 building that the ITC is inhabiting and that you request
7 adequate authorization for GSA to do whatever repair work is
8 necessary on the ITC building to renovate the building.

9 Chairman Dole: We visited there. It is certainly in
10 need of something.

11 Senator Danforth: There is a question if they are to
12 stay in that building, and if they going to be removed for
13 renovation, as to what happens in the interim? Obviously
14 there has to be some way of accomodating them in that interim
15 period of time, of allowing them to go out and rent space or
16 however they handle that.

17 The suggestion would be that you might write the Chairman
18 of the Environment and Public Works Committee and request
19 specifically that that building be renovated for them and
20 that adequate accomodations be provided in the interim.

21 Chairman Dole: I certainly have not discussed this with
22 Senator Long, but perhaps, if there is no disagreement, we
23 could send a joint letter to the Chairman and ranking member
24 of the respective committees.

25 Senator Long: We have time.

1 Chairman Dole: As far as I know there is no objection to
2 approving the ITC authorization and the USTR authorization
3 with the amendments. Since, Bill, you have to be at the
4 White House for a meeting, maybe we ought to set aside the
5 Customs authorization and move to the Caribbean Basin so that
6 the Ambassador can be with us as long as he can.

7 Is there any objection to that?

8 Senator Baucus: I was looking forward to the Customs
9 authorization at this point. How long is it going to take?
10 Can we handle that quickly?

11 Chairman Dole: How much time do you have, Bill? Maybe
12 CBI will not take long.

13 Ambassador Brock: I can stay until 11:00.

14 Chairman Dole: Let us just take a minute on the
15 Customs. Maybe it will not take that long.

16 Senator Bentsen: I am going to have an amendment, a
17 substantive one, in that regard. I am not sure how long it
18 will take, Mr. Chairman.

19 Chairman Dole: That is on funding?

20 Senator Bentsen: Yes.

21 Senator Packwood: Does it relate to personnel ceilings?

22 Senator Bentsen: Yes, it does.

23 Senator Packwood: My hunch is I will be with you.

24 Chairman Dole: We have been trying to figure out some
25 number on that. I do not see any big difference on it. Are

1 there other amendments on the Customs?

2 Mr. De Arment: Senator Heinz may have an amendment.

3 Senator Heinz: Yes, Mr. Chairman. I have one amendment
4 on Customs for more import information. I think it is
5 available to the staff.

6 Basically what it would do is it would make public the
7 name of the shipper. That does not necessitate any change in
8 practice since the name is already on the manifest, but what
9 happens today is it simply is not made public.

10 Mr. Chairman, excuse me. You just wanted to know whether
11 we have amendments now or should we offer them now?

12 Chairman Dole: No, I think if you have one, let us take
13 it up.

14 Sentor Heinz: All right. This would also provide that
15 the confidentiality request expire, instead of never, every
16 two years and would have to be renewed. We have some
17 confidentiality requests that were made 50 years ago that the
18 Customs Department automatically honors.

19 When these requests are made, it would be our intention
20 that we follow current practice, that is, they be
21 automatically honored or they would have to rerequest it
22 every two years. You may want to know what the purpose of
23 the amendment is.

24 It is to promote more public disclosure so that there can
25 be more competition. It is a pro-competitive amendment.

1 Right now people simply do not know where goods are entering
2 the country.

3 There are people who would like to compete for the
4 opportunity to have them enter at other ports. This will be
5 very helpful in that regard. I know of no opposition to the
6 amendment. I understand the administration does not oppose
7 it.

8 Senator Bradley: Mr. Chairman, I think this is an
9 important amendment. It does give more information to more
10 potential competitors, and I think that is only positive. I
11 support it strongly.

12 Senator Heinz: I thank the Senator from New Jersey.

13 Chairman Dole: The administration representative, is
14 there any objection to the amendment?

15 If there is no objection to the amendment it is agreed to.
16 Are there other amendments?

17 Mr. Kassinger: Senator Paucus and Senator Bentsen, I
18 believe, have amendments.

19 Senator Heinz: Mr. Chairman, let me also add I do have
20 one more amendment to the Customs authorization but I will
21 certainly defer.

22 Chairman Dole: Maybe we can move quickly here. Is it a
23 noncontroversial amendment?

24 Senator Heinz: I doubt it, but it is a very good
25 amendment.

1 (Laughter)

2 Senator Heinz: Why don't we give someone else a chance,
3 if they have one.

4 Chairman Dole: Lloyd.

5 Senator Bentsen: Fine. Mr. Chairman, what I am speaking
6 of is going along with most of the things the President has
7 recommended in terms of the increased Customs service but
8 rejecting entirely his program for cutting out 2,000 people
9 in Customs. I do not think it is realistic, and I do not
10 think it has been well thought through.

11 Senator Danforth and I have both addressed letters to the
12 Service asking for a detailed breakdown as to how it should
13 be applied. I do not think the answer has been satisfactory.

14 I have a situation where I am talking about \$33 million
15 increase over fiscal year 1983's appropriated level. Three
16 percent of that would be an increase in enforcement efforts.
17 About four percent would be just restoring Customs activities
18 cut by the President.

19 We have a situation and I will give you an example. In
20 Laredo, Texas where you have more people clearing Customs
21 than you do at Kennedy Airport. Long, long lines and then
22 you talk about cutting back the amount of personnel to that
23 degree. I do not really think it is realistic, Mr. Chairman.

24 Chairman Dole: We have had the same concerns that have
25 been expressed by a number of Senators on both sides. I have

1 had the staff try to work with that. It is my understanding
2 that we could probably accomplish that for about \$28
3 million. There is not that much difference.

4 I know that administration only sought an increase of
5 \$7.4 million and probably feels we do not need any additional
6 funds. So I do not think there is any objection to whether
7 it will be 33 or 28.

8 Senator Bentsen: I am not going to quibble with you over
9 that, Mr. Chairman.

10 Senator Heinz: Mr. Chairman, I want to support Senator
11 Bentsen's amendment, but I want -- I would like to know
12 whether it is 28 or 33 because I have an amendment to his
13 amendment which I would like to offer.

14 Chairman Dole: Maybe, Ted, if you could do it rather
15 quickly, just suggest how you can accomplish what Senator
16 Bentsen would like to do, along with Senator Matsunaga and
17 Senator Long.

18 Mr. Kassing: I think the only difference would be
19 perhaps less money in the new programs that were proposed for
20 Customs and figuring in if there was perhaps, for example, a
21 personnel freeze, you might save about \$3 million a year
22 simply through normal attrition of about 250 persons. That
23 was basically the only difference. No specific program
24 changes.

25 Chairman Dole: In other words the only reduction would

1 be through attrition, is that it?

2 Senator Bentsen: It is not just that. They have a
3 number, he stated at the beginning, a number of new programs
4 that they built into this that are really pretty soft on
5 their numbers.

6 Mr. Kassinger: That is right. The number I had come up
7 with was just thinking those might be a little bit softer.

8 Chairman Dole: I think we ought to accept the Bentsen
9 amendment.

10 Senator Heinz: Mr. Chairman.

11 On that, the idea, Lloyd, as I understand your amendment,
12 is to give the Customs Department a current services budget.
13 Is that essentially the intent of it?

14 Senator Bentsen: In effect.

15 Senator Heinz: Mr. Chairman, as I say, I support that
16 but I also seek to add \$2 million in addition to current
17 services for steel enforcement. The situation is that the
18 Customs Department has found an enormous amount of fraud
19 partly because the documentation that is available to them
20 due to the trigger pricing mechanism allows them to catch
21 people that previously they have not been able to catch.

22 Having caught trading companies, many of them Asian
23 trading companies from Japan and Korea, doing illegal things
24 in steel, they have found they are doing illegal things with
25 respect to other commodities and products.

1 Secondly, with respect to the recent European EC steel
2 agreement which the administration entered into, they have
3 recently found a large number of phony country of origin
4 cases. Indeed, I have here a list of the cases now pending
5 or recently underway just in the steel area. As you can see
6 it is a rather lengthy document with many, many entries on it

7 It seems to me that there is more to this than just
8 cracking down on steel illegalities. I think this tends to
9 make our Customs people more able to go after other real
10 problems here. I would hope the Committee would agree to
11 this.

12 Chairman Dole: I wonder if we might be able to
13 accomodate that request within the \$33 million.

14 Senator Heinz: As long as it is specifically made clear,
15 Mr. Chairman, that there does need to be an additional
16 \$2 million for steel enforcement. It is vital that we
17 earmark it because there are so many other competing
18 priorities.

19 Chairman Dole: I am sure the administration might want
20 to be heard, but I think we are going to have to move to the
21 Ambassador.

22 Senator Bradley: Mr. Chairman, let me just say on
23 Senator Heinz' amendment, I have received a great deal of
24 complaints from textiles and perfume from a variety of other
25 industries that claim that indeed there is a lot of

1 counterfeiting going on. You need more agents to try to
2 counter that.

3 I think steel is certainly an important industry, but I
4 think the others are equally important. I do not know how we
5 want to earmark one and not earmark another.

6 Senator Heinz: I want to make clear this is not so much
7 the agents on the dock. This is actual enforcement. This is
8 prosecuting the cases. The list I have shown you are the
9 cases that are being investigated. These are paper trails.
10 Probably the most famous of these cases is the Mitsui case
11 which was open two and half years ago.

12 The Mitsui case continually spawns additional cases and
13 the investigatory work, the following out the paper trail --

14 Chairman Dole: Why do we not set aside the Customs
15 authorization? I am going to lose the Ambassador in about
16 thirty minutes.

17 Senator Heinz: As long as I do not lose the amendment,
18 Mr. Chairman. This is in addition to the Bentsen amendment.

19 Senator Baucus: Mr. Chairman, my amendment complements
20 the amendment of the Senator from Texas.

21 Senator Heinz: Mr. Chairman, I gather we passed both the
22 Bentsen and the Heinz amendments, is that correct?

23 Chairman Dole: We are working on the Heinz, maybe we can
24 work in a Baucus amendment here.

25 Senator Baucus: Mr. Chairman, basically we all know the

1 problems we have had with reorganization of the Customs
2 Service. I have a letter dated just a day or two ago. The
3 Appropriations Subcommittee has held hearings on all of this
4 and Customs is not going to reorganize any further in fiscal
5 1983.

6 My amendment would simply provide that in fiscal 1984,
7 with any reorganization plans for Customs, first be given to
8 this committee 90 days notice. I am not stopping any
9 reorganization but let us at least have 90 days notice.

10 Chairman Dole: Is there any objection to that from
11 Customs?

12 No objection. The amendment is agreed to.

13 Now do we agree to fold the Heinz amendment into the
14 Bentsen amendment?

15 Are there any objections?

16 Senator Heinz: It sounds good to me, Mr. Chairman.

17 Chairman Dole: No objection. All right.

18 Senator Heinz: I wonder what we meant by that.

19 [Laughter]

20 Senator Heinz: We will work that out at staff level.

21 [Laughter]

22 Chairman Dole: I think it is perfect.

23 Now that we have approved that authorization, we will
24 move to the Caribbean Basin.

25 Ambassador Brock, we are pleased to have you with us. I

1 know there are amendments. I know Senator Bentsen has an
2 amendment that we will take up first.

3 Do you wish to make any statement before we proceed?

4 Ambassador Brock: I think it would expedite matters, Mr.
5 Chairman, if we could just go to any amendments or questions
6 you might have. You know how urgent we feel this bill is,
7 and I am grateful for your willingness to call the markup.
8 Whatever support we can give you I would be delighted to do.

9 Chairman Dole: I will first call on Senator Bentsen. I
10 know he has an amendment there is no objection to.

11 Senator Bentsen: Mr. Chairman, I have an amendment.
12 Frankly, I do not know of any objection to it. It is one
13 asking for drug enforcement cooperation in the CBI. This is
14 not anything new. This is something that we have asked of
15 other nations in these types of agreements.

16 I think it is one we should receive from the CBI for
17 qualification. This has been touched on before.

18 Ambassador Brock: I personally have no problem with that
19 at all. I will be delighted to see that.

20 Chairman Dole: Without objection, the amendment is
21 agreed to.

22 This was discussed at the hearings, and I think it was a
23 good point raised by Senator Bentsen.

24 Senator Long: Mr. Chairman, I want to make a suggestion.

25 Chairman Dole: Sure.

1 Senator Long: I would like to suggest an amendment which
2 gives the President additional flexibility in negotiating
3 with countries in the Caribbean. The amendment would permit
4 the President to waive some or all of the information
5 exchange provisions if he deems it to be in the national
6 interest.

7 There could be circumstances where the exchange of
8 information might place an undue burden on the Caribbean
9 countries. In light of benefits to be derived from this
10 bill, I think it would be appropriate that the President
11 would have the authority to waive it if he deems it in the
12 national interest.

13 Is that in accordance with your thoughts, Mr. Brock?
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1 Ambassador Brock: I do not believe there is any problem
2 with that, Senator. From my point of view, it simply
3 increases the President's authority. I do not believe that
4 would be anything difficult for us.

5 Chairman Dole: You might want to waive it for civil, but
6 not criminal.

7 Ambassador Brock: With regard to country.

8 Senator Long: We are talking about the information
9 exchange. The kind of situation you are going to have with
10 regard to some countries would be, Bermuda is one example, it
11 might be the case with Panama. It might be the case with the
12 Bahamas where they might say that is going to give us so many
13 problems out here that, if we are going to do all that, we
14 just cannot participate in the Caribbean Basin Initiative.

15 What I am suggesting is that the President or someone
16 acting on his behalf, whoever has the responsibility to say
17 if you will give us the information in this regard and that
18 regard, we will waive it in other respects. I am informed
19 that some of the countries are not likely to participate
20 anyway because of the information requirement.

21 I am just saying that to the extent that they can
22 cooperate, I think they want to, but if it is so burdensome
23 that they do not think they can comply with it, if it means
24 they cannot participate, I think the President ought to have
25 the power to waive it if he deems it in our national interest.

1 Ambassador Brock: Personally, it does not cause any
2 problem for us in the CBI context. I think Treasury would
3 express some concern.

4 Chairman Dole: I wonder if we might hear from Mr.
5 Granwell on this issue. I think what we are concerned about
6 are tax havens and trying to get information.

7 Mr. Granwell, do you want to be heard on that?

8 Mr. Granwell: Yes, sir. We had explored the possibility
9 of having some presidential discretion in the national
10 security interest for various of these jurisdictions and, in
11 consulting with the Secretary, he just would not be able to
12 support that. Or, in other words, he would continue to
13 support the broad exchange of information involving civil and
14 criminal information.

15 Senator Long: Are you just up here saying that if we put
16 the same authority with you, that would be just great, but
17 you are not willing for your boss to have that authority?
18 That does not make a lot of sense to me. It seems in the
19 last analysis when you get down to the point where you have
20 various departments -- the State Department trying to do
21 business with people, Treasury trying to get tax information,
22 somebody else wanting certain other information -- and the
23 people look at all this and they say well, if we have got to
24 do all that, then just count us out.

25 Now you people just want to, if you do not want to waive,

1 if that were you, you would not waive. But you would not
2 trust your boss to have the same authority that you would be
3 willing to exercise yourself. I just do not think it makes
4 that much sense.

5 I think you ought to look at what the objective is that
6 you are seeking to achieve, whether the objective actually
7 justifies saying well, yes, when you look at the other guy's
8 side of the argument, his problem, whether the objective
9 justifies, in this nation's interest, insisting on a
10 hidebound situation or whether it justifies a waiver, I
11 think it would be all right if you are going to trust me with
12 that authority, but not if you are going to entrust my boss
13 with it. The boss is the guy that people elected to office.
14 You are not.

15 Mr. Granwell: I understand, Senator. Under the bill, as
16 you are aware, there is no discretion. The exchange is
17 mandated by the statute.

18 Senator Long: Well, you people come up here and you,
19 speaking for the President, want to tie your boss's hands. I
20 am not sure he is even aware of that.

21 Chairman Dole: Senator Long, why couldn't we limit the
22 waiver to civil information, civil-type information that
23 would exclude criminal? That is an area of concern, a lot of
24 concern about drug trafficking, of Senator Chiles, Senator
25 Hawkins, Senator Bentsen and others. Do you have any feeling

1 about that?

2 Senator Long: It will be all right with me to say that
3 the President does not have the authority to waive with
4 regard to drug traffic, but that he has the right to waive
5 with regard to tax information. That would be all right. I
6 would be willing to compromise on that basis.

7 Mr. Chapoton: Senator, I apologize for being late.

8 The suggestion was made that we consider giving
9 presidential authority on national security grounds to accept
10 not piercing bank secrecy and bear shares in civil tax
11 matters, which would leave the present exchange of
12 information requirements fully in effect with respect to drug
13 matters and criminal tax matters.

14 We considered that possibility. We have discussed it.
15 But we decided the exchange of information is a very
16 important feature. Therefore, we decided that we would
17 oppose any reduction of the exchange of information.

18 Senator Long: Well, you want that for Treasury. I am
19 not sure if your boss understood what this thing is all about
20 that the President, I am not talking about the Secretary of
21 Treasury, I am talking about the President, the President
22 would like to have his hands tied in that respect. It seems
23 to me that the President might just need people to say well,
24 Mr. President, I am sorry, but if we have to do all that, we
25 just cannot participate in the CBI. There is not that much

1 in it for us to justify doing that.

2 Then, chances are, without the President discussing it
3 with them, he would say tell us how far can you go? How much
4 information can you provide us if we are going to let you
5 have the concessions in this CBI arrangement. And they say
6 well, we can do this and we can do that, but we cannot go
7 beyond that point. That is about as far as we can go with
8 you, Mr. President. He might be satisfied with that.

9 My thought is you tend to get somebody over there in one
10 of your shops over there in Treasury who will say oh hell,
11 no, we do not want the President to be able to waive it. If
12 they had their way, they would not let the Secretary of
13 Treasury himself waive it. I think if they find it in the
14 national interest. The question is, are these people going
15 to participate in it at all? Do you want to fix it, no, they
16 cannot participate. I am told some are not going to
17 participate, either, for just that reason.

18 Chairman Dole: Could I just ask, what will they lose?

19 Mr. Chapoton: They lose convention treatment. That is
20 the only thing they lose. That can always be negotiated in a
21 separate tax treaty. But as a part of the CBI legislation
22 under the present proposal, they would lose convention, North
23 American treatment for conventions if they did not agree to
24 full exchange of information.

25 Senator Long, we did go through the very point you are

1 making. There are a lot of considerations there. But we
2 decided that the information, we felt, was very, very
3 significant, that a significant benefit is being given here
4 and the tax information is very significant to us.

5 Senator Long: I will not insist on it, then. I will
6 just let it drop, see what happens.

7 Chairman Dole: Senator Chafee.

8 Senator Chafee: Thank you, Mr. Chairman. When the
9 Secretary of State appeared before us on this matter, the
10 question of a waiver as regards the copyright material,
11 namely the television material that was being taken from the
12 satellites, was discussed. The Secretary of State supported
13 a waiver for that. Therefore, I move that the waiver
14 provision be included in Section 102(b)(5) of this
15 legislation.

16 Chairman Dole: As I understand it --

17 Senator Chafee: I have a letter here, Mr. Chairman, from
18 Mr. Enders supporting, reiterating the position of the
19 Secretary on that.

20 Chairman Dole: As I understand it there is competing
21 interest involved here. My staff has had an opportunity, as
22 Mr. Chafee has, to discuss this with all the parties involved
23 and I believe there has been some agreement that we would
24 include the waiver and what else would be included, Ted,
25 excuse me, in the letter?

1 Mr. Kassinger: We also have the letter from the State
2 Department and we will include strong Committee report
3 language reiterating the Committee's position about
4 copyrights, protection of the copyrights.

5 Chairman Dole: Mr. Ambassador, is that satisfactory with
6 the administration?

7 Ambassador Brock: Yes.

8 Senator Danforth: May I ask, this has been a very
9 controversial matter.

10 Chairman Dole: It has been resolved.

11 Senator Danforth: It has it been resolved? To
12 everybody's satisfaction?

13 Mr. Kassinger: That is correct, Senator Danforth. All
14 parties are agreeable to this.

15 Senator Symms: Is its your anticipation, then, that
16 maybe what is now happening with respect to these properties
17 that are being taken and not paid for, that they will be
18 terminated at a certain time if the President has a waiver.
19 Is that the idea, that it be negotiated?

20 Ambassador Brock: We have a waiver in the bill, Senator,
21 but in addition, we have submitted a letter from the State
22 Department signed by the Assistant Secretary which states, in
23 effect, we would insist that the interest of American
24 copyright owners will be protected in regard to both
25 conventional scope of acquisitions and compensation. In

1 other words, it commits us to hold firm on the negotiating
2 position so that we do deal with the problem.

3 Senator Symms: But you would have flexibility, in other
4 words?

5 Ambassador Brock: That is right. It gives us a little
6 more flexibility and perhaps a bit of time to work out the
7 details of the arrangement. But as far as I know, this is
8 acceptable to both parties in the competing argument.

9 Senator Symms: Good. I hope we can work it out soon,
10 Mr. Chairman, because I hate to have us have one of our
11 neighboring countries allowing people to do something in
12 their country that we do not allow people to do here. I
13 guess that is really what is happening.

14 Ambassador Brock: We agree with that.

15 Chairman Dole: I think we have reached some resolution
16 of it. I do not want to get involved in somebody's damage
17 action here, but I believe we have resolved it. So, if there
18 is not objection, then, that waiver amendment would be
19 accepted along with the report language, which I assume will
20 be shown to Senators on both sides who have a specific
21 interest, and have it approved by them.

22 Now, I have an amendment with reference to Cuba. The CBI
23 enumerates the countries potentially eligible for benefits
24 and Cuba is included in this list, although the
25 administration insists it will receive no benefits because of

1 another provision which bars Communist countries from
2 eligibility. I would just like, if there is no objection, to
3 strike out Cuba. Then we do not have to worry about anybody
4 who might indicate that they were going to benefit.

5 Is there any objection?

6 Senator Pryor: No. I notice also on the possible list
7 of recipient countries would be Nicaragua. I wonder if your
8 amendment does not cover Nicaragua if, at least by some
9 language, you might address that in the Committee report?

10 Senator Heinz: What is the amendment, Mr. Chairman?

11 Chairman Dole: The amendment is to delete Cuba from
12 eligible countries in CBI. Senator Pryor has indicated
13 perhaps it should be extended to include Nicaragua. Perhaps
14 we could hear from Ambassador Brock?

15 Ambassador Brock: We have considered very carefully the
16 language of the proposed bill. It was my feeling and I think
17 the President's feeling that there should be no specific
18 reference to the exclusion of an individual country simply
19 because we wanted to leave out the prospect at some point for
20 the people of that country to be restored to freedom and have
21 a choice of their own government, which would allow them to
22 participate.

23 But there is generic language in the bill that clearly
24 and specifically excludes a Communist country. Cuba clearly
25 fits within that category. In all candor, it would be almost

1 impossible for Nicaragua to qualify under the extant language
2 of the bill as it is presently submitted to you. My own hope
3 would be that we would not change the language of the bill.

4 If Cuba has to be, is considered so -- if the judgment is
5 made that there is no prospect that Cuba could have a free
6 country in the next 12 years, then obviously it does not make
7 any difference to specifically exclude them from the bill. I
8 maintain some residual hope that maybe the Cuban people will
9 require their freedom again. I would hate for the bill to
10 preclude us from taking care of that if, in fact, that
11 occurred.

12 Chairman Dole: We could always put them back in. We are
13 here most of the time.

14 [Laughter]

15 Ambassador Brock: Senator, if you wanted to approach it
16 that way, obviously we would live with it. I hope we can
17 limit it to Cuba only, though.

18 Senator Chafee: Mr. Chairman, I would just like to say
19 that I have some reluctance in proposals that are being made
20 here. I think that, let us start with the easiest one,
21 Nicaragua. Who knows, Nicaragua might have a change and then
22 would be able to qualify under this and I think to
23 specifically eliminate countries by name puts us in a
24 difficult position and we go through -- I think the
25 legislation as originally presented makes a good deal of

1 sense, because I think that those countries that are clearly
2 Communist cannot qualify. But to name them by name, it seems
3 to me, mitigates against extending this to the country should
4 a change come about.

5 Maybe the Chairman's thought was that might handicap the
6 passage of the legislation, raising a red flag, if I might,
7 with Cuba in there. But I would hope we did not have to do
8 that, just speaking as one member.

9 Chairman Dole: We are informed if we do not do it in the
10 Committee, it will be done on the Senate floor. I would just
11 as soon avoid it on the Senate floor.

12 There may be some hope for Nicaragua. I am not certain
13 about that. We have all been around long enough. I do not
14 see much immediate hope for Cuba and we meet every year. It
15 would be a rather technical amendment. It is only four
16 letters.

17 [Laughter]

18 Chairman Dole: We could probably handle that here in a
19 couple of days.

20 Senator Durenberger: Well, Nicaragua is much harder to
21 spell.

22 [Laughter]

23 Chairman Dole: I think there are some questions about
24 Nicaragua, but if there is no strong objection by the
25 administration we would like to delete Cuba, because I am

1 certain we are going to face it later if we get to the floor
2 with this bill.

3 Does anybody want a roll call on that?

4 Senator Symms: Mr. Chairman, if I could just make an
5 inquiry and ask the Chair a question. I had come here this
6 morning intending to offer a resolution to the bill that
7 would say that the Committee resolves that the United States
8 should not buy sugar from any Communist country in the
9 Caribbean Basin or Central America. The definition of
10 Communist country would be the same as in the legislation.

11 Maybe we could delete Cuba and then put that resolution
12 in the bill and expand it to all benefits from this bill,
13 buying sugar or not, and not name Nicaragua. But that would
14 take care of it. If they are successful and get the
15 government overthrown and we get a more favorable situation
16 down there, then they would be eligible again.

17 Chairman Dole: Could we act on the Cuba amendment? Then
18 maybe we can move the resolution later.

19 Is there any objection to deleting Cuba? Without
20 objection.

21 Senator Symms, do you have a ship amendment?

22 Senator Symms: Yes, I have a ship amendment, Mr.
23 Chairman.

24 Chairman Dole: Float it out here and let us see it.

25 [Laughter]

1 Senator Symms: The amendment is that tax deductions for
2 conventions are permitted for those conventions held within
3 the North American area and when held on passenger vessels,
4 the deduction is further limited and is available only for
5 those held on U.S. flag vessels calling at U.S. ports. There
6 are only five U.S. flag vessel cruise ships and two of them
7 operate out of Hawaii.

8 I think we ought to clarify this. This was changed in
9 1978 with the intention, I think, that maybe it would help
10 stimulate a U.S. flag vessel cruise ship industry, but it has
11 not. There have not been any new cruise ships available. So
12 Treasury's opposition to this has been that they cannot
13 clarify whether the business convention is for pleasure or
14 for business.

15 In other words, you would approve a convention in Jamaica
16 and say it is for business, but you would not approve a
17 convention on a cruise ship that maybe called on several of
18 these ports. It seems to me we ought to put this law back
19 the way it was prior to 1978 and just allow business
20 deductions for conventions that are on foreign flag cruise
21 vessels.

22 Senator Packwood: Mr. Chairman, I agree with Senator
23 Symms. This argument that a convention on a cruise ship is a
24 lark and a convention at the homestead is all business I find
25 an unusual dichotomy. that anybody who has been to

1 conventions anyplace know they are part work and they are
2 part pleasure. I do not think there is any great difference
3 between where they are held, so I would support the amendment
4 of the Senator from Idaho.

5 Senator Long: Mr. Chairman.

6 Senator Symms: I am just talking about foreign flag
7 cruise ships in the Caribbean Basin that would be affected by
8 this legislation.

9 Senator Long: Mr. Chairman, I have a letter here from
10 Frank Groscak, President of the Maritime Trade Department of
11 the American Federation of Labor. He says that the Maritime
12 Trade Department of the AFL-CIO strongly opposes this
13 amendment and would appreciate your assistance in seeing that
14 it is not adopted. He is talking about applying this to the
15 foreign flag passenger ships.

16 He says last year Congress recognized the importance of
17 developing a U.S. flag passenger fleet and specifically
18 limited the deductibility of business expenses to the U.S.
19 flag passenger vessels calling on U.S. ports. This change in
20 U.S. tax law allowing a deduction for conventions on domestic
21 cruise ships was narrowly drawn to help that fledgling
22 industry, while at the same time providing jobs for
23 tax-paying U.S. citizens on board those ships.

24 Maritime Trade Department believes that extending this
25 provision to foreign flag vessels would be a severe blow to

1 the expansion of the U.S. flag industry, while benefiting
2 non-tax paying foreign flagship operators employing foreign
3 workers. Most of them are not even citizens of the Caribbean
4 Basin countries. Again, we strongly urge you to repeal this
5 amendment.

6 Senator Dole has read this. I had not read it. This is
7 from the Transportation Institute. It is a much broader
8 organization. They are opposed to it, also.

9 Senator Durenberger: Mr. Chairman.

10 Chairman Dole: I have agreed to yield to Senator
11 Matsunaga, next, Senator.

12 Senator Matsunaga: Thank you, Mr. Chairman.

13 Let us not decide here on faulty information. The
14 amendment says there has been no increase in American
15 shipping because of --

16 Senator Symms: There are still five vessels. There are
17 five of them.

18 Senator Matsunaga: But we have had vessels put into
19 operation because of the amendment which would give them tax
20 credit or tax deductions for conventions held on board
21 American flag ships. It has done some good, so let us not
22 destroy what has done some good.

23 If the Senator will change his amendment to say American
24 flag ship, that would lessen it somewhat, the objections.
25 But still, right now, as the law reads the deductions are

1 limited to American flag ships plying from American port to
2 American port. That is a very narrow provision in the tax
3 law and prior to that, they had no credit whatsoever, not on
4 ships.

5 I think this amendment would really discourage the
6 development of American shipping and I would strongly urge my
7 colleagues to defeat this amendment.

8 We just instituted that amendment and it took me five
9 years to get that bill passed, that amendment passed. And
10 here we are giving to foreign-owned vessels the same credit
11 as American-owned vessels and we are going to pass it in five
12 minutes? Let us think it over for five years instead of five
13 minutes.

14 [Laughter]

15 Senator Danforth: It seems to me that the whole point of
16 the Caribbean Basin Initiative is to increase economic
17 opportunities for the Caribbean Basin and that it is
18 irrelevant how people spend their time, either on boats or on
19 the beaches of Jamaica, or wherever they are going.

20 I do think that there is a difference in jobs created in
21 the targeted countries between conventions that are held on
22 their shores and conventions that are passing through, not
23 that there are not some job opportunities for conventions
24 that are passing through. But I think that there is much
25 more justification for providing the deduction for those that

1 are held on shore.

2 What is the difference in employment figures for a
3 country between a convention that is held within the country
4 as opposed to a convention that is held on ship?

5 Mr. Kassinger: I do not have any figures, Senator.

6 Senator Danforth: I think it is something like 40
7 percent difference or 60 percent difference.

8 Chairman Dole: Do you have anything on that, Buck?

9 Mr. Chapoton: No, Senator. We are opposed to the
10 amendment. I do not have those figures.

11 Senator Danforth: But clearly there is a vast
12 difference, is there not?

13 Mr. Chapoton: Clearly there is a difference, because
14 part of the capital --

15 Senator Danforth: The point of the Caribbean Basin
16 Initiative is not just to allow conventions willy-nilly
17 anywhere in the world or on the seas, but is to provide
18 specific economic opportunity to those countries that are
19 targeted.

20 Mr. Chapoton: And allow them to develop their own
21 convention facilities and their own hotel facilities.

22 Senator Danforth: Construction opportunities within the
23 countries and so forth.

24 Mr. Chapoton: That is correct, which would not exist if
25 the convention is held on a vessel and just sails through.

1 I would also mention, I think we do have to be careful.
2 Any of these convention provisions, as Senator Long
3 mentioned, have the tendency to export jobs, because we
4 assume the convention is going to be held one place. If it
5 is going to be held there or on a vessel, it is not going to
6 be held in the U.S.

7 We do not have a revenue impact or any significant
8 revenue impact, but we should not allow this transfer of jobs
9 and benefits to come about unless there is a significant
10 benefit to the U.S. also, which is one reason the exchange of
11 information, we feel, is important. We ought to try to
12 target the benefit as much as possible, that is, in the
13 countries themselves.

14 Senator Symms: Mr. Chairman.

15 Chairman Dole: Senator Durenberger, then Senator Symms,
16 then we will dispose of the amendment. We will act on it.

17 Senator Durenberger: Mr. Chairman, I have been on one of
18 these cruise ship conferences in my life. It was the
19 National Governors' Conference back in 1967-68. I enjoyed it
20 a great deal. We learned a lot. We got a lot done, as much
21 as you can get done in a hotel. So I have no specific ax to
22 grind one way or another where conferences take place and
23 what the dollar value is.

24 I just think this is an issue of tax policy. It is not
25 an issue properly put in the context that we are trying to

1 save lives and turn around an economy and everything else in
2 the Caribbean. I think we look awful foolish when we are
3 cutting nutrition programs and food stamp programs and health
4 programs for the children of this country and we are passing
5 out tax benefits for rich lawyers to float around the
6 Caribbean, which is not my view, but it is a concept --

7 [Laughter]

8 Chairman Dole: Do not forget the bankers, too.

9 [Laughter]

10 Senator Symms: Mr. Chairman, if I could just make a
11 couple of points here before we do vote on this. It is my
12 understanding that the purpose of this legislation is to try
13 to create more economic activity in the Caribbean Basin. It
14 is also my understanding that the average port of call person
15 that goes ashore spends from \$55 to \$70 apiece at each port
16 that they visit in taxi fares, tours, meals, beverages and so
17 forth. It will be beneficial to the area if we allow this
18 and encourage it.

19 In 1983 they say there are 71 cruise vessels which will
20 have over 3 million passengers and generate over \$750 million
21 at these ports. And also, of every dollar that is spent in
22 these ports, whether it is a U.S. port or a foreign port, if
23 it is a foreign port, 75% to 80% of each dollar spent ends up
24 coming back to the United States because they purchase their
25 food, clothing and so forth, equipment and technology from

1 the United States. So, I think it is appropriate that it be
2 in this bill and I think it would make the bill stronger in
3 terms of economic activity in the Caribbean Basin.

4 So I do not offer this for some reason -- the argument
5 the Treasury opposes is as far as tax policy. I think it is
6 an inconsistent thing.

7 Senator Packwood spoke to that issue. It is just
8 inconsistent to say that a convention in a hotel can be all
9 business and one on a ship is not. There is just no
10 consistent fact to that.

11 The Four Seasons restaurant here in Washington, D.C. is
12 owned by some Canadians. Yet we have conventions there every
13 day of the week. People are going in there and making tax
14 deductions and you never hear anything about that and it is a
15 Canadian-owned company. I do not think it is a consistent
16 argument. It just seems to me like this is an appropriate
17 place to offer the amendment.

18 Senator Long: Mr. Chairman, if I just might ask Senators
19 to recall, those who were around at the time, what a farce
20 this thing of holding conventions on these cruise ships had
21 become at the time we acted to close up on that loophole. I
22 would just as the Treasury to go back and review some of the
23 foolishness that was involved in all that.

24 It was a joke. You could become a conventionaire just at
25 the moment. You did not even need to know the crowd. Just

1 sign up for the convention when you go aboard. So it was a
2 very lax rule.

3 I have no objection when you are using that to have an
4 American manned ship which, incidentally, is available in
5 times of national emergency as a troop ship of the United
6 States ready to go on short notice in good operating
7 condition with American crews to man it.

8 It is a different matter for them to have that type of
9 deduction there than to say that just anybody can do it.
10 Now, I once took a trip to Hawaii on the Lauralee back -- is
11 it still operating?

12 Senator Matsunaga: No.

13 Senator Long: Well, back when the old Lauralee was
14 operating and I enjoyed it, but it was very expensive. If
15 you are going to make these people compete, the American
16 people under the Jones Act compete with folks who are getting
17 their cruise out of Hong Kong, I doubt they are going to be
18 able to compete. If somebody wants to take a trip, he will
19 not use the American ship. He will go use a ship where they
20 have got their crew from Singapore or Hong Kong or goodness
21 knows where. It will cost us jobs for the United States. It
22 just does not support our interests.

23

24

25

1 Senator Matsunaga: If the Senator will yield, when my
2 amendment was passed it was called by the press as the Love
3 Boat amendment.

4 [Laughter]

5 Senator Matsunaga: If the Americans want to make love,
6 let them make love on American boats.

7 [Laughter]

8 Senator Symms: [Waved a white flag]

9 [Laughter]

10 Senator Matsunaga: Mr. Chairman, let me finish.

11 [Laughter]

12 Senator Matsunaga: If they want to make love on foreign
13 vessels, let them pay taxes.

14 [Laughter]

15 Senator Heinz: Mr. Chairman, this has been a victory for
16 the Love Boat.

17 Chairman Dole: Would you like a roll call, Senator Symms?

18 Senator Symms: No. I will withdraw the amendment.

19 [Laughter]

20 Senator Symms: I think the amendment has merit.

21 Chairman Dole: You have some difficulty there.

22 [Laughter]

23 Chairman Dole: I agreed to call on Senator Bradley next.

24 Senator Bradley: Mr. Chairman, I will be pleased to
25 yield to Senator Heinz. I have several.

1 Chairman Dole: Do we have questions? Bill?

2 Ambassador Brock: Mr. Chairman, I really have to go. I
3 wonder if I could just conclude with a very brief comment.

4 We can comment from our staff on several amendments, but
5 I wanted to make one last statement of the administration's
6 view of this bill and the importance we attach to it.

7 We put an enormous amount of effort into this process,
8 you and we collectively. We have made a number of
9 compromises. A number of sections of the bill have been
10 modified to make more difficult, if not eliminate, some of
11 the benefits to be derived from this process.

12 I would urge that further weakening amendments not be
13 adopted. If we are going to do something for these islands
14 and countries in Central America, it has to be something more
15 than rhetoric.

16 I think perhaps my concern is, very simply stated, to
17 pass a CBI bill that offers a lot in rhetoric but nothing in
18 substance might be worse than almost anything else we can do
19 because once again we would raise hopes and then dash them.
20 I simply wanted to conclude my own presence here by
21 expressing my very, very strong conviction of the importance
22 of this legislation to this country's vital interest.

23 It is not a foreign aid bill. There is not a dollar for
24 foreign aid in this entire process. It is an economic bill
25 in which we benefit and our security is enhanced.

1 I very much appreciate the effort and the attention of
2 this Committee to the subject.

3 Chairman Dole: I want to ask one brief question. I am
4 not trying to prejudice Senator Bradley's amendment, but he
5 is going to offer to increase the percentage on origins maybe
6 up to 60 percent.

7 As I understand, you would oppose that effort. I do not
8 want to get into the amendment.

9 Ambassador Brock: I have talked to the Senator from New
10 Jersey about our concern, and I do not know what amendments
11 he may or may not offer or others may or may not offer, but
12 on the question of the percentage of content involved in the
13 CBI we originally offered a 20 percent content proposal.

14 We have already compromised up to 35. Now, remember when
15 we are talking 35, that only includes the direct cost of
16 production. It does not include indirect costs of
17 production. It does not include profits. It does not
18 include advertising, things of that sort.

19 So if you go above 35, you may eliminate the possibility
20 for any of these countries to participate effectively in the
21 program. I would recall for you that the Congress itself
22 recognized this in 1979 in the Trade Act.

23 We had a 50 percent content rule at that time, and it did
24 not work. So we moved from 50 back to 35 in order to make
25 the GSP program work and that is precisely why we have ended

1 up with the same number here. We have had eight years of
2 experience on the 35 percent rule. It does generate a net
3 economic benefit and it is something that we know how to
4 enforce.

5 We know how the rules work. So I would hope that we can
6 maintain that percentage because I do think that will
7 substantially improve the employment prospects and the growth
8 prospects of these countries that we are trying to be helpful
9 to.

10 Chairman Dole: Thanks very much, Ambassador Brock. We
11 will try to complete the markup today. It may be necessary
12 if we get into some critical area to ask you to come back.
13 There will be somebody here from your staff. Is that right?

14 Ambassador Brock: Yes.

15 Senator Grassley: Mr. Chairman, I came in late. I just
16 want to know if I have got an amendment on the agenda so that
17 I can bring it up when it is in turn. If it is not, I would
18 like to inform you that I have an amendment I want to bring
19 up on this bill.

20 Chairman Dole: All right. Senator Bradley.

21 Senator Bradley: Mr. Chairman, I think that most members
22 of the committee share with Ambassador Brock the hope that
23 the economies of Central America and the Caribbean will be
24 able to not only recover from the slump that they have been
25 in as the world has been in over the last four years, but

1 return to the rather robust growth path that they had in the
2 1970s.

3 Those economies in the 1970s were growing at five to
4 seven percent until the recession hit in 1979, and we still
5 find ourselves in that recession. So I think that what I
6 will be proposing are a series of amendments that I think
7 will improve the prospects for economic growth in the region
8 and for jobs and for a more stable political environment.

9 The first amendment that I would suggest to the Committee
10 goes to what I think is the heart of the problem and that is
11 we want the countries of Central America to produce goods
12 that we will be able to buy in this country, that they will
13 be able to sell and thereby increase their own economic
14 well-being.

15 As it is now, we are in a competitive world economy and
16 some of the countries in Central America would be competing
17 in their efforts to sell to the United States with some
18 countries that have actually moved ahead rather rapidly in
19 the last decade, the so-called newly industrializing
20 countries.

21 Therefore, I think one of the things we might consider to
22 try to increase the possibility that they could get a big
23 market in the United States would be to bump off of the GSP
24 list those countries that have been doing very well and do
25 not need that preferential treatment any more.

1 Now, that was my original intent. However, I recognize
2 that if you go on a country-by-country basis it is
3 sometimes -- it is like using a sledge hammer instead of a
4 scapel. So what I would propose to do is that we would take
5 the same measure as exists now in GSP which is the
6 competitive needs basis on a product line graduation so that
7 if a country exports a particular line of products to the
8 United States under present law and gets above a certain
9 level of import, they automatically are assessed a duty.

10 If our goal is to stimulate production in Central America
11 and reduce the possibility that they would have unfair
12 competition from, say, Korea or Hong Kong or some of the
13 other newly industrializing countries, then what I think we
14 should do is to drop the level that is in the GSP now for a
15 competitive need basis.

16 I would suggest the lower we drop that the more those who
17 would compete with Central American countries would be less
18 able to compete because they would not have the helpful duty
19 treatment while the Central American countries would have
20 and, therefore, an open field to send those goods which I am
21 sure the bill envisions, they will be able to produce and
22 sell in the United States.

23 So that would be my first suggestion. I am told that the
24 level under GSP now is \$53 million.

25 Mr. Lang: Yes, Senator.

1 Senator Bradley: I would propose to lower that to about
2 \$40 million.

3 Mr. Lang: In other words, there would be a \$40 million
4 competitive need limitation on CBI beneficiary countries?

5 Senator Bradley: No, no, on any GSP beneficiaries.

6 Mr. Lang: I see. I see.

7 Senator Bradley: So, for example, this bill envisions --
8 I am somewhat dubious because I do think that most of the
9 teeth have been taken out of this bill, but it envisions a
10 new industry springing up in El Salvador or in Guatemala and
11 they might be producing a small electronic device. They
12 would be competing in their export of that device to the
13 United States with Hong Kong or Taiwan.

14 What I am suggesting is that Hong Kong and Taiwan maybe
15 should not have the same advantage as those countries that
16 this bill intends to help. Therefore, I would hope that if
17 we were able to bump them off of the special treatment under
18 GSP that it might leave a more open field for the countries
19 of Central America.

20 Senator Heinz: Mr. Chairman.

21 Senator Packwood: (Presiding) John.

22 Senator Heinz: As I understand what Senator Bradley has
23 proposed, it is something that I am very much in sympathy
24 with. What he is really proposing within the context of the
25 CBI is the graduation as I understand it of the so-called

1 newly industrialized countries.

2 As the Chair knows and as Senator Bradley knows, this is
3 the subject of legislation that a number of us, I myself,
4 have introduced and others have sponsored or cosponsored. I
5 am in sympathy with the notion, but I would like to ask the
6 USTR what their views on doing this at this time is. It
7 sounds to me like a meritorious notion, but I would like to
8 have the administration comment on this.

9 Mr. Gingrich: Mr. Chairman, obviously changes in the
10 generalized system of preference program and proposed changes
11 have been proceeding within the administration on an entirely
12 separate track from the CBI legislation. We would very
13 definitely prefer, strongly prefer, that they be kept
14 entirely separate.

15 We are, in the administration, working on a proposed CBI,
16 excuse me, GSP revision bill. The program does expire in
17 January of 1985. That bill will be forwarded to the Congress
18 in the near future, and we would hope that we could take up
19 these kinds of questions in that context and not confuse the
20 CBI issue.

21 Senator Chafee: Mr. Chairman.

22 Senator Packwood: John.

23 Senator Chafee: I would like to say I am sympathetic to
24 the points that Senator Bradley has made. I am interested in
25 the GSP and think it needs some radical revisions.

1 I would think that those, as has been suggested by USTR,
2 that those are a very complicated area that should be the
3 subject of separate hearings and legislation. I think if we
4 get it mixed up into this bill, we would be doing something
5 piecemeal that would be very, very complicated.

6 I just do not think it is the proper sphere to bring it
7 up in, although I am sympathetic to the points that Senator
8 Bradley is making.

9 Senator Danforth: Mr. Chairman, given the fact that the
10 GSP expires in January of 1985 plus it is reauthorized and
11 that there is a considerable debate going on as to what the
12 GSP is going to look like, if there is such a thing after
13 that time, it would seem to me that the countries that have
14 been looking toward the Caribbean Basin Initiative would feel
15 they have come up emptyhanded if this amendment is adopted.

16 Senator Bradley: I am sorry. I was talking to the
17 Chairman. I did not hear what Senator Danforth said.

18 Senator Danforth: I think if we adopted this amendment,
19 given the fact that the GSP expires in 1985 and that its
20 future is very much in doubt, that the countries have been
21 looking to the CBI to benefit them would feel that they had
22 come up empty handed if this amendment is adopted.

23 Chairman Dole: Do you want a vote on that amendment?

24 Senator Bradley: Yes, Mr. Chairman. Let me say that I
25 personally hope that the GSP will not expire in 1985 and not

1 be renewed. I think it is very important to world trade and
2 economic growth and this amendment is offered with the
3 expectation that it will be renewed and that, when it is
4 renewed, that we do not want to have -- if the military
5 situation in Central America stabilizes, we do not want to
6 have Hong Kong and Taiwan in direct competition with an El
7 Salvador that is just getting its feet back on the ground and
8 it is in stable economic position.

9 I would hope that we could adopt this amendment and would
10 suggest that we can --

11 Senator Moynihan: If you could explain the safety
12 amendment again.

13 Senator Long: Can I ask Mr. Lang to explain that
14 amendment? Does he understand it?

15 Mr. Lang: Yes, sir. GSP is a program that provides zero
16 duty benefits to poor countries all over the world. The
17 products that get the benefit are disqualified if they meet
18 either of two criteria.

19 First, if they hit a dollar ceiling of total imports to
20 the United States from one country. That ceiling is adjusted
21 upward annually by a formula that is set in the law. It
22 started out at \$25 million. It is now at about \$53 million.

23 The second way a country can lose the benefit is that it
24 provides more than 50 percent of U.S. imports of that
25 product. If you hit either ceiling then that product from

1 that country does not receive GSP for the next year. At the
2 end of the year that is reviewed and it goes on like that in
3 the future.

4 My understanding of Senator Bradley's amendment is that
5 he would adjust downward the first figure, using the current
6 formula, to start again at \$40 million and that he would
7 adjust the percentage ceiling downward from 50 percent to 45
8 percent. In other words, countries and products would hit
9 the ceilings a little sooner than they do under current law
10 and would disqualify faster.

11 Chairman Dole: Are there any other -- does anyone else
12 want to be heard on that amendment?

13 As I understand, the administration opposes the
14 amendment. Also, we are getting into some hearings later on
15 this year on GSP. I think Senator Chafee was making a point
16 as I came in. It may have a great deal of merit. I am not
17 unsympathetic. I do not know enough about it, but I would
18 hope that we might wait until we have had some hearings. We
19 have not had any.

20 Senator Heinz: Mr. Chairman, I expressed sympathy for
21 Senator Bradley's amendment as, indeed, I think we all have,
22 but I feel that we would be ill-advised to proceed with it at
23 this time. I would urge him to withdraw the amendment
24 because I think there is sympathy for the approach.

25 I think its defeat would not be an accurate measure of

1 how the members of the Committee really feel about the
2 general direction.

3 Senator Bradley: Mr. Chairman, I feel that if we are
4 really serious about economic development in Central
5 American, then I think that we have to consider the potential
6 competitors of the Central American economies and decide that
7 we do not want to give them special preference when they do
8 not need it.

9 This happens to be the intent of the amendment, and while
10 I recognize that GSP will come up for discussion sometime
11 later this year and that it expires on January 1, 1985, I
12 think that this is a very important signal to send to those
13 countries, that when we are addressing an issue that clearly
14 affects their economies, we are thinking of all the possible
15 aspects that could affect their economy.

16 Chairman Dole: Do you want a roll call?

17 Senator Bradley: Yes, I would.

18 Chairman Dole: The clerk will call the roll.

19 The Clerk: Mr. Packwood?

20 Senator Packwood: No.

21 The Clerk: Mr. Roth?

22 Senator Roth: No.

23 The Clerk: Mr. Danforth?

24 Senator Danforth: No.

25 The Clark: Mr. Chafee?

1 Senator Chafee: No.
2 The Clerk: Mr. Heinz?
3 Senator Heinz: No.
4 The Clerk: Mr. Wallop?
5 Senator Wallop: No.
6 The Clerk: Mr. Durenberger?
7 Senator Durenberger: No.
8 The Clerk: Mr. Armstrong?
9 [No response]
10 The Clerk: Mr. Symms?
11 Senator Symms: No.
12 The Clerk: Mr. Grassley?
13 Senator Grassley: No.
14 The Clerk: Mr. Long?
15 Senator Long: Aye.
16 The Clerk: Mr. Bentsen?
17 [No response]
18 The Clerk: Mr. Matsunaga?
19 Senator Matsunaga: Aye.
20 The Clerk: Mr. Moynihan?
21 Senator Moynihan: No.
22 The Clerk: Mr. Baucus?
23 [No response]
24 The Clerk: Mr. Boren?
25 [No response]

1 The Clerk: Mr. Bradley?

2 Senator Bradley: Aye.

3 The Clerk: Mr. Mitchell?

4 Senator Mitchell: Aye.

5 The Clerk: Mr. Pryor?

6 Senator Pryor? Aye.

7 The Clerk: Mr. Chairman?

8 Chairman Dole: No.

9 Chairman Dole: On this vote the nays are 11, the ayes
10 are five.

11 The amendment is not agreed to and the absentees may
12 record their votes.

13 Senator Heinz: Mr. Chairman, do you have anybody else to
14 offer an amendment?

15 Senator Bradley: I would be pleased to yield. I have a
16 few more.

17 Senator Heinz: Mr. Chairman, this is a somewhat
18 technical amendment. It is to clarify that the bill requires
19 a waivable denial of beneficiary status to countries that
20 repudiate or nullify U.S. patent or trademark rights or other
21 intellectual property.

22 We amend the bill to in effect insert those words in the
23 appropriate places. The reasons for this stems out of a
24 recent action by the congress and president of Costa Rica in
25 enacting a law to annul a patent held under Costa Rican law

1 by a wholly owned subsidiary of a U.S. company. The State
2 Department has tried to take this to the very highest levels
3 in Costa Rica. They have been unsuccessful in resolving it.

4 We were advised that they believe that this is a clear
5 violation of the Buenos Aires Patent Convention of 1910. By
6 making this denial of beneficiary status waivable, we give
7 our negotiators more strength, but we also provide the
8 flexibility the administration wants.

9 I do not believe the administration opposes this.
10 Indeed, they might even support it.

11 Mr. Gringrich: That is correct, Mr. Chairman. We have
12 no problem with the amendment.

13 Chairman Dole: You support the amendment?

14 Mr. Gringrich: Yes, sir.

15 Chairman Dole: Is anybody else involved in the
16 administration other than USTR?

17 Mr. Rosen: We have no problem at State with the
18 amendment.

19 Senator Long: As I understand it, this is discretionary?

20 Senator Heinz: That is correct.

21 Senator Long: It is not mandatory.

22 Senator Heinz: It is not mandatory.

23 Chairman Dole: Without objection, the amendment is
24 received. Senator Bradley.

25 Senator Bradley: Yes, Mr. Chairman.

1 Again, I think this goes to the question of whether the
2 economies, whether this bill will really help the economies
3 of Central America. This goes to the question that
4 Ambassador Brock raised and you had the discussion, that is,
5 how much good that qualifies for special treatment under CBI
6 should be produced in the country from which it is exported.

7 The bill as it is now drafted says 35 percent has to come
8 from a country eligible under CBI and that 15 percent can
9 come, and figured into the 35, can come from the United
10 States. What I would propose to do is to raise that figure
11 from 35 to 50 percent.

12 I would argue that this is consistent with the 1979 Act.
13 I know that Ambassador Brock said that the earlier Act had 50
14 percent and in 1979 it dropped it back to 35 percent, which
15 is correct. But that 35 would not count the portion that
16 came from the United States so that if we are really talking
17 about what percent should come from a CBI country under the
18 1979 Act, it is 35 percent.

19 Under my amendment it would be 35 percent if the country
20 had 15 percent coming from the United States so that it would
21 parallel the 1979 Act and not change it. So I would raise
22 the local production component from 35 percent to 50 percent
23 and keep the credit for 15 percent of American production.

24 Chairman Dole: Who wants to address that for a few
25 minutes?

1 Senator Heinz: May I ask Senator Bradley a question
2 about his amendment?

3 Bill, does that mean that you would do away with 35
4 percent entirely for local value added if there were no U.S.
5 value added of 15 percent or more? Does that mean any
6 country would have to have, to obtain the favorable treatment
7 anticipated here, 50 percent U.S.A. or not or you would
8 retain the 35 percent?

9 Senator Bradley: No. If they did not have any U.S.
10 value added, it would have to be 50 percent.

11 Senator Heinz: It would have to be 50 percent.

12 Senator Bradley: If they had U.S. value added it could
13 be as low as 35 percent.

14 Senator Heinz: And you were talking -- this applies on a
15 regional basis as opposed to an individual country.

16 Senator Bradley: That is correct. It applies on a
17 regional basis. I am somewhat dubious that we will actually
18 be able to tabulate what percent comes from each one of the
19 countries, and I considered doing it on a country-by-country
20 basis. But the bill has region and so I thought I would be
21 consistent with the structure of the bill and keep it
22 regional.

23 Senator Heinz: Thank you.

24 Chairman Dole: Claude, are you going to speak to this?

25 Mr. Gingrich: Yes. The administration would oppose the

1 amendment. As I understand it, the 50 percent rule would
2 apply if you had any U.S. content?

3 Senator Bradley: If you had 10 percent U.S. content, you
4 would only have to have 40 percent from the country under the
5 CBI.

6 Mr. Gingrich: The fact of that is to make the program
7 less attractive.

8 Senator Bradley: I am told that this is GAT consistent.

9 Mr. Gingrich: I was not addressing the GAT consistency
10 argument. What we do not want to do is create a program that
11 has less benefit for the Caribbean countries than the
12 generalized system of preferences program does now.

13 The effect of your program now would be to make the CBI
14 program less attractive than the GSP program because it would
15 raise the local content requirement.

16 Senator Bradley: But this is consistent with GSP,
17 right? Under GSP we have to have 35 percent.

18 Mr. Gingrich: That is correct, but under your amendment
19 if you had, say, 10 percent American content you would have
20 to have 40 percent content in the Caribbean. Many of these
21 countries simply cannot meet that in many of the products so
22 the result is that it is a reverse preference.

23 The CBI program is less desirable than the GSP program.

24 Senator Bradley: Okay. The point is that GSP is country
25 by country and this is regional.

1 I think what we have to do is ask the question whether we
2 want to encourage the maximum amount of local production or
3 whether we want these countries to simply be funnels for
4 other countries.

5 I would argue that this is consistent both with the
6 longer term growth prospects for the region, employment in
7 the region, and that it is not significantly -- while it is,
8 I admit, somewhat different than the '79 it could have the
9 same effect if there was 15 percent value added from the
10 United States, because in the '79 Act, there was no credit
11 for U.S. value added. It is 35 percent. Is that correct?

12 Mr. Gingrich: That is correct. Right at the 15 percent
13 level you are correct, but any place in between then it
14 becomes a less attractive program and penalizes one for being
15 a CBI country.

16 Senator Long: Could I ask that we be provided with a
17 couple of prime, a couple of significant examples of what is
18 involved here?

19 What are some of the things they are sending in whereby
20 just having 20 percent value that it would help them? I
21 would just like to know what are some of these things where
22 they have most of their content from some other country not
23 in the Caribbean area.

24 Can you tell us what some of the items are? I would like
25 to know what we are talking about.

1 Mr. Gringrich: I would assume that it would be sort of
2 like light manufacturing industries, electronic articles,
3 toys, that sort of thing where the products, the parts of the
4 products are sent in to the Caribbean countries and then
5 assembled there and reexported to the United States.

6 Senator Danforth: Mr. Chairman, an example would be the
7 world car, would it not, the so-called world car? That is,
8 where you have various components coming from various other
9 countries and the assembly being done in one country. That
10 is the kind of thing that the administration has in mind that
11 they want to attract into the targeted countries, the CBI
12 countries, something other than just indigenous manufacturing.

13 They want to encourage other countries to invest in the
14 Caribbean countries by participating in the manufacture of
15 products, components of which come from the investor
16 country. Is that a fair statement?

17 Mr. Gingrich: Yes, sir. That is correct.

18 Mr. Rosen: May I say, on behalf of the State Department,
19 our own independent analysis strongly supports that of USTR.
20 We feel a change of this nature would remove a very
21 significant portion of the benefit of this bill.

22 I think it is important to remember these are very tiny
23 countries and by raising the requirement to as much as 50
24 percent, we may be really condemning them to only shipping
25 basic commodities under this legislation and not develop the

1 kind of independence which we hope they will in economic
2 development. So we strongly support the position of USTR and
3 we would very much prefer not to see this amendment in the
4 rules of origin.

5 Senator Chafee: Mr. Chairman, what Senator Bradley is
6 proposing is a higher standard on the countries than
7 presently exists. It does not seem to me this is the route
8 we want to follow when the objective of the legislation is
9 to help these countries.

10 Chairman Dole: John, I assume if you are opposed to the
11 bill, this would be an amendment to vote for.

12 Senator Bradley: Mr. Chairman, if I could, could the
13 State Department share with us in specific how a gradual move
14 from 35 to 50, the amendment as I proposed was 50, but let's
15 say we want these countries to move into a takeoff phase and,
16 indeed, we want them to grow. Could you be specific as to
17 why a gradual move from 35 to 50 would place the region at a
18 great disadvantage and which sectors, which products --

19 Mr. Rosen: Mr. Chairman, the program is of 12 year
20 duration. Given the time it takes to make investment
21 decisions, get investments in place, I think if you have a
22 move up projected in the rules of origin, in the content,
23 that you really would inhibit a lot of major investments in
24 the Caribbean.

25 Senator Bradley: But could we have specific examples? I

1 know that is the contention, but what is the evidence of that

2 Mr. Rosen: Ambassador Brock spoke of our experience
3 under the GSP and under other arrangements. I think that
4 experience is even more relevant in much smaller countries in
5 the Caribbean.

6 Senator Bradley: What experience?

7 Mr. Rosen: The experience that a 50 percent requirement
8 was excessive and did not lead to the kinds of impacts on
9 investment and trade which we hoped they would.

10 Chairman Dole: Do you want a roll call?

11 Senator Bradley: Yes.

12 Chairman Dole: The clerk will call the roll.

13 The Clerk: Mr. Packwood?

14 Senator Packwood: No.

15 The Clerk: Mr. Roth?

16 Senator Roth: No.

17 The Clerk: Mr. Danforth?

18 Senator Danforth: No.

19 The Clerk: Mr. Chafee?

20 Senator Chafee: No.

21 The Clerk: Mr. Heinz?

22 [No response]

23 The Clerk: Mr. Wallop?

24 Senator Wallop: No.

25 The Clerk: Mr. Durenberger?

1 Senator Durenberger: No.
2 The Clerk: Mr. Armstrong?
3 [No response]
4 The Clerk: Mr. Symms?
5 [No response]
6 The Clerk: Mr. Grassley?
7 Senator Grassley: No.
8 The Clerk: Mr. Long?
9 Senator Long: Aye.
10 The Clerk: Mr. Bentsen?
11 [No response]
12 The Clerk: Mr. Matsunaga?
13 Senator Matsunaga: No.
14 The Clerk: Mr. Moynihan?
15 Senator Moynihan: No.
16 The Clerk: Mr. Baucus?
17 [No response]
18 The Clerk: Mr. Boren?
19 [No response]
20 The Clerk: Mr. Bradley?
21 Senator Bradley: Aye.
22 The Clerk: Mr. Mitchell?
23 Senator Mitchell: Aye.
24 The Clerk: Mr. Pryor?
25 Senator Pryor: No.

1 The Clerk: Mr. Chairman?

2 Chairman Dole: No.

3 Senator Bentsen: I vote no, Mr. Chairman.

4 Chairman Dole: Mr. Symms?

5 Senator Symms: No.

6 Chairman Dole: On this vote the nays are 13, the ayes
7 are three.

8 The amendment is not agreed to.

9 Senator Bradley: Mr. Chairman, I am having such success
10 with these amendments that I had two or three more but I do
11 not think I will offer them at this time.

12 Chairman Dole: All right. I think we may -- I would say
13 in fairness to the Senator from New Jersey I would be happy
14 to take a closer look at the one we just addressed and see if
15 there is some area between now and the time we make it --

16 Senator Bradley: I would argue, and I know that the
17 State Department and USTR did not have a chance to focus on
18 it until today and we did not have a chance to focus on the
19 markup until yesterday, but the point is that I do think
20 there is a rationale for gradually increasing the local
21 production level, and I know that the Chairman will be
22 willing to take a look at it.

23 I thank you very much.

24 Chairman Dole: I think we made it clear earlier that we
25 were in agreement on reporting out the authorization bill.

1 Is there anybody who objects to reporting out USTR, ITC and
2 the Customs with the amendments?

3 I think we did that, didn't we?

4 Mr. DeArment: That is my understanding, that they were
5 ordered reported.

6 Senator Grassley: If you had a roll call, I was absent,
7 and I would like to vote yes on all of those.

8 Chairman Dole: Senator Grassley, do you have an
9 amendment to the CBI?

10 Senator Grassley: Are you prepared?

11 Senator Moynihan: You say there has been no roll call?

12 Chairman Dole: No roll call on the authorization.

13 Senator Grassley: I have an amendment, Mr. Chairman.
14 Let me ask if the staff has passed my amendment out. If they
15 did not, I would like to have -- we have made copies so that
16 it could be passed out.

17 Chairman Dole: Okay. Why do you not go ahead and
18 explain it while they are getting the copies?

19 Senator Grassley: My amendment deals with the
20 expropriation part of the bill, and I would add at the end of
21 subsection (b) this provided however clause that with regard
22 to any action within paragraph 2(a), and you can look at
23 paragraph 2(a), at the bottom of page 3 of this subsection,
24 taken by any country prior to January 1, 1983, no designation
25 as a beneficiary country may be made under this Act unless

1 such country has made adequate and effective compensation to
2 such citizen, corporation, partnership or association.

3 My motive in doing this is to wipe the slate clean, that
4 henceforth we are not going to tolerate ignoring obligations
5 to U.S. citizens for seized property. I have four points I
6 want to make to the Committee and the administration and then
7 I have one point that I want to make just to the
8 administration in regard to the philosophical approach that I
9 have to this amendment, but there is also a practical aspect
10 to it.

11 That is simply that there are claims unpaid. There are a
12 few outstanding disputes but the lack of progress on two
13 settlements in Panama led the administration last year to
14 state that Panama would probably not be eligible. The
15 disputes still continue.

16 While I do not dispute the sincerity of the
17 administration in not allowing beneficiary status to
18 countries that fall into that category, there is a 12-year
19 program and a waiver provision would allow future
20 administrations not to abide by these current feelings.

21 As a practical matter we could, in good faith, receive
22 the testimony of the administration that they are working on
23 this problem and they are going to do something about it and
24 they are going to be very tough.

25 But as a practical matter, they can only speak for the

1 next two years or after the next election, at the most until
2 1988, so I would like to have more certainty that we are
3 going follow the rule of law in regard to claims.

4 Chairman Dole: I wonder if we might ask the
5 administration --

6 Senator Grassley: Could I finish my program here?

7 Chairman Dole: Oh, sure. I just wanted to see if they
8 had any objection to the amendment.

9 Senator Grassley: I think they probably do. That is why
10 I think it would be important for you to hear my point of
11 view first.

12 Under the bill the Congress retains some control over the
13 designations because there has to be a report by the
14 President to the Congress. However, the bill provides no
15 authority for congressional override of any of these
16 determinations even though under this bill we are reported to
17 this fact that certain compliance has not been made.

18 There is nothing really we can do about it except know
19 about it in direct report. While it could be argued that the
20 national economic and security interest is a standard
21 formulation in other trade laws and aid laws and should be
22 included in this bill as well based on historic precedent, we
23 should not allow this bill to work to the detriment of our
24 domestic industries in which we currently have documentation
25 of injury.

1 Panama is one example on expropriated property, and
2 Jamaica is an example on the pirating of copyrighted movies.
3 I know that this point has been discussed previously, before
4 I came here, by Senator Chafee. I would like to cite 102(b)
5 mandatory criteria, that the President may waive the first
6 three of the five criteria for national, economic or security
7 reasons.

8 This leaves the door open in two instances, so I would
9 like to provide a third instance. The time has come to take
10 into account that our domestic wellbeing has as much to do
11 with the economic and security interests as it does with our
12 concern about the security of our Caribbean neighbors.

13 That is the immediate purpose of my amendment because
14 there has not been enough done even though the administration
15 is trying to help, but to the administration I would like to
16 make the point that I think the President is, rightfully so,
17 trying to show some moral leadership with regard to what is
18 happening in Central America, in addition to trying to help
19 them with their material and economic goals and enhancing
20 their material and economic position.

21 We are trying to demonstrate in Central America, I
22 believe, even though it may not be as clearly presented, it
23 ought to, some moral aspects to our goals there. If you will
24 recall from the President's speech to the Congress last week
25 he talked a great deal about self-determination.

1 He was speaking in terms of political
2 self-determination. He was indirectly making a moral
3 argument that we ought to bring about political change
4 through evolutionary as opposed to revolutionary change, that
5 we ought to encourage the use of the ballot as opposed to the
6 use of the bullet to accomplish our goals there.

7 He even went so far in the political end to speak to
8 encouraging amnesty for the political revolutionaries so that
9 they could participate in the political process, and in fact
10 that has been accomplished by the government in El Salvador
11 just last week. So I guess I would extend the same principle
12 to the economic aspects of our goals in Central America and
13 encourage adherence to law, encourage adherence to the rule
14 of law, in regard to meeting the obligations that have been
15 forced upon these countries or agreed to by these countries
16 that have not been met yet.

17 I would want to extend the same principle of moral
18 leadership that our President is making in Central America to
19 these points, and I would like to have it done in a strong
20 enough fashion, as my amendment implies, so that there is no
21 doubt that we are not going to tolerate such actions in the
22 future.

23 I guess I am saying to the administration, in regard to
24 the example they are setting in political leadership, that we
25 would extend our moral principles not only to the political

1 makeup of the country and the political government of the
2 country, but to the economic evolution of the country and not
3 just try to address the material and economic needs of the
4 nation but also try to address the humanistic needs. It
5 seems to me like one of the humanitarian aspects of America's
6 leadership ought to be the promotion of the rule of law and
7 to this extent, you know, that has not been any more than
8 just recognized by this administration.

9 It has not been carried out to the nth degree. I think
10 that fulfillment of our goals in Central America indicates
11 that we ought to go beyond, in our moral leadership, beyond
12 just political considerations.

13 Chairman Dole: Let me first, before I hear from the
14 administration, as I understand Senator Matsunaga has an
15 amendment, Senator Chafee has an amendment. We have the
16 Grassley amendment pending. I know of no other amendments.

17 We are advised that at 12:15 p.m. there will be a caucus
18 of Democratic members and I assume maybe it is too late for
19 us to caucus. Anyway, we will be floating around there
20 somewhere.

21 [Laughter]

22 Chairman Dole: So if we can address the Grassley
23 amendment, has this amendment been discussed with Senator
24 Grassley and the State Department? Has anybody seen the
25 amendment?

1 Mr. Rosen: I do not believe so, sir.

2 Chairman Dole: Is there any way you can address the
3 concerns expressed by Senator Grassley?

4 Mr. Rosen: Yes, sir.

5 We certainly agree with Senator Grassley that we should
6 take a very strong stand where there are expropriation cases
7 and press with the implementation of our views on the
8 international law involved.

9 We think the bill as it now stands does strengthen the
10 hand of the President and the State Department along with
11 similar provisions in other legislation in pursuing these
12 issues, but we would not favor tying the hands of the
13 President in an area where our interests are really enormous
14 and very varied and our national security is very intimately
15 tied to that area, so that we think with the bill as it
16 stands, it is a valuable addition to the leverage we have in
17 getting a good resolution of these issues.

18 But we would definitely not like to see our hands tied
19 completely by making this nonwaivable. So we would oppose
20 the amendment.

21 Chairman Dole: I understand you oppose the amendment,
22 but since you had not seen it until a few moments ago, I
23 wonder if there might be some way to compromise the concern
24 that is expressed by Senator Grassley and I think others on
25 the committee. Even though this may not be the appropriate

1 language, I did not see it myself. But we can either --
2 Senator Grassley, do you have any suggestions?

3 Mr. Kassinger: Mr. Chairman, I think Senator Grassley
4 pointed out this issue was also discussed last December. At
5 that time we received a letter for the record from the State
6 Department.

7 In fact, Secretary Enders, as I recall, and Ambassador
8 Brock, both, at the markup, stated that Panama in particular,
9 which is what this amendment deals with, two outstanding
10 cases, would not be made eligible until there was some
11 resolution of these two outstanding expropriation cases. We
12 can certainly do that again and also have Committee report
13 language to that effect.

14 This is very similar, of course, to what we have done
15 with the Jamaican issue.

16 Chairman Dole: Does that go far enough for the Senator
17 from Iowa?

18 Senator Grassley: You really are not suggesting you are
19 willing to change the bill in any way, are you, in what you
20 just said?

21 Mr. Kassinger: I just wanted to point out what the
22 Committee --

23 Chairman Dole: I do not want to change the bill. I am
24 just trying to get some consensus.

25 Senator Grassley: I have no pride of authorship in the

1 sense that it has got to be exactly this, but I think I do
2 need, would ask the committee to address the point that when
3 you still have claims that are 13 years old and we are going
4 into a whole new program and particularly since we do not
5 know what the future holds for other administrations and how
6 they might look at this, how do we know that it is not going
7 to be business as usual, particularly beyond this
8 administration? Even within this administration, cases still
9 13 years old are unsettled.

10 I think we ought to be addressing that. It does not have
11 to be necessarily language of my bill, but I would like to
12 make sure it is going to be addressed. I think we need to
13 have something more firm in the legislation than what is
14 presently there.

15 I would be willing to work with people, particularly if
16 the Chairman says he is willing to work something out. I
17 would be glad to do that. Let me also apologize because I
18 did, even though I got here late, have my staff have copies
19 that could have been passed out so there was no effort --

20 Chairman Dole: That is no problem. I just wondered if
21 the Senator might be willing to let us get together with
22 representatives of USTR and State Department and make
23 certain we can try to accomplish these objectives.

24 Senator Grassley: Okay. With the Chairman's assurance
25 and his good faith effort to work something out which has

1 already been indicated to me, I would withdraw my amendment
2 and then assume that we would have some sort of amendment
3 ready for the floor. Is that right?

4 Chairman Dole: Right.

5 Senator Grassley: All right. Thank you. I will
6 withdraw the amendment.

7 Chairman Dole: Senator Matsunaga.

8 Senator Matsunaga: Mr. Chairman, under the bill as I
9 understand it, the bill excludes from duty-free eligibility
10 import sensitive products such as 1, footwear, handbags,
11 gloves and other leather apparel; 2, canned tuna; and 3,
12 petroleum and petroleum products.

13 The President, upon the recommendation of the Secretary
14 of Agriculture, may withdraw duty-free treatment for
15 perishable commodities in emergency situations, as I
16 understand. Now, we have a situation in Hawaii and I think
17 Florida as well where the cut flower business is having a
18 terrible time because of the increasing imports from foreign
19 countries, particularly from this area.

20 Even with the duty, the present duty, American florists
21 are having real problems in competing. Now, if we eliminate
22 the duty, this means that the American cut flower industry
23 will certainly go under, and there needs to be no
24 determination made by the ITC, will go under.

25 Up to now the STR, the Special Trade Representative, USTR

1 has been very helpful in this. They have helped us to
2 maintain the duty on cut flowers. Inasmuch as the President,
3 upon the recommendation of the Secretary of Agriculture, may
4 withdraw duty-free treatment for perishable commodities in
5 emergency situations, I think in order to avoid being dubbed
6 Indian-givers that we give them something and take it right
7 back because certainly the Secretary of Agriculture is going
8 to see that, in the case of cut flowers in the domestic
9 industry, we are going to be in real trouble if we eliminate
10 duty.

11 So, Mr. Chairman, my amendment would be to just include
12 that one small item along with footwear, handbags, and just
13 cut flowers.

14 Chairman Dole: Could we hear from the administration on
15 this?

16 Mr. Gingrich: Mr. Chairman, we would oppose the
17 amendment. First cut flowers are specifically included in
18 the list of perishable commodities that are eligible for the
19 emergency escape clause procedure.

20 In other words, if there is a threat from import, within
21 14 days, the Secretary of Agriculture can make a
22 determination and within seven days thereafter the President
23 can reimpose the duties. Additionally, I am told that most
24 of the flowers presently enter the United States duty free
25 anyway under the generalized system of preferences and that

1 the additional benefit given under the CBI program is really
2 very small.

3 So we feel we have taken care of the threat through the
4 emergency provisions and that whatever threat exists just is
5 not very big. So we would oppose the amendment.

6 Senator Matsunaga: I believe the reason given in
7 opposition to my amendment is the very reason why we should
8 eliminate or accept the amendment rather. Are we going to say
9 okay, we let all your flowers come in duty free, and then we
10 make a finding and the Secretary of Agriculture says yes
11 there is an emergency and then we say sorry, we are going to
12 impose the duty back on again.

13 It is to a very small portion, as you have said, so I
14 would think that this, policy-wise, would be the sensible
15 thing to do. It affects just a small portion of it. They
16 are not asking for it. I do not think they would be affected
17 at all because they are going to continue to ship their
18 flowers in and have a competitive advantage here even with
19 the present law.

20 Senator Long: What is the duty on fresh cut flowers?

21 Mr. Gingrich: From most of the Caribbean countries, they
22 enter duty free now under the GSP program, but there is a
23 duty on roses. Eight percent on roses.

24 Senator Long: Are you saying that there is no duty on
25 fresh cut flowers from the Caribbean area now aside from

1 roses?

2 Mr. Gingrich: That is correct. Because of GSP. They
3 are eligible for GSP benefits so from the Caribbean they come
4 in duty free.

5 Chairman Dole: Mr. Lang.

6 Mr. Lang: What I was going to say is I think there might
7 be a misunderstanding. All cut flowers from the Caribbean,
8 the administration is saying, come in duty free because of
9 the generalized system of preferences and, therefore, CBI
10 does not extend an additional benefit.

11 But cut flowers from countries that do not qualify for
12 the generalized system of preferences are subject to a duty.
13 The duty on roses is eight percent. I think the duty on
14 carnations -- it is all eight percent now so if the flowers
15 came from Holland or a country that cannot get GSP, the level
16 of duty would be a --

17 Chairman Dole: So what has Senator Matsunaga proposed to
18 do that would cause a problem?

19 Mr. Lang: What Senator Matsunaga proposes to do is to
20 exclude cut flowers from the GSP benefit. Under the
21 administration's bill they would get the benefit. However,
22 there would be an emergency provision for denying them the
23 benefit if they were a threat to the U.S. industry.

24 Chairman Dole: Doesn't that take care of it?

25 Mr. Gingrich: No. As I understood the amendment it was

1 to include on a list of import sensitive commodities fresh
2 cut flowers and not exclude it from GSP benefits.

3 Mr. Lang: Not excluded from GSP, from CBI, I am sorry.

4 Chairman Dole: Is this a matter of great moment?

5 [Laughter]

6 Mr. Rosen: Mr. Chairman, I do not know if it is a great
7 moment, but it is of considerable importance to, for example,
8 Jamaica which I know about where they do -- part of the prime
9 minister's program for improving foreign exchange earnings is
10 to do more in the field of horticulture, and I think it will
11 be in many varieties of flowers which are not directly
12 competitive with Hawaiian varieties.

13 Chairman Dole: The administration feels strongly about
14 it?

15 Mr. Gingrich: Mr. Chairman, if I could just add, it does
16 have also the significance in that we have already excluded a
17 number of products and we would hate to get into a situation
18 of continuing to add to that list. The benefits of the
19 program are small enough now.

20 Senator Matsunaga: Mr. Chairman, I will withdraw the
21 amendment reserving the right to offer it on the floor after
22 I get my facts a little --

23 Chairman Dole: As I understand it, the only other
24 amendment we have is from Senator Chafee that we approved
25 last year, as I recall. Is that correct?

1 Senator Matsunaga: I have one other.

2 Senator Bradley: I have one other amendment, too.

3 Senator Chafee: Yes, Mr. Chairman. Do you want to do it

4 If everybody will please turn to page 10 of the spread
5 sheets. This is a very odd provision that is included in the
6 CBI that exempts from nontoxic room stillage discharges.
7 This has nothing to do with trade, nothing to do with
8 improving the Caribbean nations' export potential to the
9 U.S., but instead says that if the Virgin Islands wishes to
10 discharge into the ocean, that is perfectly all right as long
11 as the governor says so.

12 Now, Mr. Chairman, this is clearly getting into an area
13 that is the province of the Environment and Public Works
14 Committee. It is a measure that the EPA has had under study.

15 We have dealt with the Virgin Islands government and the
16 Virgin Islands rum industry on this matter. It affects
17 Puerto Rico where the Bacardi Company has invested a lot of
18 money in order to comply with the EPA standards. I believe
19 it is an inappropriate provision to have under this
20 legislation, and I would move to strike it, Mr. Chairman.

21 Senator Bradley: Mr. Chairman.

22 Chairman Dole: Mr. Bradley.

23 Senator Bradley: Let me just add one other fact here and
24 that is on this territoriality aspects of CBI, the Energy
25 Committee also has jurisdiction and will be holding hearings

1 on June 7, so I think that you have on this issue a lot of
2 different committee interests. I am wondering whether it is
3 best to proceed now with this or do it at a later time after
4 all the committees of jurisdiction have had a chance to weigh
5 in.

6 Senator Moynihan: Mr. Chairman, I would hope that we
7 would not do this. There are -- we are undertaking a large
8 enterprise here for some 26-odd island republics and nine-odd
9 peninsula republics. There are two groups of American
10 citizens who are directly involved. They live in St. Thomas,
11 St. Croix and in Puerto Rico, and they are far from being
12 alarmed and resistant to this measure.

13 They have said it is a good thing to do and you ought to
14 do it and we are behind your doing it, and the governor of
15 Puerto Rico has been up here saying that and the governor of
16 the Virgin Islands has been up here saying that and they have
17 made very few requests, very few, indeed.

18 One of them involves this particular distillery on St.
19 Croix where they make rum, and it is a fact -- I do not want
20 to go beyond my knowledge on these matters, but one of the
21 reasons the Caribbean is so blue is that there is very little
22 nutrient in it and it reflects the sun and the gray seas of
23 Alaska are that way because they are full of food and full of
24 fish.

25 The discharge from this refinery is simply molasses

1 waste. It originally was dried up and bundled and shipped to
2 Louisiana to be fed to cows, but then the economics of doing
3 that disappeared and it is now being fed to fishes. It is
4 not doing any harm to anybody.

5 It shows as a plume out into the Caribbean. You can see
6 it. It disappears quickly. It is just sugar and cellulose.
7 It is not toxic.

8 The Virgin Islands has asked, can we keep that refinery
9 going because otherwise it closes down and moves three
10 islands away to a place where they do not have any
11 restrictions.

12 Senator Symms: Would the Senator yield?

13 Senator Moynihan: I would be happy to yield.

14 Senator Symms: I thank the Senator for yielding. I
15 would say I totally agree with what Senator Moynihan is
16 saying. We did have extensive testimony on this on the
17 Public Works Committee, and I came away with the conclusion
18 that if we try to force them to put a cleanup operation there
19 that you are going to -- it would do nothing to enhance water
20 quality in the Caribbean, and it will possibly even create
21 some kind of an air quality problem then or a solid waste
22 disposal problem.

23 It just seems to me, I would hope we would not change the
24 bill the way it now is and that we would allow this operation
25 to continue.

1 Senator Moynihan: I thank the Senator from Idaho.

2 Senator Symms: What he says is absolutely correct about
3 the fish food.

4 Senator Moynihan: It probably would not create any of
5 the problems you have described because it would simply close
6 down the refinery. The British Islands are a mile and a half
7 away, the British Virgins.

8 Senator Long: Mr. Chairman, some years ago I spent about
9 a week on St. Croix on a vacation. I did not notice any
10 pollution in the water there. I went swimming.

11 [Laughter]

12 Senator Long: May I say that I have been in polluted
13 water.

14 [Laughter]

15 Senator Long: In fact, I would hate to tell you how
16 polluted some of that water was that we swam in in some of
17 those harbors, but this stuff as I understand it does not
18 kill the fish, does not harm the fish. It might even serve
19 as a nutrient to them.

20 I am told that if these people here on this island which
21 is after all one of ours, you know, if these people here have
22 to clean up thos waste rather than discharge, it all it does
23 is color the water at some point, which I never discovered
24 when I was over there, and it will cost them about \$4
25 million, which they say is more than it cost to build the

1 plant to begin with that makes the rum.
2 It might be a death sentence to them and it does not do
3 any harm. It is not doing any harm, so I just think that it
4 would really serve no purpose.
5 Now, if at some future point somebody goes down there and
6 can find where this pollution is occurring, it is not really
7 pollution. As you say, you could drink the fool stuff if you
8 could stand salt water otherwise.

9 [Laughter]

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1 It is not doing any harm. It would cost these people a
2 lot of money and as the Senator said, all it would do is just
3 push the mill over to the British Virgin Islands where they
4 would not have to contend with this. It would cost us some
5 jobs and would provide them somewhere else.

6 Chairman Dole: Does the administration have a position
7 on this? Maybe we can dispose of it.

8 Mr. Gringrich: It is my understanding that the
9 administration stands by the provision as it is drafted.

10 Chairman Dole: Is that your understanding or is that a
11 fact?

12 [Laughter]

13 Mr. Gingrich: We stand by the provision.

14 Senator Chafee: Mr. Chairman, it seems to me what we are
15 doing here, first of all, we are taking up something that has
16 nothing to do with trade. It has to do with whether we want
17 to delegate to this Committee determining whether the
18 discharges from a distillery such as this are good or bad. I
19 recognize the expertise around the table here on these
20 matters.

21 [Laughter]

22 Senator Chafee: I do not think this is the proper forum
23 to test it. A study was made, pursuant to a request from
24 Congress, aptly called the Rum Study, to determine about the
25 pollution control problems and that did not come out

1 favorably to the Virgin Islands rum industry. So what we are
2 saying here is that, based on some testimony here, that this
3 is perfectly all right. Well, if it perfectly all right,
4 then let it continue.

5 But if we are going to have pollution control facilities
6 and requirements, not only on the U.S. but on those
7 possessions of ours, then I think we ought to have them and I
8 do not think the Finance Committee is the proper jurisdiction
9 to decide whether or not it is appropriate route to follow.

10 The argument that it might close or it might not close is
11 an argument that has been used against every attempt to
12 install pollution requirements on any industry in the United
13 States. That is the common rebuttal, it will cost some money
14 and it might put it out of business.

15 But we are trying, through laws passed by this Congress,
16 to control ocean discharges or discharges into the ocean or
17 lakes and streams, wherever it might be. And because we want
18 to make an exception, I suppose we could keep going to all
19 kinds of exceptions, but I do not think this is the forum to
20 test it.

21 Senator Symms: Will my colleague yield?

22 Senator Chafee: Sure.

23 Senator Symms: I might make a suggestion, Mr. Chairman,
24 to our colleague who wants to address this. Why don't we, I
25 suggest, why don't we leave it in the bill and then the

1 Chairman could appoint this Senator and any others that were
2 interested to go down and personally look at that situation.

3 [Laughter]

4 Senator Symms: I will come back and report to the
5 committee.

6 [Laughter]

7 Senator Chafee: Why don't you take a cruise ship down
8 there?

9 [Laughter]

10 Chairman Dole: Maybe we could take Chafee, Hatfield,
11 Mathias.

12 [Laughter]

13 Chairman Dole: Maybe we can leave about 12:30.

14 [Laughter]

15 Chairman Dole: Let us dispose of this. Let us vote on
16 the amendment.

17 Senator Moynihan: Mr. Chairman, if I can say, why is
18 this in this measure? The subject has been under
19 consideration for five year. It is the one measure that the
20 Virgin Islands has asked, could you resolve this for us in
21 the context of CBI. They have asked nothing else. They have
22 come up here to say they are for the Caribbean Basin
23 Initiative, but I think everybody here comes from a state
24 that has something characteristic enough about it that it
25 would not matter if they ever stopped making rum in the

1 Virgin Islands. They would lose so much. That is where it
2 comes from.

3 Senator Chafee: Mr. Chairman, with this going on, why do
4 not we just have a show of hands here and see how it comes
5 out? I am not going to ask for a roll call vote. I see how
6 the plume is flowing here.

7 [Laughter]

8 Chairman Dole: All opposed to the amendment, raise their
9 hand.

10 [A show of hands]

11 Chairman Dole: The show of hands is negative.

12 Senator Symms: I am undecided.

13 [Laughter]

14 Chairman Dole: I do not know how my proxies would vote
15 on this.

16 Senator Matsunaga: Mr. Chairman, I have an amendment.
17 This is an amendment which would not only help the Caribbean
18 states, but also the Virgin Islands and Puerto Rico. As I
19 understand it, the Virgin Islands and the Puerto Ricans have
20 provided an alternative to the administration's CBI bill with
21 respect to rum.

22 Under their proposal, the tariff would be eliminated on
23 all bottled rum but would be retained on bulk rum. I think
24 it is a most sensible bill because, or proposal rather, what
25 we are trying to do is to try to create more jobs in the

1 Caribbean states. In order to be duty free, if we require
2 that they be bottled, look at the jobs which we will create.
3 Right now they are just sending bulk rum in and they would
4 continue to do that if it is duty free in bulk form.

5 As I understand it right now, over the past year, foreign
6 Caribbean rum producers have built up a stockpile of three
7 million gallons of rum in warehouses in the United States and
8 that is an amount exceeding the total annual rum shipments to
9 the United States from the Virgin Islands. So, with this
10 kind of stockpiling and coming in duty free and, as I
11 understand it, a substantial part of this is being done by
12 foreign non-Caribbean companies operating in the Caribbean.

13 So that if we require -- if we favor the bottled rum,
14 then we are going to create a lot of jobs there. I am sure
15 the Caribbeans would welcome it and we would be protecting
16 Puerto Rico and the Virgin Islands.

17 Mr. Gingrich: Senator Matsunaga, the administration
18 opposes the proposal as I understand it, it is the Puerto
19 Rican proposal, as do the member countries of the Caribbean
20 region.

21 Senator Matsunaga: Why? Do you oppose it because you
22 oppose? I cannot understand the reasoning behind it.

23 Mr. Gingrich: Behind the administration's opposition?

24 Senator Matsunaga: Yes.

25 Mr. Gingrich: The administration, I believe, feels that

1 the proposals that have been made with respect to aiding
2 Puerto Rico and the Virgin Islands and the distribution of
3 benefits to the other countries from the rum provisions that
4 are in the bill already are more equitable than the Puerto
5 Rican proposal. I believe the Caribbean countries, we have a
6 telex from them, from the Caracom Rum and Spirits Committee
7 indicating their opposition to the proposal, too. Obviously
8 they feel it would not be to their benefit.

9 Senator Matsunaga: They will all -- they will still be
10 able to send rum duty free as long as it is bottled and that
11 will create jobs. I cannot understand the reasoning.

12 Chairman Dole: I would like to finish this. There are
13 only two other amendments plus this one. I know the
14 Democrats have a meeting at 12:15. I would rather not come
15 back this afternoon. Could we look at that, Sparky, between
16 now and the time?

17 Senator Matsunaga: Okay. We will examine it.

18 Chairman Dole: Senator Symms has one and I do not think
19 there is any problem with it. At least there should not be.

20 Senator Symms: Mr. Chairman, my amendment is very
21 simple. Senator Long has agreed to cosponsor it with me.
22 That is that the committee just puts language in the bill
23 that says that the United States should not buy or will not
24 buy any sugar from any Communist country in the Caribbean
25 Basin or Central America, period.

1 Senator Bradley: Isn't that already covered by no
2 Communist country can have benefits?

3 Mr. Gingrich: This is an absolute prohibition.

4 Chairman Dole: It is a sense of the Committee.

5 Mr. Gingrich: Is it a sense of the Committee? We do not
6 have a problem with that.

7 Chairman Dole: Without objection, it will be agreed to.
8 Senator Bentsen?

9 Senator Bentsen: Mr. Chairman, mine is one that has been
10 brought to my attention by Senator Chiles. We are talking
11 about citrus concentrate. At the present time we have very
12 little citrus coming through the CBI, about \$37,000 worth of
13 concentrate, whereas we have about \$69 million overall. The
14 duty is about 51 percent.

15 The concern is if you start bringing it and doing some
16 processing through the CBI, that you can have a very
17 substantial impact on the fresh fruit market for citrus
18 concentrate. The request is that, on citrus concentrate,
19 that it also be put on the fast track, insofar as having the
20 Secretary of Agriculture being able to call on the President
21 for relief in the event such damage is occurring, but that is
22 at the President's option.

23 Mr. Gingrich: We do not have any problem with that.

24 Chairman Dole: Without objection, the amendment is
25 agreed to.

1 If there are no further amendments, I wonder if we can
2 get a role call on the bill itself.

3 The Clerk: Mr. Packwood.

4 Chairman Dole: Aye by proxy.

5 The Clerk: Mr. Roth.

6 Chairman Dole: Aye by proxy.

7 The Clerk: Mr. Danforth.

8 Senator Danforth: Aye.

9 The Clerk: Mr. Chafee.

10 Senator Chafee: Aye.

11 The Clerk: Mr. Heinz.

12 Chairman Dole: Aye by proxy.

13 The Clerk: Mr. Wallop.

14 Senator Wallop: Aye.

15 The Clerk: Mr. Durenberger.

16 [No response]

17 The Clerk: Mr. Armstrong.

18 [No response]

19 The Clerk: Mr. Symms.

20 [No response]

21 The Clerk: Mr. Grassley.

22 Senator Grassley: Present.

23 The Clerk: Mr. Long.

24 Senator Long: Aye.

25 The Clerk: Mr. Bentsen.

1 Senator Bentsen: Aye.
2 The Clerk: Mr. Matsunaga.
3 Senator Matsunaga: Aye.
4 The Clerk: Mr. Moynihan.
5 Senator Moynihan: Aye.
6 The Clerk: Mr. Baucus.
7 [No response]
8 The Clerk: Mr. Boren.
9 Senator Boren: Nay.
10 The Clerk: Mr. Bradley.
11 Senator Bradley: Nay.
12 The Clerk: Mr. Mitchell.
13 Senator Long: Aye, by proxy.
14 The Clerk: Mr. Pryor.
15 Senator Pryor: Aye.
16 The Clerk: Mr. Chairman.
17 Chairman Dole: Senator Symms.
18 Senator Symms: Aye.
19 Chairman Dole: I think Senator Durenberger is aye and I
20 vote aye.
21 On this vote, of course, we cannot report this out. We
22 do not have a revenue bill, but we may find one soon. On
23 this vote, the ayes are 14, one present, two in the negative,
24 and the absentees may record their votes. I will announce
25 that we will take up the enterprise zone legislation next

1 Tuesday. I do not think anybody wants to come back this
2 afternoon.

3 Senator Moynihan: Are we going to vote this bill out?

4 Chairman Dole: We cannot. Senator Danforth wants to
5 clarify something on the authorization.

6 Senator Moynihan: May we have order, Mr. Chairman?

7 Senator Danforth: Mr. Chairman, earlier this morning,
8 the Committee authorized you and Senator Long to write the
9 Chairman of the Environment and Public Works Committee
10 relating to the ITC building and the renovation of that
11 building. It seems clear to me that the only reason the
12 Finance Committee is interested in the ITC building is if the
13 ITC would end up inhabiting the building. But it was called
14 to my attention that that might not have been clear in the
15 earlier colloquy and therefore I simply make that clear at
16 this point.

17 Senator Moynihan: Mr. Chairman, I wonder if I could
18 speak to that point. I am sorry, we are not talking about
19 money, so you can all leave.

20 [Laughter]

21 Senator Moynihan: The ITC building is, of course, one of
22 the oldest of the government buildings in Washington. It was
23 built by Mills, who was an architectural draftsman for
24 L'Enfant and it is very much a part of the Pennsylvania
25 Avenue complex. It is a very fine building and it is right

1 there on 8th Street, which is a transverse moving down from
2 the Patent Office that L'Enfant planned to make the National
3 Cathedral. You need a place to bury Admirals and things like
4 that. Instead, it became a Patent Office and that which is
5 now part of the Smithsonian as the Museum of American History.

6 It is truly a place -- there may be a higher use for this
7 in the Smithsonian complex.

8 In any event, it needs very much to be fixed up. I am on
9 the subcommittee that handles buildings on Environment and
10 Public Works. I wonder if Senator Danforth would agree that
11 it ought to be restored to first-rate condition as was the
12 Patent Office without presuming its ultimate use.

13 Senator Danforth: I do not think we could presume
14 anything, but I do think that the Finance Committee is
15 interested in it solely as the home of the ITC. I think that
16 is the position of most members of the Finance Committee who
17 have been over there and looked at it. Our assumption would
18 be, and our urging, as far as the letter of the Chairman
19 would be, that the ITC would be allowed to continue to
20 inhabit it.

21 I know that the Smithsonian has designs on it, but it
22 seems to me that the very fact that this has been in dispute
23 for about a decade now has been the very reason for the
24 hiatus in the restoration. So our view would be that the
25 letter should go out and that they should be urged to

1 refurbish it, but also that the Finance Committee should
2 weigh in in favor of allowing the ITC to continue to inhabit
3 it.

4 Senator Moynihan: I would say to my friend that 21 years
5 ago I kept it from being torn down.

6 Chairman Dole: Knowing that disposition will be made by
7 your committee, I guess, the Public Works Management -- in
8 any event, we can do that and the record has been clarified.
9 We cannot report the bill out, but it may be offered as an
10 amendment. We do not have anything to report it out on, but
11 we have approved the Caribbean Basin by a vote of, what, 14
12 to two, to one, I guess.

13 Mr. Lang, do you have anything? Anybody else?

14 I thank members of the administration and members of the
15 Committee for doing this.

16 (Whereupon, at 12:23 p.m., the committee adjourned.)

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