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1 EXECUTIVE COMMITTEE MEETING

2 THURSDAY, MARCH 1, 1990

3 U.S. Senate

4 Committee on Finance

5 Washington, D.C.

6 The hearing was convened, pursuant to notice, at 11:35  
7 a.m., in Room SD-215, Dirksen Senate Office Building, Hon.  
8 Lloyd Bentsen (Chairman) presiding.

9 Also present: Senators Moynihan, Baucus, Bradley,  
10 Riegle, Rockefeller, Daschle, Packwood, Roth, Danforth,  
11 Heinz, Durenberger and Symms.

12 Also present: Vanda McCurtry, Staff Director and Chief  
13 Counsel; Ed Mihalski, Chief of Staff, Minority.

14 Also present: Jeff Lang, Chief Trade Counsel, Majority;  
15 Mike Mabile, Trade Counsel, Majority; Brad Figel, Chief Trade  
16 Counsel, Minority.

17 Also present: Joshua Bolten, General Counsel, USTR;  
18 William G. Rosoff, Chief, Factory Rulings Branch, U.S.  
19 Customs Service; Phil Mayhew, Director, Burma and Thailand  
20 Affairs, Department of State; Bernard Aronson, Assistant  
21 Secretary of State for Inter-American Affairs, Department of  
22 State; Barbara Steinbock, Deputy to Director, Department of  
23 Commerce.

24 (The press release announcing the hearing follows:)

25

1           The Chairman. The purpose of this meeting is to mark up  
2 the miscellaneous tariff bill. If you have some other  
3 objective in mind, like they tell you on the airplane, it  
4 would be a good time to leave.

5           Last fall the Ways and Means conferees and reconciliation  
6 agreed to remove all trade and other tariff items from  
7 reconciliation and in return the conferees on our side agreed  
8 to make a best effort to complete legislation on these  
9 matters before March 31 of this year. We have held a number  
10 of meetings on the major items of the miscellaneous tariff  
11 bill, including CBI, the customs user fee, the authorization  
12 of appropriations for the trade agencies, technical  
13 amendments to the Trade Act of 1974.

14           We also have had two periods for written comments on the  
15 miscellaneous tariff bills. Now our staffs have been meeting  
16 for the last several weeks attempting to promote compromise  
17 on some of the more contentious issues. Most of those have  
18 been resolved.

19           The consensus bill that they have developed includes the  
20 work of more than 40 Senators and a majority of this  
21 Committee. The Administration has been a full participant in  
22 this process. And I certainly appreciate the cooperation of  
23 all the Senators that we have had in this job of putting this  
24 bill together.

25           I think it is important that we move very quickly on the

1 bill. Many of the items are time sensitive. We have to  
2 resolve the Customs user fee issue well before it expires  
3 this fall. If we do not do that you would have a nightmare  
4 of administrative problems for both the private sector and  
5 for the U.S. Customs Service.

6 The authorization of appropriations will give guidance to  
7 the Appropriations Committee. I can recall last year when  
8 the House delayed the authorizations the Appropriations  
9 Committees were in many cases deaf to our concerns for the  
10 budget of the U.S. Trade Representative, for example. And  
11 the first Appropriation Committee hearings on these subjects  
12 were last year on the afternoon of our authorization  
13 hearings.

14 So I want to push for this enactment of the technical  
15 amendments to the procedures for Congressional approval of  
16 the trade agreements with Communist countries so that this  
17 Committee will continue to have a vital role in the process  
18 of negotiating a trade agreement with the Soviet Union. As  
19 you all know, the President wants to get that agreement  
20 signed by June. So the time is on us.

21 Now in order to move this bill quickly, it must be non-  
22 controversial. And for that reason, I will oppose those  
23 measure that are likely to cause so much controversy that  
24 they will tie up the bill in delay and in debate. I must say  
25 a number of those amendments I would probably be sympathetic

1 to. But the priority has to be in getting this bill out.

2 Let me say one more word about the amendments. We have  
3 tried to give persons who might object to miscellaneous  
4 tariff bills every opportunity to express their objections on  
5 these bills. But a number of Senators, including some  
6 Senators on this Committee, filed bills after the February 12  
7 deadline. So we do not really have a way of identifying  
8 serious opposition that might be out there to them.

9 So I propose that in these cases we accept these late  
10 filed bills if we can finish this markup today. Of course,  
11 if any of us object to one of these bills we will have to  
12 vote on that objection if it cannot be ironed out.

13 And if we cannot finish today, then of course we will  
14 want to seek public comment on these late filed bills so we  
15 can be more certain that they are appropriate for this  
16 legislation. Now if we have to contend with some bitterly  
17 controversial amendments that is going to delay or even  
18 defeat the bill.

19 So I hope we can move quickly today, report the bill  
20 quickly, and move to the floor. Then if you want to try one  
21 of those controversial amendments, try it there. In fact, if  
22 we finish the work today, I plan to speak to the Majority  
23 Leader about trying to move this bill next week.

24 I know defer to my colleague, Senator Packwood.

25 Senator Packwood. I have no comments.

1           The Chairman.   Senator Baucus.

2           Senator Baucus.   Thank you, Mr. Chairman.

3           Mr. Chairman, I know we have several matters to go over  
4 today, all of which are very important.   The leadership of  
5 the Senate and the Department of Public Works Committee is  
6 making an announcement at 12:00 noon on the Clean Air Act  
7 which I must attend, so I will not be present for most of the  
8 proceedings today.

9           However, I do want to address a point which I think is  
10 very timely, particularly in view of Prime Minister Kaifu's  
11 visit with President Bush.   As I announced last week, I am so  
12 far very dissatisfied with the progress made in trade  
13 negotiations to open the Japanese market.   The United States  
14 is now negotiating with the Government of Japan to open the  
15 Japanese market to United States forest products, super  
16 computer and satellite exports.   We are also working through  
17 the Structural Impediments Initiative to address deeper  
18 structural barriers that United States exporters encounter in  
19 Japan.

20           Unfortunately, none of these negotiations are so far  
21 making progress.   Many in the Administration hoped that the  
22 Government of Japan would be more flexible on trade issues  
23 after their recent election.   But at least so far Japan is  
24 showing no flexibility.   Our negotiators are now complaining  
25 openly about Japanese intransigents.

1           The pace of progress in the talks to open the Japanese  
2 forest products market has been particularly discouraging.  
3 If Japan were to drop its trade barriers, the United States  
4 forest product exports to Japan would expand by \$1 billion to  
5 \$2 billion annually. In dollar terms, access to the Japanese  
6 forest product market would have far more impact on the  
7 United States-Japan trade balance than the other Super 301  
8 issues. Yet, Japan has tried to focus these negotiations on  
9 minor technical issues.

10           This is totally inadequate. We are not seeking changes  
11 at the margin in these negotiations. Rather, we want a  
12 package of trade concessions that truly opens the Japanese  
13 market to United States forest product exports.

14           But Japan has shown no willingness to grant U.S. forest  
15 product exporters meaningful access to the Japanese market.  
16 In light of this, I believe it is time for stronger action.  
17 I have prepared legislation to force the Administration to  
18 impose sanctions against Japan if progress is not forthcoming  
19 by June 17, the statutory deadline for the talks.

20           I had planned to move this legislation in today's markup.  
21 But Ambassador Hills today transmitted a letter to me that  
22 requests that I withhold this legislation and give her time  
23 to further negotiate with Japan. Ambassador Hills assures me  
24 that she is also committed to opening the Japanese market,  
25 particularly the forest products market. She also repeats

1 her commitment to a comprehensive agreement with Japan to  
2 open the forest product market, not one that focuses on  
3 technical details.

4 In the letter, she assures me that she is willing to use  
5 her existing authority to retaliate against Japan if the  
6 negotiations are not successful. The letter also notes that  
7 she understands that I do plan to go forward with this  
8 legislation if the Super 301 talks are not successful.

9 I have found Ambassador Hills and Ambassador Williams to  
10 be skilled and determined negotiators and they have my  
11 complete confidence. On the strength of Ambassador Hills'  
12 assurances, I therefore will not at this time proceed with  
13 retaliatory legislation. There should be no doubt in the  
14 minds of the Japanese or Administration officials that I will  
15 press for additional sanctions legislation if the current  
16 Super 301 negotiations do not conclude successfully and on  
17 schedule.

18 In the case of the forest product negotiations, a  
19 satisfactory agreement must eliminate or substantially reduce  
20 all Japanese trade barriers, including tariffs, tariff  
21 misclassification, standards, building codes, subsidies and  
22 other structural barriers.

23 I wish Ambassador Hills success in the negotiations with  
24 Japan for the sake of all of us. Hopefully, President Bush  
25 and Prime Minister Kaifu can make progress on these issues

1 this weekend.

2 Thank you, Mr. Chairman.

3 The Chairman. Thank you, Senator. I want to say to the  
4 Senator that I too am deeply concerned about the Super 301  
5 case and its outcome and joined the Senator and Senator  
6 Packwood in a letter to Ambassador Hills pointing out to the  
7 Administration how important it was to open up those Japanese  
8 markets.

9 I have some of the same economic concerns from my own  
10 State where timber is a very important product and opening up  
11 that market to U.S. forest products is important. I will be  
12 following that outcome with considerable interest.

13 Senator, do you want to make any comment?

14 Senator Packwood. No.

15 The Chairman. All right.

16 Mr. Lang, why don't you -- you have a Chairman's proposal  
17 that has now been put before you. We worked right up to the  
18 last trying to develop consensus items. As I stated earlier,  
19 there are some things that I for one would like to have in  
20 there but we were not able to achieve consensus on. We have  
21 tried to keep it to the noncontroversial items. I would urge  
22 Mr. Lang now to proceed with it.

23 Mr. Lang. Mr. Chairman, we have arranged the materials  
24 delivered to all offices in an order and we would recommend  
25 that you take up the matters in this order because all



1 offices are expecting it.

2 First you take up, of course, the bill. The items on the  
3 bill would be first the possible constitutional defects in  
4 Title IV of the Trade Act of 1974 -- the so-called Jackson-  
5 Vanik technicals -- and then the authorizations of  
6 appropriations for the trade agencies, and then the CBI II  
7 legislation, then the miscellaneous tariff bills, and then  
8 the Customs user fee. That way at the end of the markup you  
9 will have some idea of how much you need to pay for with the  
10 Customs user fee for 1991.

11 The first subject, as these possible constitutional  
12 defects in Title IV of the Trade Act of 1974. Title IV  
13 generally related to nonmarket economy countries -- that is  
14 to say, Communist countries. And under the Title Congress  
15 had a role in the execution of the authorities. First in  
16 negotiating a trade agreement, the President had to send the  
17 agreement back to Congress for approval and the approval is  
18 by way of a concurrent resolution.

19 Second, when the President either finds a country as in  
20 compliance with the immigration requirements of Jackson-Vanik  
21 or he waives those requirements, Congress was able to  
22 override that decision with a one House veto.

23 The reason this is an issue now is because of the Supreme  
24 Court decision in Immigration Service v. Chada, which  
25 overruled legislative vetos. So the question is whether to

1 cure these defects.

2 The Chairman. Well let me state that I was a part of  
3 those negotiations on the 1974 Trade Act and I believe they  
4 would not have gone forth if the Congress had not had a  
5 responsible role in that situation. I do think it is  
6 important for us to continue the role, that we be certain  
7 that this is constitutional and takes the action of both  
8 Houses, and in effect, kind of a technical correction that I  
9 am proposing, and I think has the support of most of the  
10 members of this Committee.

11 If there is no objection --

12 Mr. Bolten. Mr. Chairman.

13 The Chairman. Yes. Who is speaking up? Oh, yes. Mr.  
14 Bolten.

15 Mr. Bolten. Mr. Chairman, if no member wants to comment,  
16 I would like to make a comment for the Administration.

17 The Chairman. Fine.

18 Mr. Bolten. The Administration shares your commitment,  
19 Mr. Chairman, to Congress's vital role in the Jackson-Vanik  
20 process with respect to the Soviet Union and any of the other  
21 Eastern European countries that may be coming along.

22 Therefore, the Administration has no objection to your  
23 proposal to cure the constitutional defect in the approval  
24 procedure for trade agreements negotiated under the Jackson-  
25 Vanik Amendment.

1 I do need to state for the record, Mr. Chairman, that  
2 with respect to the balance of your proposal, the  
3 Administration does have serious concerns about the portions  
4 relating to curing the constitutional defects in the  
5 procedure for Congressional disapproval of immigration  
6 waivers. The Administration considers those unnecessary and  
7 undesirable at this time, particularly since they would  
8 increase uncertainty as to the duration and stability of  
9 Jackson-Vanik commercial agreements that may be negotiated.

10 The Chairman. I must state that I have discussed this  
11 with Senator Packwood and I have discussed it with Chairman  
12 Rostenkowski on the House side, I understand they support the  
13 technical change. I have discussed the matter with  
14 Ambassador Hills, both privately and publicly at our hearings  
15 a few weeks ago for the Administration position on it; and I  
16 understand they can live with the provision on agreements,  
17 but as you say does not want us to be able to disapprove  
18 waivers.

19 But in light of the fact that Ambassador Hills hopes  
20 sometime next year to get through the Senate on a fast track  
21 the legislation on the Uruguay round, I think it is important  
22 that they not try to stick the Congress on either one of  
23 these technical changes.

24 I would hope the Committee would support updating both of  
25 these provisions today.

1 Senator Daschle. Mr. Chairman.

2 The Chairman. Yes.

3 Senator Daschle. I'm just curious. If I understand what  
4 you are trying to do, it will become a little more difficult  
5 if it requires a joint resolution rather than the resolution  
6 of a single house to disapprove a determination on the part  
7 of the Administration. It would seem to me you would favor  
8 that. I would be curious as to your rationale behind your  
9 concern for the recommendations made by the Chairman.

10 Mr. Bolten. Normally under different circumstances,  
11 Senator, the Administration probably would favor changing the  
12 current procedure. But the current procedure is almost  
13 certainly unconstitutional and, therefore, void. So the  
14 Administration does not favor restoring the Congressional  
15 role in disapproval of waivers.

16 Senator Daschle. Because then it would become  
17 constitutional perhaps?

18 Mr. Bolten. That is correct.

19 The Chairman. That is right.

20 Senator Daschle. That is an interesting logic.

21 The Chairman. Thank you very much. That is a sane  
22 conclusion. Thank you very much, Senator.

23 I would urge the adoption.

24 Senator Moynihan. So moved.

25 The Chairman. There is a motion. Is there a second?

1 Senator Matsunaga. Second.

2 The Chairman. All in favor of the motion stated, make it  
3 known by saying aye.

4 (A chorus of ayes.)

5 The Chairman. Opposed?

6 (No response.)

7 The Chairman. Thank you.

8 If you would proceed, Mr. Lang.

9 Mr. Lang. Mr. Chairman, the next item is the  
10 authorization of appropriations for the trade agencies.  
11 Three agencies are subject to annual authorization of  
12 appropriations. They are the U.S. Customs Service, the U.S.  
13 Trade Representative's Office, and the U.S. International  
14 Trade Commission.

15 In the discussions with staff we have been able to arrive  
16 at a consensus which is reflected in the third and fourth  
17 pages of the Chairman's mark that is before you. Essentially  
18 what these numbers mean in FY-1991 is that the Customs  
19 Service will restore just almost 1100 positions that would be  
20 cut under the Administration's budget from the Service and  
21 bring the Commission up to I think it is \$17,400 and some odd  
22 positions.

23 In the Trade Representative's Office, the number is  
24 essentially the number that the Trade Representative asked  
25 OMB for on the theory that they need these resources for the

1 Uruguay round and all the other things they are doing. The  
2 ITC request is what the ITC has requested.

3 There is also a column called ``Proposed FY-1992`` and  
4 that reflects the interest in the House and among members on  
5 this side to authorize the appropriations for these agencies  
6 for two years as a way of influencing the appropriations  
7 process, both within the Administration and OMB and in the  
8 Congress where the Appropriations Committees -- especially on  
9 the House side, but on this side as well -- have on occasion  
10 disregarded the authorization.

11 So those are the basic numbers. The reason that the U.S.  
12 Customs Service proposal is split out into salary and  
13 expenses is because that is the way it appears in the budget.  
14 But the bottom line in bold face are the actual numbers that  
15 would be authorized.

16 So I think you have consensus on everything here, with  
17 the possible exception of the second out year for Customs.  
18 In other words, the proposed FY-1992 figure for Customs, I  
19 did find some offices who might be reluctant to authorize  
20 appropriations for two years for Customs. But on everything  
21 else --

22 The Chairman. I can understand that. But what we are  
23 trying to get away from is this yo-yo effect that we have had  
24 and trying to get the message across to OMB. In all candor,  
25 if the message is not getting across, then I want to assure

1 all of them that we will have a Customs oversight -- we are  
2 going to have it anyway -- hearing this spring. If this  
3 amendment does become law, and if we find that Customs is  
4 doing things that this Committee does not approve of, then I  
5 will support a revision of the second year of this new  
6 authorization cycle to see if we cannot exert the kind of  
7 influence that is necessary.

8 But what we have seen thus far and what we have seen with  
9 this new Commissioner of Customs has been most encouraging  
10 -- the kind of communication she has had with this Committee  
11 and in turn with the private sector. So I would urge the  
12 adoption.

13 Senator Packwood. I second the motion.

14 The Chairman. All right.

15 All in favor of the motion stated, make it known by  
16 saying aye.

17 (A chorus of ayes.)

18 The Chairman. Opposed, a similar sign.

19 (No response.)

20 The Chairman. Motion carried.

21 Mr. Lang. Now, Mr. Chairman, the third thing is the CBI  
22 amendments. CBI is a program which gives a one-way duty-free  
23 benefit to countries that qualify for the program in the  
24 Caribbean Basin Region. Legislation has been introduced in  
25 both the Senate and the House to extend the program and

1 expand it.

2 What we have done at the staff level is to arrival at  
3 consensus on a package of matters which are listed on the  
4 fifth and sixth pages in your package, called ``Chairman's  
5 Proposal on CBI II.'' There is a page, I guess, or page and  
6 a half of listing in summary form the items on which there  
7 was consensus. Now a package that is not dissimilar from  
8 this was passed by the House in 1989 and attached to the  
9 budget bill -- to the reconciliation bill -- and then dropped  
10 in reconciliation with all the other miscellaneous tariff  
11 matters with the understanding that Senate conferees would  
12 make an effort to move on this along with all the others by  
13 the end of March. You have had a hearing on the Trade  
14 Subcommittee on this subject.

15 So these are the provisions on which there is consensus.

16 The Chairman. Let me state on the CBI that I certainly  
17 propose that the Committee do what it can to improve the  
18 Caribbean basin initiative. In some ways I would like to go  
19 beyond what we have done. But we were not able to obtain  
20 consensus on that. I want to be sure we can bring this to  
21 the floor; and we have to bring it to the floor by unanimous  
22 consent as you know, and if not, if you get the motion to  
23 proceed that could be filibustered.

24 So it contains provisions that originated both in Senator  
25 Graham's bill, S.504, and the House counterpart. The key to



1 the package -- in fact to the whole bill we are marking up  
2 today -- is to try to avoid crippling controversy on it, and  
3 to try to get it through the Senate and finish it up by the  
4 end of the month.

5 You have to remember that the CBI is a much richer  
6 program than GSP. Because on GSP you get duty-free treatment  
7 on only about a third of the items that are in the U.S.  
8 tariff schedule; whereas, CBI on the other hand applies to  
9 everything except for a few excluded items such as footwear,  
10 leather, tuna, I believe -- some five items overall.

11 But the important thing about this package is that it  
12 makes the CBI duty-free important privilege a permanent one  
13 so businesses can count on some continuity in order to make  
14 their financial commitments. I would hope that the Committee  
15 would adopt the proposal.

16 Senator Packwood. Mr. Chairman.

17 The Chairman. Yes.

18 Senator Packwood. I am prepared to adopt the proposal.  
19 I have two amendments I want to offer, but I am prepared to  
20 adopt the proposal that you have so far.

21 The Chairman. All right.

22 Senator Bradley. Mr. Chairman.

23 The Chairman. Yes.

24 Senator Bradley. I also have a couple of amendments that  
25 I would like to offer.

1           The Chairman. All right.

2           Senator Bradley. I have no object to you adopting the  
3 proposal though as the basis.

4           The Chairman. All right.

5           Can we do this, can we adopt this proposal first and then  
6 bring up your amendments and see what can be done? Can I get  
7 a motion to that?

8           Senator Bradley. I propose the adoption of the  
9 Chairman's mark.

10          The Chairman. All right.

11          All in favor of the motion stated, make it known by  
12 stating aye.

13          (A chorus of ayes.)

14          The Chairman. Opposed?

15          (No response.)

16          The Chairman. All right, Senator Packwood.

17          Senator Packwood. The first amendment I have, Mr.  
18 Chairman, relates to footwear. The House bill as originally  
19 introduced provided a 50 percent duty reduction on all  
20 footwear manufactured in the Caribbean Basin. That was  
21 heavily opposed by the domestic industry and all footwear  
22 provisions were dropped before the House Rules Committee.

23          I am suggesting a relatively modest change in the  
24 footwear provision. I would provide a 50 percent duty  
25 reduction on one narrow type of footwear -- rubber soled

1 fabric uppers. These are a very low-cost shoe that you would  
2 normally find in a K-Mart or a similar type store. They are  
3 not a high-priced item. They are only 10 percent of all the  
4 shoes made in the United States -- or this particular kind  
5 are only 10 percent made here and they are only 18 percent of  
6 the footwear consumption.

7 I think what you will find is that you will have a shift.  
8 If somebody wants to send a message to China, this is the way  
9 to do it. You will have a shift of the assembly and  
10 manufacture of these from Korea and China to the Caribbean  
11 Basin. I think it would be a good boost for them at no  
12 danger to our footwear industry. So I offer the amendment.

~~Chairman~~ Well, my problem is this, I know that we have some  
14 serious opposition to it and I think we have some on this  
15 Committee as I recall. Well here we are. Okay. What I am  
16 trying to avoid is that kind of controversy. Because, once  
17 again, the problem of getting this bill to the floor. Of  
18 course these can be offered on the floor too.

19 I must say in the meantime, if between now and then we  
20 can work out any kind of a compromise, I would be willing to  
21 pursue that. But I must ask that we vote against the  
22 amendment at this point.

23 Would you care to comment, Senator?

24 Senator Heinz. Mr. Chairman.

25 The Chairman. Yes.

1           Senator Heinz. Senator Packwood stated that a result of  
2 this amendment would simply be to move some production from  
3 China to the Caribbean Basin to one or another of the  
4 countries there. Unfortunately, that is just not the case.  
5 This is a pair of tennis shoes made in China, sold in the  
6 United States. This is a pair that is made in Wilkes Barre,  
7 Pennsylvania. I should say assembled in Wilkes Barre,  
8 Pennsylvania. Parts of the operation are already done in the  
9 Caribbean Basin.

10           If the initiative passes all of these shoes will in fact  
11 be made, necessarily, in the Caribbean Basin, that we will  
12 lose 300 jobs just at this one factory in Wilkes Barre,  
13 Pennsylvania. Therefore, I have to correct my friend and  
14 colleague from Oregon that his representation of his  
15 amendment is unfortunately just not correct. I will have to  
16 oppose it.

17           Senator Packwood. Could I ask if the Administration has  
18 an opinion?

19           Mr. Lang. Mr. Chairman, we do. And if I may introduce  
20 the Assistant Secretary of State for Inter-American Affairs  
21 Aronson to present the Administration's position.

22           The Chairman. Fine.

23           Mr. Aronson. Mr. Chairman, the Administration strongly  
24 supports this amendment. If I could take a minute I would  
25 like to speak to that.

1           The Chairman. All right.

2           Mr. Aronson. This is a very well attended hearing room.  
3 But in addition to the people who are here there are others  
4 who are watching what this Committee is doing today.

5           The Chairman. I would hope so.

6           Mr. Aronson. Oscar Arious, the President of Costa Rica,  
7 whose peace process helped us bring democracy to Nicaragua is  
8 watching; and the new President of Panama is watching; and  
9 Prime Minister Manley of Jamaica is watching; and Prime  
10 Minister Uginua Charles of Dominica is watching; and  
11 Violetta Chamaro, the new President-Elect of Nicaragua is  
12 watching. And basically what they want to know is, does the  
13 United States practice what it preaches.

14           CBI is a great success story and it is a tribute to the  
15 Congress that we have supported it and intend to renew it.  
16 As you know, it has produced about a 90 percent increase in  
17 nontraditional exports, stimulated a billion, a billion in a  
18 half of new investment.

19           But CBI is also a contract. To get eligibility these  
20 countries have to meet certain U.S. requests. We ask them to  
21 protect U.S. property rights. We ask them to reform their  
22 economies. We ask them to fight narcotics. And these  
23 countries have kept their part of the agreement. They are  
24 restructuring their economies. They are opening them up to  
25 trade. They are fighting narcotics and diverting resources

1 from pressing social needs at our request.

2 And our response, unfortunately, given the realities of  
3 our budget situation is that from 1989 to 1980 we have cut  
4 economic support funds for the CBI countries by 20 percent.  
5 We just zeroed out the Eastern Caribbean this year, not  
6 because we want to but because we have a situation where most  
7 money is earmarked and you have a budget squeeze. And so  
8 these countries drop off the face of the earth.

9 I just went to Jamaica with the Vice President and we had  
10 to look Michael Manley in the face after he has turned away  
11 from a previous incarnation where he was relatively  
12 unsympathetic to the United States, relatively sympathetic to  
13 Castro, and a believer in State-dominated economies. Today  
14 he is reforming his economy at great political risk. The  
15 Justice Department will tell you that he fighting drugs more  
16 than any other leader in the Caribbean. He helped us on  
17 Panama and the OAS. He is working with us on Haiti; and our  
18 answer to him is, in response to your doing everything the  
19 United States has asked you to do, we just cut your economic  
20 support funds from \$25 million in 1989 to \$5 million.

21 What he is looking here today is, do we really care about  
22 these countries or are all we going to do is simply renew  
23 this and say there is nothing else we can do.

24 On this particular amendment I disagree with Senator  
25 Heinz, even though I respect his view. But the fact is that

1 this amendment and the other amendment like it will save jobs  
2 in the United States, and there are several studies that  
3 prove that. Because if you do not have the requirement that  
4 is in the amendment which is that the patterns have to be  
5 produced in the U.S., that the assembly goes on in the CBI  
6 countries, but that the patterns have to be produced in this  
7 country, those jobs are going to leave.

8 And, in fact, this amendment will save about 25,000 jobs  
9 in this country. Because eventually those jobs will  
10 disappear. But CBI requires that if this product is  
11 assembled in a CBI country, the patterns and the materials  
12 have to be produced here, and you will keep jobs in the  
13 United States.

14 But, you know, the nations of this region -- Central  
15 American/Caribbean -- look at events in Eastern Europe and  
16 they are inspired like we are but they also are left with a  
17 terrible gnawing fear that the United States is going to be  
18 totally diverted and once again forget Latin America and the  
19 Caribbean. That is our historic mistake toward this region.

20 I hope that we do not allow the fact that this bill may  
21 have some opposition, this amendment, to keep us from passing  
22 it. Because if I have to go back to Jamaica and he asks me  
23 why we did not do this and I say because we did not want to  
24 stand up and fight about it, that is not going to be a very  
25 proud moment for me as Assistant Secretary of State.

1           So I would urge the Committee to support this amendment  
2           and the other amendments that the Senator will do because I  
3           think we owe it to these countries.

4           Thank you.

5           The Chairman. Thank you very much.

6           Senator Heinz. Mr. Chairman, I would like to respond  
7           since he took my name.

8           The Chairman. Yes, of course.

9           Senator Heinz. And secondly, ask a question; and  
10          thirdly, set the record straight.

11          First, I do not know where you are getting your numbers.  
12          You just said that if the legislation passes and if Senator  
13          Packwood's amendment passes it will create 25,000 jobs in  
14          this country. I would like to see that. If that is true,  
15          you should it with us, not assert it at the last moment. I  
16          am a little skeptical of it because in 1973 there were a  
17          total of 26,000 jobs nationwide, throughout the United  
18          States, in the footwear industry. A total -- I will repeat  
19          that -- of 26,000 jobs.

20          While Administration after Administration has said what  
21          we are doing is going to help the American footwear industry,  
22          we have lost some 17,000 jobs. There are only 9,000 jobs  
23          left. Now if you can take those 9,000 jobs and add 25,000 to  
24          them that is really stupendous. It is also unbelievable,  
25          because that would be more jobs than we had in 1973.



1 I hope people understand too that the jobs that we have  
2 left -- and there are not many of them, 9,000 -- are jobs  
3 that are principally filled by people who are just getting  
4 into the work force or who have a marginal chance of making  
5 it. These are predominantly low-wage jobs. More than 70  
6 percent are filled by women. There is a disproportionate  
7 proportion of minorities -- close to 40 percent. The people  
8 who lose their jobs in these industries have an almost  
9 insurmountable problem in ever getting employment again.

10 One of the other studies that the Labor Department did,  
11 which I urge Mr. Aronson to consult, shows that over half the  
12 people who lost their jobs due to imports in the both  
13 footwear and textile industries -- and they are very closely  
14 related -- over half of those people were never able to get  
15 jobs again.

16 So this is a question not only of who is watching --  
17 whether Mrs. Charles is watching or Mrs. Chemaro is watching,  
18 all the people in and around the Caribbean Basin are watching  
19 -- it is a question of Americans watching what is happening  
20 to their own jobs.

21 The Chairman. Senator, thank you.

22 Let me state further that the Major Leader is opposed to  
23 it as are quite a number and he is a member of this Committee  
24 so I make that comment for him.

25 Let me say that one of the worst disservices, I think,

1 that we could do to the CBI is not to pass this legislation.  
2 And without a question from the comments you have heard,  
3 there is a great deal of controversy over these amendments.  
4 And I want to see the CBI authorization made permanent. I  
5 want that to become a reality. If we are not able to do  
6 that, and we end up in controversy and not accomplish it,  
7 then I think that the problems for the CBI would be  
8 multiplied several times over.

9 The amendment is before us. It has been proposed. I  
10 urge that we vote it down.

11 Senator Packwood. Could we have the ayes and nays,  
12 please?

13 The Chairman. All right.

14 Those in favor of the amendment -- we will take the ayes  
15 and nays.

16 The Clerk. Mr. Matsunaga.

17 The Chairman. No, by proxy.

18 The Clerk. Mr. Moynihan.

19 Senator Moynihan. No.

20 The Clerk. Mr. Baucus.

21 Senator Baucus. No response.

22 The Clerk. Mr. Boren.

23 The Chairman. No, by proxy.

24 The Clerk. Mr. Bradley.

25 Senator Bradley. Aye.

1 The Clerk. Mr. Mitchell.  
2 The Chairman. No, by proxy.  
3 The Clerk. Mr. Pryor.  
4 The Chairman. No, by proxy.  
5 The Clerk. Mr. Riegle.  
6 Senator Riegle. No response.  
7 The Clerk. Mr. Rockefeller.  
8 Senator Rockefeller. No.  
9 The Clerk. Mr. Daschle.  
10 The Chairman. No, by proxy.  
11 The Clerk. Mr. Packwood.  
12 Senator Packwood. Aye.  
13 The Clerk. Mr. Dole.  
14 Senator Packwood. Aye, by proxy.  
15 The Clerk. Mr. Roth.  
16 Senator Roth. Aye.  
17 The Clerk. Mr. Danforth.  
18 Senator Danforth. No response.  
19 The Clerk. Mr. Chafee.  
20 Senator Packwood. Aye, by proxy.  
21 The Clerk. Mr. Heinz.  
22 Senator Heinz. No.  
23 The Clerk. Mr. Durenberger.  
24 Senator Packwood. Aye, by proxy.  
25 The Clerk. Mr. Armstrong.

1 Senator Armstrong. No response.

2 The Clerk. Mr. Symms.

3 Senator Symms. No.

4 The Clerk. Mr. Chairman.

5 The Chairman. No.

6 The Clerk. The votes are six in favor, ten opposed.

7 The Chairman. May we have the next amendment?

8 Senator Packwood. Well I think in the light of it, Mr.  
9 Chairman, I am not going to offer the textile amendment,  
10 although I would be prepared to offer them on the floor.

11 The Chairman. All right. That is understood.

12 Senator Bradley. Mr. Chairman.

13 The Chairman. Senator Bradley.

14 Senator Bradley. I have, I think, at least two rather  
15 noncontroversial amendments. One is I am offering on behalf  
16 of Senator Graham a kind of perfecting amendment to what is  
17 already in the bill. I think it was a technical oversight.  
18 It deals with the sinful American scholarship program and a  
19 cooperative association of States for scholarship.

20 Essentially, the change is to give the States a little  
21 more role in designing these programs. Under the bill, as it  
22 is before us, it says that, "The role of the States in the  
23 private sector in the program, AID must simply consult with  
24 the States that help to fund and operate the program." This  
25 amendment would require AID to come to agreement with the

1 States and consult the private sector.

2 It is a small change, but it basically gives the States  
3 a bigger role in trying to help design these programs for  
4 scholarship students who come up to the United States to a  
5 university.

6 The Chairman. Has staff been apprised of this amendment  
7 before?

8 Mr. Lang. Mr. Chairman, we got a copy last night. I do  
9 not think the Administration has had a copy either and it did  
10 not go through our staff process. So we are not sure of  
11 exactly what its impact would be, other than what Senator  
12 Bradley has described because we did not have time to check  
13 it out.

14 Senator Bradley. Mr. Chairman, could I make sure that  
15 the -- How long would it take the staff to take a look at  
16 this?

17 Mr. Lang. Well what I meant was, we had not had a chance  
18 to check with the staffs of Senators on the Committee and get  
19 a return from them.

20 The Chairman. Let me do this, Senator, see if this would  
21 do it. Frankly, I do not see any problem with it.

22 Mr. Lang. Yes, I do not either.

23 The Chairman. But, if we have not looked at it before,  
24 could we do this: Let us study it. Because I am trying to  
25 get this one out and offer it. If we do not run into a

1 controversy problem, offer it as a Committee amendment on the  
2 floor?

3 Senator Bradley. That would be satisfactory to me, Mr.  
4 Chairman.

5 The Chairman. All right. Okay.

6 Senator Bradley. Mr. Chairman, the second amendment that  
7 I would offer is simply to ask Treasury and AID for a study  
8 -- a study basically of the official bilateral debt burden  
9 faced by CBI countries and the extent to which the burden  
10 offsets gains from the CBI of potential economic benefits and  
11 budgetary impact of alternative types of debt relief  
12 basically. It is a study that comes from Treasury and the  
13 AID.

14 The Chairman. Mr. Lang, do you have any comment on it?

15 Mr. Lang. I am not familiar with the document.

16 The Chairman. Mr. Bolten, do you have any comment on it?

17 Mr. Bolten. Mr. Chairman, we are unfamiliar as well.  
18 But we would be happy to work with staff for conclusion of  
19 this in the Committee.

20 The Chairman. Let me put it this way.

21 Senator Bradley. The same category, Mr. Chairman, that  
22 would be perfectly okay. I am sure they will be familiar  
23 with my third amendment.

24 The Chairman. All right.

25 Senator Bradley. It is along the lines that I should

1 take the language of Mr. Aronson as it applied to footwear  
2 and simply transport it to sugar. The Overseas Development  
3 Corporation estimates that all of the benefits that have  
4 flowed to the CBI have been lost by a decline in the amount  
5 of sugar exports to the United States as a result of the  
6 drastic decline in the quota.

7 What I would suggest is that we simply put a floor under  
8 the quota so that some of these CBI countries could at least  
9 have some part of the market here. Because otherwise, you  
10 know, we are going to make big statements about helping them  
11 economically, and we are going to be giving with one hand and  
12 the other hand we are going to be taking it away from them.  
13 And if what Mr. Aronson said about footwear applies,  
14 certainly what they already have competitive advantage in,  
15 which is sugar, would apply even more strongly.

16 So this would be an amendment that would put a floor of  
17 1.6 million metric tons as a floor for the quota.

18 Mr. Lang. May I ask a question?

19 The Chairman. Yes, Mr. Lang.

20 Mr. Lang. The floor then would be a floor on the global  
21 sugar quantity?

22 Senator Bradley. Global sugar.

23 Mr. Lang. I see.

24 Senator Bradley. There would not be a floor out of which  
25 they would get their chunk.

1           Mr. Lang. Mr. Chairman, the situation with sugar is  
2 this. The United States Price Support Program is the subject  
3 of a special provision which assures that imports will not  
4 undermine the price support level. And the price support  
5 level on this crop, as on others, is enforced today with a  
6 quota, so that imports of sugar do not come in under the  
7 price of the domestically supported product.

8           Now that quota obviously floats up and down, depending on  
9 the world price. As the world price goes way down, the quota  
10 goes down in order to prevent the importation of very low-  
11 priced sugar. The price of sugar is now around 13 or 14 per  
12 pound. So the quota is up substantially for these countries  
13 as well as others.

14           A provision which would have put a floor on the quota was  
15 in the House bill, but only on the quota from sugar imported  
16 from CBI countries. And if the world price then collapsed,  
17 the quota would have gone down further than it otherwise  
18 would have on sugar from non-CBI countries, such as Australia  
19 and the Philippines.

20           The Administration opposed that provision and that is why  
21 it is not in the Chairman's mark. This is a different  
22 amendment which has not been discussed at the staff level.  
23 And the amendment would be to put a floor on the whole sugar  
24 program worldwide. I do not know what the Administration's  
25 position on that would be.



1           The Chairman. I want to give them an opportunity to  
2 comment on it.

3           Mr. Lang. It is a change from the House amendment and  
4 would be probably a major change in the sugar program.

5           The Chairman. Mr. Bolten, do you care to comment on it?

6           Mr. Bolten. Mr. Chairman, once again, we have not had an  
7 opportunity to study Senator Bradley's proposal. Mr. Lang  
8 did state correctly that the Administration opposed  
9 strenuously what was originally in the House bill because of  
10 a discrimination in effect against non-CBI countries in its  
11 sugar quota.

12           Senator Bradley has cured that defect with his proposal  
13 but is also suggesting a rather dramatic realignment of the  
14 sugar program on which for the time being, Mr. Chairman, I  
15 would regretfully have to defer an Administration position  
16 because that would require a fairly heavy amount of  
17 consultation within the Administration, especially with  
18 Secretary Yueter.

19           Senator Bradley. Mr. Chairman, does the State Department  
20 support the sugar program?

21           Mr. Aronson. I am delighted you asked me that question,  
22 Senator. We obviously would like to achieve the same goals  
23 that you are trying to achieve, which is to help some of the  
24 countries in Central America and the Caribbean Basin, which  
25 are efficient sugar producers. That is the purpose of what

1 we are trying to do right now in the GATT in the Uruguay  
2 round. That is a major part of our effort to rationalize  
3 sugar.

4 And if we do it as we are trying to do, the CBI countries  
5 will benefit greatly -- the efficient producers. I do not  
6 know enough about your amendment, having just heard it, to be  
7 able to tell you whether it is consistent with GATT. But I  
8 would like to achieve the goal you are trying to achieve.  
9 And if my colleagues and the rest of the Administration find  
10 that that is a way to do it, maybe we can come back to you.  
11 But I cannot give you a top-of-the-head answer.

12 Senator Bradley. Well we have been trying to achieve  
13 this goal for about nine years. There has been varying  
14 degrees of verbal support from an Administration. But it  
15 seems to me that particularly based on events as you  
16 described them so eloquently in Central America, if you are  
17 serious about improving people's living standard you have to  
18 allow them to export what they have comparative advantage in  
19 if all of our rhetoric means anything.

20 Senator Moynihan. Would the Senator yield for a comment?

21 Senator Bradley. Yes.

22 Senator Moynihan. I would think that the State  
23 Department ought to be not just nominally, but very  
24 viscerally in favor of this. Because, you know, you have  
25 already had the good luck. In 1900 Theodore Roosevelt was

1 determined to see that Cuba become a State of the Union. And  
2 it would have done excepting for the new sugar beet  
3 industries developing in some of the new States in the high  
4 plains. It was sugar that kept Cuba out of the American  
5 Union. Now the least you can do is let some sugar from  
6 Jamaica in.

7 Mr. Aronson. Senator, I would be delighted to let sugar  
8 from Jamaica, Panama, Costa Rica in; and I think we need to  
9 find a way to do it. The GATT is one means and perhaps  
10 Senator Bradley's amendment is another means. But I cannot,  
11 as you well know, support either nominally or  
12 enthusiastically something that I have just heard for the  
13 first time. We have an institution even more powerful than  
14 the State Department called OMB. And if I did give an  
15 Administration position, I would not be back here again.

16 The Chairman. Well let me state, gentlemen, that  
17 obviously what the Senator has proposed is a very major  
18 change in a highly controversial program. I am not speaking  
19 at all to the merits of it because I have not had an  
20 opportunity to study it either. But I would strongly urge  
21 that we defeat the amendment at this time in trying to get  
22 this bill up on the floor and proceeding on material.

23 Senator Riegle. Mr. Chairman, if I may just say, I know  
24 that Senator Matsunaga would have a strong feeling about that  
25 and I support the Chairman's view on this.

1           The Chairman. I understand that. I have one almost in  
2 blood here in the way of a proxy.

3           (Laughter)

4           The Chairman. Other further comments?

5           Senator Symms. Mr. Chairman.

6           The Chairman. Yes.

7           Senator Symms. Mr. Chairman, I will be very brief. But  
8 I agree with the Chairman. The Chairman might note I did not  
9 vote on that first amendment because I would like to see us  
10 get a bill through here without a lot of controversy. I  
11 could just assure my colleague from New Jersey that all we  
12 have to do to help those States in the Caribbean basin is  
13 let's pass this Clean Air Act that we talk about. We can  
14 move the chemical, pharmaceutical and steel industry to the  
15 Caribbean basin and that will offset any sugar business they  
16 won't get and we will still grow beets in the high plains  
17 that way.

18          (Laughter)

19          The Chairman. Senator, do you want to offer the  
20 amendment?

21          Senator Bradley. Yes, sir, Mr. Chairman. I would like a  
22 kind of base line vote to get a sense.

23          The Chairman. All right. Would you like a roll call?

24          Senator Bradley. If we could do a roll call I would  
25 appreciate it.

1 The Chairman. Fine.

2 Senator Bradley. Just so we know where our base line is.

3 The Chairman. All right. The amendment has been  
4 proposed. There will be a roll call. All of those in favor  
5 vote aye; opposed, no.

6 If you will proceed.

7 The Clerk. Mr. Matsunaga.

8 The Chairman. No, by proxy.

9 The Clerk. Mr. Moynihan.

10 Senator Moynihan. Aye.

11 The Clerk. Mr. Baucus.

12 The Chairman. No, by proxy.

13 The Clerk. Mr. Boren.

14 The Chairman. No, by proxy.

15 The Clerk. Mr. Bradley.

16 Senator Bradley. Aye.

17 The Clerk. Mr. Mitchell.

18 Senator Mitchell. No response.

19 The Clerk. Mr. Pryor.

20 The Chairman. No, by proxy.

21 The Clerk. Mr. Riegle.

22 Senator Riegle. No.

23 The Clerk. Mr. Rockefeller.

24 Senator Rockefeller. No.

25 The Clerk. Mr. Daschle.

1 The Chairman. No, by proxy.  
2 The Clerk. Mr. Packwood.  
3 Senator Packwood. Aye.  
4 The Clerk. Mr. Dole.  
5 Senator Dole. No response.  
6 The Clerk. Mr. Roth.  
7 Senator Roth. Aye.  
8 The Clerk. Mr. Danforth.  
9 Senator Danforth. No response.  
10 The Clerk. Mr. Chafee.  
11 Senator Packwood. Aye, by proxy.  
12 The Clerk. Mr. Heinz.  
13 Senator Heinz. No response.  
14 The Clerk. Mr. Durenberger.  
15 Senator Durenberger. No response.  
16 The Clerk. Mr. Armstrong.  
17 Senator Armstrong. No response.  
18 The Clerk. Mr. Symms.  
19 Senator Symms. No.  
20 The Clerk. Mr. Chairman.  
21 The Chairman. No.  
22 The Clerk. The votes are five in favor, nine opposed.  
23 Senator Roth. Mr. Chairman.  
24 The Chairman. Senator Roth.  
25 Senator Roth. Mr. Chairman, under the legislative

1 proposal, there is to be, as I understand it a pilot program  
2 of Customs preclearance to be located in a Caribbean nation.  
3 This system whereby travelers clear U.S. Customs and  
4 immigration at their overseas port of departure is regarded  
5 as a great boon to the tourist industry. I think there is  
6 only two countries where such preclearance is available --  
7 Ireland and the Bahamas -- and both countries consider this a  
8 great and important privilege.

9 I am not going to offer an amendment, Mr. Chairman, but I  
10 would like to urge, particularly on the Administration, that  
11 the pilot project should be located in Jamaica, particularly  
12 since Jamaica is the largest island economy in the region.  
13 Moreover, through the 1980s Jamaica has been the second  
14 highest per capita recipient of U.S. assistance in the world.  
15 In addition, I assume that Jamaica has the largest tourist  
16 industry in the area so that a preclearance arrangement would  
17 be of the greatest impact in Jamaica.

18 I may offer an amendment at a later time, but I will not  
19 at the present time.

20 The Chairman. Thank you very much, Senator.

21 Are there further amendments at this point?

22 Senator Moynihan. I have something else.

23 The Chairman. Yes, Senator Moynihan.

24 Senator Moynihan. Mr. Chairman, Mr. Lang may wish to  
25 describe -- I have five amendments of miscellaneous, each is

1 a bill. I could describe them. There are none of them  
2 controversial, as I understand.

3 The Chairman. Are they in the legislation now in the  
4 bill?

5 Mr. Lang. They are not, Mr. Chairman. I think Senator  
6 Moynihan is right that the controversy -- we used a very high  
7 standard for controversy. So they fell short of that  
8 standard. I would be glad to describe them. May I suggest  
9 that you finish CBI and get into these miscellaneous tariff  
10 bills.

11 Senator Moynihan. Oh course.

12 Mr. Lang. Then I would be glad to describe them,  
13 Senator.

14 The Chairman. All right, they do not involve CBI. All  
15 right.

16 Are there any further amendments on CBI?

17 (No response.)

18 The Chairman. If not, we will proceed. I think we  
19 already voted on the basic underlying legislation on it. All  
20 right.

21 Senator Moynihan. I could do this, Mr. Chairman, and  
22 quickly there are five measures.

23 The Chairman. We have a whole list of what I think are  
24 noncontroversial amendments. And if Mr. Lang will describe  
25 them, perhaps we can dispose of them.



1           Mr. Lang. I can just describe them very briefly, Mr.  
2 Chairman.

3           The Chairman. Yes.

4           Mr. Lang. The first one concerning drug paraphernalia  
5 would require the Administration to implement the  
6 recommendations made by the International Trade Commission on  
7 its 332 Study on drug paraphernalia.

8           Senator Moynihan. Which we requested, of course.

9           Mr. Lang. Which the Committee requested at Senator  
10 Moynihan's urging. This was not introduced as a bill. We  
11 are not aware that there is any opposition to it.

12           The second one is a bill to suspend the duty on  
13 insulating winding wire cable. This would temporarily  
14 suspend the duty on a certain kind of cable and electrical  
15 apparatuses. The current duty is 5.3 percent ad valorem.  
16 The problem is that the New York power authority needs to be  
17 able to buy the imported cable. The only opponent was a New  
18 York cable producer, and no Senator has appeared to represent  
19 that concern.

20           Senator Moynihan. This is available only in Italy.

21           Mr. Lang. The third amendment is part of the ship repair  
22 provisions. The main part of the ship repair provisions  
23 concerning lash barges which Senator Moynihan wanted to  
24 propose is noncontroversial. I believe last night we were  
25 able to work out language on the second part of the

1 provision, known as double-duty, which is acceptable to the  
2 Administration.

3 So that would also now be noncontroversial.

4 Senator Moynihan. May I say, sir, that Senator Breaux is  
5 particularly interested in this matter.

6 The Chairman. All right.

7 Mr. Lang. The next amendment is an amendment to prohibit  
8 the importation of certain articles from Burma.

9 Senator Moynihan. Teak and fish.

10 Mr. Lang. Teak.

11 Senator Moynihan. I wanted that considered separately,  
12 if I may.

13 Mr. Lang. I beg your pardon.

14 Senator Moynihan. There are two other amendments, Mr.  
15 Chairman.

16 Mr. Lang. I am sorry. The two remaining bills are among  
17 the cluster of bills you described at the beginning of the  
18 markup which were introduced after the February 12 deadline.  
19 So we do not have any information one way or another about  
20 them.

21 But what I would recommend there is that you see how the  
22 rest of this goes and then take those en bloc. There are  
23 about five or six of them.

24 The Chairman. That was going to be my suggestion, if we  
25 can finish it out and take then en bloc.

1 Senator Moynihan. Fine.

2 Can I just say what they are, sir. The first suspends  
3 the duty on personal effects and equipment of participants in  
4 the 1993 World University Games, to be held in Buffalo. We  
5 do that for the Olympics pretty routinely. And the other  
6 suspends the duty on materials that go into a coating of  
7 silicones which General Electric cannot get from this country  
8 and wants to bring in from Switzerland and Germany.

9 Senator Bradley. Mr. Chairman.

10 The Chairman. Yes.

11 Are we through with those now? Have we completed the  
12 package?

13 Mr. Lang. If we could just close this out.

14 The Chairman. Yes.

15 Mr. Lang. What I would recommend, Mr. Chairman, is that  
16 you now adopt the four I described and then we will take up  
17 the last two, which Senator Moynihan just described, when you  
18 adopt en bloc all of these late filed amendments.

19 The Chairman. Let's see if we develop any controversy  
20 and if we are going to finish up before the end of the year.

21 Mr. Lang. I thought you wanted to handle Burma  
22 separately. I beg your pardon.

23 Senator Moynihan. I think there are three that you have  
24 agreed to.

25 Mr. Lang. I beg your pardon.

1 Senator Moynihan. And two to be en bloc.

2 Mr. Lang. Yes, I beg your pardon.

3 The Chairman. All right. That is fine. Let me finish.

4 Have you finished now?

5 Mr. Lang. Yes, sir.

6 The Chairman. All right.

7 Senator Packwood. Could I ask a question?

8 The Chairman. Yes.

9 Senator Packwood. Do you have two amendments of Senator  
10 Durenberger's -- one relating to two and four stroke engines  
11 and one relating to an AUWA paper?

12 The Chairman. I wonder if we could finish on these  
13 three.

14 Senator Packwood. I thought he was done.

15 The Chairman. No.

16 Senator Packwood. I am sorry.

17 The Chairman. Can we get a motion for the three?

18 Senator Moynihan. I so move.

19 The Chairman. All right. All in favor make it known by  
20 saying aye.

21 (A chorus of ayes.)

22 The Chairman. Opposed, similar sign.

23 (No response.)

24 The Chairman. Motion carried. The other two will be  
25 held.

1           Senator Packwood. I just wanted to ask if you have these  
2 two amendments. I said I would present them on his behalf.  
3 I am not versed in them. I do not know if they are  
4 controversial or not. Are you familiar with them?

5           Mr. Lang. Yes, sir.

6           Senator Packwood. Then can I just simply offer them on  
7 his behalf, Mr. Chairman? I have to go.

8           The Chairman. Yes, of course.

9           Senator Packwood. But I will have to leave it to the  
10 will of the Committee.

11          The Chairman. All right.

12          Senator Packwood. If Jeff would explain as to what they  
13 are.

14          The Chairman. All right. Fine.

15          Senator Packwood. Thank you.

16          Mr. Lang. Mr. Chairman, they are, very briefly, the  
17 first is what was introduced as S.1015 on plastic webbed  
18 sheeting. It would suspend the duty on a particular type of  
19 sheeting known as AUWA paper. It is used in the filter  
20 element of water purification systems.

21          We are not aware of a Committee member who would oppose  
22 it. But the Association of Nonwoven Fabrics objects to the  
23 bill because it says there is a domestic capacity to produce  
24 the product. There apparently are producers in the United  
25 States that make nonwoven fabric for water filtration

1 systems, but we cannot confirm -- and neither can the ITC --  
2 that any of these companies make this specific kind of filter  
3 paper.

4 In any event, we are not aware of a Senator who objects  
5 to the amendment on AUWA paper.

6 The second one concerns a suspension of duty on two  
7 stroke and four stroke cycle piston engines. This would  
8 suspend the duty on these engines that are used in things  
9 like snowmobiles and golf carts and that sort of thing. The  
10 duty is currently 3.1 percent ad valorem.

11 This was introduced on behalf of a company in Minnesota  
12 that makes snowmobiles and ATVs and it imports its engines  
13 from Japan. Prior to the conversion from the old tariff  
14 schedules to the harmonized system which occurred in the  
15 Trade Act of 1988 the engines entered duty-free. Then in the  
16 transition they were kicked up into this category of 3.1  
17 percent ad valorem.

18 We received opposition from a golf cart producer in  
19 Wisconsin and Senator Kohl is concerned about this. The  
20 company is called Columbia Parcar and it manufactures golf  
21 cart engines, but the dispute is that it does not make the  
22 engines generally available.

23 So Senator Durenberger continues to believe that the  
24 amendment is advisable because it would correct the change in  
25 the HS and Columbia Parcar would not be injured by it because

1 it does not make the engines available generally to his  
2 producer in Minnesota to use in their golf carts.

3 The Chairman. Are there further comments on it?

4 (No response.)

5 The Chairman. The first one you found noncontroversial,  
6 did you?

7 Mr. Lang. The opposition on the first one was the  
8 Association of Nonwoven Fabric. But we cannot identify  
9 anybody who makes this specific kind of nonwoven fabric in  
10 the United States.

11 The Chairman. That is the problem with bringing us these  
12 things at the last minute insofar as trying to identify them.

13 What is the wish of the Committee?

14 Senator Roth. Mr. Chairman, I so move.

15 Senator Bradley. Did we --

16 The Chairman. Well we --

17 Senator Roth. We moved on the first.

18 The Chairman. I am trying to find out what we can do  
19 here as to the question of degree of controversy. We really  
20 are limited in the information.

21 Mr. Lang. Mr. Chairman, we have a very low threshold for  
22 handling controversy. If we get any comment from anywhere we  
23 treat it as controversial because that person might be  
24 represented at a later time.

25 On the AUWA paper, the Committee has previously approved

1 a suspension like this and we have gotten no communication  
2 from any Senator that he would support the position of the  
3 paper makers. So we do not think there is much risk in  
4 taking this amendment.

5 The Chairman. All right. I do not see anyone on the  
6 Committee that is objecting to these. Do we have a motion?

7 Senator Symms. So moved.

8 Senator Roth. I second it.

9 The Chairman. All right. On both of them.

10 Senator Roth. Second.

11 The Chairman. All right.

12 Senator Bradley. Mr. Chairman.

13 The Chairman. Is there objection?

14 (No response.)

15 The Chairman. If not, we have accepted them.

16 Senator Bradley. Mr. Chairman, I think the staff is  
17 aware of this. This is a so-called Jokkard Cards. Last year  
18 we passed a bill that was supposed to apply to a card that is  
19 used in the textile business, and it applied to both  
20 unpunched and finished cards. The Customs interpreted it to  
21 apply only to finished. This would be an amendment that  
22 would essentially make it clear that it was both unpunched  
23 and finished.

24 Mr. Lang. Mr. Chairman, our understanding about this one  
25 is that there is no objection to the substance of the bill,



1 but only to the retroactivity element of the bill. And there  
2 the opposition is a traditional one from the Administration.

3 The Chairman. Well let the Administration speak to that.

4 Mr. Lang. Someone is here from the Commerce Department  
5 to speak to that.

6 The Chairman. All right.

7 Mr. Bolten. Mr. Chairman, this is Barbara Steinbock of  
8 the Commerce Department's Tariff Office.

9 The Chairman. All right.

10 Ms. Steinbock. Our opposition to the retroactive  
11 treatment on this was based on the fact that while we agree  
12 with the change that should be made for purposes of equity,  
13 our feeling is that that treatment should be prospective. We  
14 are very limited in the number of times that we agree to  
15 retroactive treatment.

16 For example, during this particular round of bills our  
17 agreement on retroactive treatment has been for those where  
18 something happened in the HTS conversion if certain treatment  
19 was given under the TSUS, but in the conversion that  
20 treatment changed, then we have agreed in this round of bills  
21 to retroactive treatment to the date of conversion.

22 In this particular bill, that was not the case. The  
23 treatment was the same, both under the TSUS and under the  
24 HTS. Therefore, in keeping with our principle of making  
25 everything prospective, we had objected to the retroactive

1 treatment.

2 Senator Bradley. So you say that the Customs did not  
3 interpret it properly or did interpret it properly?

4 Ms. Steinbock. Customs has interpreted the tariff  
5 schedule properly.

6 Senator Bradley. Well therein lies the disagreement, Mr.  
7 Chairman. But if we are going to go controversial or  
8 noncontroversial and it is noncontroversial prospective,  
9 let's move it prospective.

10 The Chairman. All right.

11 Let's go ahead and accept it unless someone has any  
12 serious objection.

13 All in favor of it.

14 (A chorus of ayes.)

15 The Chairman. Opposed.

16 (No response.)

17 Senator Symms. Mr. Chairman.

18 The Chairman. Let the Chairman get one of his in here.  
19 I have one on broom corn -- brooms made of broom corn. Mr.  
20 Lang, will you --

21 Mr. Lang. Yes, sir.

22 The Chairman. Where we have had the handicapped  
23 utilizing those and producing them for years. And when we  
24 got to harmonizing tariffs we had a problem develop in that  
25 regard.

1           Mr. Lang. Right. The sheltered industries have had this  
2 protection for a long time. And when the harmonized system  
3 conversion occurred they were kicked into a very low duty  
4 category. Maybe it went to zero. So all this would do is  
5 put them back where they were under preexisting law, at the  
6 rate of duty they previously had.

7           The Chairman. All right. Anyone opposed to the  
8 handicapped?

9           (Laughter)

10          (No response.)

11          The Chairman. All in favor of the Chairman's amendment,  
12 say aye.

13          (A chorus of ayes.)

14          The Chairman. Opposed.

15          (No response.)

16          The Chairman. Okay.

17          Senator Symms. Mr. Chairman.

18          The Chairman. Senator Symms.

19          Senator Symms. Mr. Chairman, thank you. I have two  
20 noncontroversial amendments, Mr. Chairman; and then I have  
21 one issue I would like to raise that I think may have some  
22 controversy. And the Senator from Pennsylvania may want to  
23 comment on it.

24          The Chairman. All right.

25          Senator Symms. The first one is relating to the

1 drawback. In June of 1988 the Customs issued a ruling which  
2 greatly restricted the ability of certain exporters to file  
3 for drawback refunds. It did so by reversing Customs  
4 drawback practices in rulings going back over about 30 years.  
5 Customs does this by requiring recordkeeping procedures that  
6 have been so costly and so contrary to normal business  
7 practices that the right to claim drawback is essentially  
8 worthless.

9 My amendment simply clarifies the accounting and  
10 recordkeeping procedures by returning them to their pre-CSD-  
11 88-1 status while protecting anyone unfairly prejudiced by  
12 that unfortunate decision.

13 I hope the Committee would access this amendment.

14 Then I have one other noncontroversial amendment.

15 Senator Moynihan. Would perhaps you present the second,  
16 if we know that you have it.

17 Senator Symms. Yes. The second amendment, Mr. Chairman,  
18 is to offer -- which affects the tariff on spun laced or  
19 bonded fiber fabric disposable gowns of manmade fibers for  
20 the use of performing surgical procedures. Essentially,  
21 these items have had their duty dramatically increased with  
22 our adoption of the harmonized tariff schedule. And I want  
23 to create a new subheading, 6210.1030, to give these items  
24 tariff of 5.6 percent temporarily until December 31, 1992.

25 This would also need to be done in Chapter 63 by

1 inserting a new subheading and repeal the subheading  
2 9902.6210.

3 Senator Moynihan. Fine.

4 Senator Symms. And I have other materials to explain it.

5 Senator Moynihan. Could we ask Mr. Lang, and then of  
6 course the Administration.

7 Mr. Lang. Mr. Moynihan, the first one concerns mainly  
8 this situation. Of course drawback is available for a  
9 product which is imported and then reexported.

10 Senator Moynihan. Right.

11 Mr. Lang. You get to drawback 99 percent of the duty.  
12 Now in oil what happens is the oil has come in, it's mixed in  
13 tanks, and then sent to the airport where it is mixed with  
14 domestically produced jet fuel, loaded on an airplane and  
15 reexported -- in the sense the airplane flies out of the  
16 country. This is an amendment about how the oil companies  
17 report the drawback to the Customs Service for the purpose of  
18 getting the benefit.

19 There is a continuing controversy about whether there  
20 might or might not be fraud in connection with this process.  
21 Because all this mixing is going on and the oil companies now  
22 report on it basically on a monthly basis. So the  
23 Administration is the opponent to this because they have a  
24 problem with the metering device.

25 On surgical gowns, the situation is you have this

1 nonwoven fabric that can be sterilized and used for surgical  
2 gowns and drapes. You have given duty suspensions in the  
3 past. In this case, there is a Mississippi company who would  
4 benefit, but there is also a Mississippi company who would  
5 not benefit -- who is opposed to it.

6 Senator Cochran, who originally introduced the  
7 legislation, has stood aside on the matter. I do not believe  
8 that -- as far as I can tell -- I do not believe he will  
9 oppose the matter.

10 Senator Symms. I am told that he won't.

11 Mr. Lang. And therefore the opposition is -- it meets  
12 our threshold of opposition, but it may not make it  
13 controversial from your point of view.

14 Senator Moynihan. Mr. Chairman, we were about to hear  
15 from the Administration on these proposals.

16 The Chairman. Yes, of course. Fine.

17 Mr. Bolten. Mr. Chairman, first on the drawback proposal  
18 of Senator Symms, the Administration does oppose that. Let  
19 me just state the Administration's position. This is Mr.  
20 Rosoff of the Customs Service.

21 Mr. Rosoff. First, I would like to state that the  
22 Customs Service disputes that there was any practice  
23 whatsoever, longstanding or not. In 1983 when the issue  
24 first arose the Customs Service was in the process of  
25 conducting an audit of an airport facility and the drawback

1 was denied in 1984. That was administratively protested and  
2 the Customs Service upheld its position.

3 We did pay because the company involved -- the Claimant  
4 -- was able to produce the records. We did pay about 85  
5 percent of the drawback that the claimant had originally  
6 claimed -- 15 percent we did not believe the Claimant  
7 supported.

8 This goes far beyond simply at an airport, because it  
9 includes all articles that were manufactured with a petroleum  
10 derivative. And all articles include everything from  
11 lipstick to pharmaceuticals to synthetic textiles. If you  
12 can do it on a month-to-month basis, and particularly when  
13 the Canadian free-trade agreement becomes fully effective,  
14 you will have duty-free merchandise that could be used to be  
15 exported and therefore reduce the amount of duty that you  
16 would have to pay on a similar article.

17 For example, if you had gasoline that was made in Canada  
18 and the free-trade agreement was in effect, you bring the  
19 gasoline in. Well you haven't paid duty on that gasoline so  
20 that if you export it you would not be entitled to any  
21 drawback or refund of that duty. If you put that gasoline  
22 into common storage and you also imported merchandise within  
23 30 days of an export of that gasoline then you would be able  
24 to effectively eliminate the duty on your gasoline that would  
25 have been dutiable or any other article that is made from a

1       petrochemical.

2             The 30 day period would allow a person to -- First of all  
3       we are not quite sure what common storage would be. Our  
4       experience in -- since the passage of the substitution, same  
5       condition drawback law -- has been that there have been -- an  
6       industry has grown up which allows essentially a brokering to  
7       take place. That is, an importer of merchandise that is  
8       dutiabale can combine its efforts with an exporter of  
9       merchandise that either wasn't dutiable or was American-made  
10      merchandise and they can, by combining their efforts, reduce  
11      the duty on the dutiable merchandise.

12            Senator Symms. Mr. Chairman, I might just say that I  
13      think the problem that the Customs Department has -- this is  
14      a lot of hypothetical red herrings, if you will, and you do  
15      not give credit for how much it costs to do all this  
16      paperwork. We now have a situation taking place where  
17      airlines are bringing in bonded fuel and putting it on their  
18      airplanes to fly back out of the United States at a  
19      disadvantage to domestic aviation jet fuel producers in this  
20      country.

21            It just seems to me like all I am asking for is to  
22      eliminate these recordkeeping requirements which you seem to  
23      think do not cost anybody any money.

24            The Chairman. Now we're talking about the drawback are  
25      we? You are still on the drawback amendment?



1           Senator Symms.   Yes.

2           Mr. Rosoff.   With bonded fuel, the people who are using  
3 the bonded fuel are required to keep the records that we are  
4 asking, and have asked, all drawback claimants to keep. The  
5 bonded fuel records are kept satisfactorily for us. They  
6 must keep them segregated and they must prove it. So the  
7 argument that the drawback people cannot keep the records has  
8 been contradicted by the bonded fuel people who seem to be  
9 able to.

10          The Chairman.   Let me say, gentlemen, that I personally  
11 think that Senator Symms has made a good case on the  
12 drawback. On the surgical gowns, I would hope that could be  
13 put on a temporary basis, rather than permanent. If that  
14 could be done, I would be pleased to support both the  
15 amendments.

16          Senator Symms.   That can be done.   Okay.   I accept that.

17          The Chairman.   Is there objection to the amendments?

18                 (No response.)

19          The Chairman.   If not, all in favor of the amendments,  
20 make it known by saying aye.

21                 (A chorus of ayes.)

22          The Chairman.   Opposed.

23                 (No response.)

24          Senator Symms.   Mr. Chairman, if I could just bring up  
25 this last issue, and thank you very much.

1           The Chairman. Well let me let someone else get into the  
2 act.

3           Senator Symms. All right.

4           The Chairman. Did you have one, Senator Rockefeller?

5           Senator Rockefeller. Yes, I do.

6           The Chairman. Senator Rockefeller has been seeking  
7 recognition.

8           Senator Rockefeller. Mr. Chairman, this is an amendment  
9 which extends a duty suspension amendment which was a part of  
10 the 1988 Trade Bill with respect to glass ceramic  
11 kitchenware. As a result of the 1988 Trade Bill extension of  
12 the duty, Corning was able to establish a substantial  
13 manufacturing advance. The duty runs out at the end of this  
14 year.

15           Corning wants to undertake a new line of something called  
16 Black Visonware. There was no objection and no controversy  
17 in 1988. The only controversy -- objection I should say --  
18 that is being raised is by a Mexican company which does not  
19 produce this product or any comparable product. They are  
20 just, I guess, angry at Corning for some reason.

21           It would simply extend the extension of the duty  
22 suspension for one more year -- December 31, 1992. I believe  
23 the staff knows about it and I would hope the amendment would  
24 be accepted.

25           The Chairman. Mr. Lang, do you have any comments on

1 this?

2 Mr. Lang. Yes, sir. We have been contacted company  
3 called Cresa Corporation of Playno. They did object. They  
4 wrote in a letter in the written comment process. The basis  
5 of the objection is that Corning two years ago objected to a  
6 bill that you introduced on Cresa's behalf on a glassware  
7 product that managed to kill it. And they do not want a bill  
8 to benefit Corning to go forward under the same  
9 circumstances.

10 Senator Rockefeller. They are trying to retaliate? It  
11 is a Mexican company that does not produce that or a  
12 comparable product and its American-owned subsidiary which  
13 also does not produce that or a comparable product.

14 The Chairman. All right.

15 Senator Heinz. Mr. Chairman, that does not sound to me  
16 like a legitimate objection. I do not have a dog in this  
17 fight one way or the other. But that sounds like just being  
18 mean.

19 The Chairman. Well if you do not have a dog in this  
20 fight we might finish this particular amendment before we go  
21 vote.

22 I have no objections to it. I want to stay on the same  
23 one until we dispose of it.

24 Senator Riegle. No, I have one that will take 30  
25 seconds.

1 The Chairman. Do you move your amendment?

2 Senator Rockefeller. I do.

3 The Chairman. All right. Is there objection to it?

4 (No response.)

5 The Chairman. If not, the amendment is carried.

6 Senator Heinz. Mr. Chairman.

7 The Chairman. Let me get -- Senator Riegle has not had  
8 one yet.

9 Senator Riegle. Mr. Chairman, I will be very brief. I  
10 have introduced S.2200 after the February 12 deadline. This  
11 is an item that passed in the identical form in the House as  
12 part of last year's budget reconciliation. The International  
13 Trade Commission found it to be noncontroversial. It deals  
14 with seameans. I think the staff is familiar with it. I  
15 would like to have it adopted, unless there is a reason that  
16 we do not know of that reflects controversy.

17 The Chairman. Senator, this is one of those that I was  
18 talking about that we will hold because we did not get it in  
19 time to take a look at it and see what we have by the end of  
20 this afternoon and try to develop further information.

21 Senator Riegle. That would be fine with me if we put it  
22 in that category.

23 Senator Heinz. Mr. Chairman, do we have time for one  
24 more.

25 The Chairman. I do not see how we do, gentlemen.

1 Senator Riegle. I thank the Chairman.

2 Senator Heinz. Can I just bring a procedural issue?

3 The Chairman. All right.

4 Senator Heinz. There was a large group of  
5 noncontroversial items. Have they been adopted?

6 The Chairman. No, we are not through all of them, are  
7 we?

8 Mr. Lang. But we should --

9 The Chairman. No, I understand. We touched on some of  
10 them earlier.

11 Mr. Lang. Senator Heinz has a good point. The long list  
12 of nonconversial bills that are cleared by everybody should  
13 be adopted at some point.

14 The Chairman. Then let's move on that and see if we can.

15 Senator Heinz. I move we adopt them.

16 The Chairman. All the noncontroversial items that we  
17 have had consensus. All in favor of that, make it known by  
18 saying aye.

19 (A chorus of ayes.)

20 The Chairman. Opposed.

21 (No response.)

22 The Chairman. Motion carried.

23 All right. We will return. We will take about a 15  
24 minute recess. We will then continue.

25 (Whereupon, the meeting was recessed and resumed at 1:06

1 p.m.)

2 Senator Moynihan. The Committee will resume our  
3 discussions. I believe there is a noncontroversial proposal  
4 from Senator Roth, which we would be happy to entertain at  
5 this time.

6 Senator Roth. Thank you, Mr. Chairman.

7 My amendment would temporarily suspend the duty on Kezola  
8 which is the active ingredient in a post emergence herbicide  
9 used to control grass-like weeds in soybeans. It is my  
10 understanding that this product has not been produced in the  
11 United States in the last five years; and has only been  
12 imported. It is my further understanding that this  
13 suspension is not opposed by the Administration so long as a  
14 technical change is made and the suspension ends by December  
15 31, 1992.

16 I have incorporated these changes in my amendment. In  
17 sum, I do not believe that there is any significant  
18 opposition and I would urge the adoption of my amendment.

19 Senator Moynihan. Mr. Lang, may we hear from you and  
20 then, of course, Ms. Steinbock.

21 Mr. Lang. Mr. Chairman, the reason we put this in the  
22 controversial category is because a domestic producer of a  
23 competing product, not the same product, FMC Corporation,  
24 objected to the suspension. But we are not aware of any  
25 Senator who has written to the Committee on FMC's behalf.

1 Senator Moynihan. No Senator has?

2 Mr. Lang. Yes, sir.

3 Senator Moynihan. Thank you.

4 Ms. Steinbock, would you speak?

5 Ms. Steinbock. The Administration has no objection to  
6 this bill.

7 Senator Moynihan. With no Senator having objected, and  
8 the Administration not having objected, I take the matter to  
9 fall under our noncontroversial standards. I would move the  
10 adoption.

11 All those in favor would say aye.

12 (A chorus of ayes.)

13 Senator Moynihan. Those opposed.

14 (No response.)

15 Senator Moynihan. The two of us have it.

16 (Laughter)

17 Senator Roth. Thank you, Mr. Chairman.

18 I have another but I think there is some controversy.

19 Senator Moynihan. I think the other is more of a  
20 controversial matter and needs to perhaps wait until the  
21 return of the Chairman who will be here shortly.

22 I think I will just turn, if I may, to the Burma question  
23 and we will not try to resolve it until the Chairman comes.  
24 I have an amendment which prohibits the importation into the  
25 United States of teak and other timber -- tropical timber

1 products -- and any fish or aquatic animal, or any product  
2 containing such from birth. It requires the Secretary of the  
3 Treasury to describe regulations and waives the provisions if  
4 the President certifies the Congress if they violate the  
5 obligations of the U.S. under the general agreement on  
6 tariffs and trade.

7 The case for doing this is a general one. Burma has  
8 become, in the last few years, not simply an oppressive  
9 state, but a violently oppressive one. In the face of the  
10 kind of demonstrations and movements we have seen around the  
11 world, the no government -- I believe the Government of the  
12 People's Republic of China has not been as brutal. They have  
13 imprisoned everyone whom they have not killed; or should I  
14 put it the other way, anyone who has not been killed has been  
15 imprisoned. And many imprisoned are continued to be killed.

16 One of the interesting things in the Human Rights  
17 Commission report -- country report on human rights practices  
18 for 1989 also notes on page 780 that during 1989 the  
19 government accommodation with several insurgent narcotic  
20 trafficking groups to gain short-term advantage vis-a-vis  
21 other dissident groups, and to secure areas for tea and  
22 logging concessions.

23 The drug control effects are here reported by the GAO,  
24 enforcing efforts in Burma are not effective. And the Far  
25 Eastern Economic Review has a very powerful article just this



1 last month -- February -- called "Partners in Plunder."  
2 The Burmese are just killing off their teak forests for  
3 anything they can get, is their idea of keeping their regime  
4 in power, drives them to such methods. "How Burma Brought  
5 Friends" is the cover issue of the Far Eastern Economic  
6 Review, "The Time of Blood and Timber."

7 The amounts involved are small. We import about \$2  
8 million worth of teak and \$3 million worth of shrimp, but the  
9 statement is a large one. We have no business engaging in  
10 any commerce with regime of this kind and these  
11 circumstances. This is the kind of economic sanction we have  
12 had in the past, much more consequential in terms of the  
13 economics, but not more consequential in terms of the  
14 principals.

15 Mr. Chairman, in your absence we have adopted a  
16 noncontroversial measure supported by the Administration that  
17 Senator Roth proposed. And I was just now proposing a  
18 measure to prohibit the import of teak or fish products from  
19 Burma, as a matter of economic sanction.

20 The Burmese government, as I have said, has gone in the  
21 last three years from being an oppressive government to being  
22 a violently repressive government. The human rights  
23 commission report is just filled with -- it is hard reading,  
24 as they describe what goes on, including their accommodation  
25 with the drug trafficking.

1           We have a GAO report on that, on Burma with topaz -- Far  
2 Eastern Economic Review called "Blood and Timber" says how  
3 Burma bought friends, they're just selling off their teak  
4 forests. I can go on at greater length. I do not know the  
5 views of the -- I do not know your views, Mr. Chairman.

6           The Chairman. Well I am very sympathetic about what you  
7 are saying about the reprehensible behavior of the Burmese  
8 government. I have one basic point, though, that I have  
9 always had on embargoes or penalties; and we want to be sure  
10 that we hurt the other country more than we hurt ourselves.  
11 I am just -- What has the State Department said on this?

12           Senator Moynihan. I would just say Mr. Symms co-sponsors  
13 this measure.

14           The Chairman. Has the State Department commented on  
15 this?

16           Senator Moynihan. No, sir.

17           Mr. Lang. No, sir. Mr. Chairman, I do have Mr. Mayhew  
18 from the Thailand and Burma office here with us. If I may  
19 say, Mr. Chairman, if you are looking for an Administration  
20 position on this bill, we have a number of concerns about it,  
21 including GATT concerns which Senator Moynihan has cured in a  
22 modification to his original proposal, which we appreciate.  
23 We had some other concerns as well, including concerns about  
24 the disruption of trade from third countries that might be  
25 using Burmese products and substantially transforming them

1 into exports to the United States.

2 But, Mr. Chairman, in the interest of time, may I simply  
3 express the Administration's some residual objection to the  
4 provision, but a willingness to work with Senator Moynihan in  
5 conference if the Committee is prepared to try to cure some  
6 of these other defects.

7 The Chairman. Would that be agreeable, Senator?

8 Senator Moynihan. Of course.

9 The Chairman. All right. Fine. We will proceed that  
10 way then.

11 Senator Heinz. Mr. Chairman.

12 The Chairman. Yes.

13 Senator Heinz. I have four, I think noncontroversial  
14 bills -- amendments that are bills -- S.788, S.790, S.531,  
15 and S.2131, which is noncontroversial only if it is modified,  
16 which I would propose to do.

17 On the latter, it would reduce -- these are all duty  
18 suspension or in the case of the last one, duty reduction  
19 bills. The S.2131 was inadvertently misdrafted. It does in  
20 effect suspend the entire current 15.5 percent duty. I would  
21 modify that so that the duty only go down to 8.0 percent. It  
22 is my understanding that with that modification there is no  
23 objection to that.

24 If the staff knows of any objections to any of these  
25 bills I hope they will let me know. But to the best of my

1 understanding, I do know that the first two were in the House  
2 bill. I know of no Administration objection to any of the  
3 bills. And I, myself, do not know of any other objections.

4 The Chairman. Mr. Lang, do you have any comment or it  
5 staff wise?

6 Mr. Lang. Yes.

7 The Chairman. Have we had any objections?

8 Mr. Lang. The last bill, S.2131, is one of the late  
9 filed bills, so we do not have comment on it. I think --  
10 Isn't this the Chipper --

11 Senator Heinz. No. No. Not that one.

12 Mr. Lang. Okay. It would be in that clutch of late  
13 filed bills that you propose to adopt at the end of the  
14 session.

15 The Chairman. At the end of the session, if we don't  
16 have objection.

17 Mr. Lang. The S.790 and S.788 we put on the  
18 controversial list because there were objections from DuPont  
19 Company and we thought possibly Senator Roth had an  
20 objection. And the S.531, the methalomine bill, Senator  
21 Grassley objected to because there were two laboratories in  
22 his State.

23 Senator Heinz. Which one?

24 Mr. Lang. Methalomine, S.531.

25 Senator Heinz. My understanding is that on the first two

1 there is no objection.

2 Senator Roth. That is correct.

3 The Chairman. Let me pursue this, Senator, so we can try  
4 to wrap it up. Do you have any other objections to those two  
5 then?

6 Mr. Lang. No, sir.

7 The Chairman. No objections that you know of.

8 Mr. Bolten. If you are referring to the two bills other  
9 than the methalomine bill, S.531, I think that is correct.  
10 But the Administration does join in Senator Grassley's  
11 concern about the --

12 The Chairman. Let me take care of the first two. Are  
13 those the two that we have no controversy on? Is that  
14 correct?

15 Mr. Lang. Yes. I am now aware of no controversy.

16 The Chairman. All right. May I have a motion then for  
17 the two?

18 Senator Roth. I so move.

19 The Chairman. All right. All in favor of the motion  
20 stated, make it known by saying aye.

21 (A chorus of ayes.)

22 The Chairman. Opposed.

23 (No response.)

24 The Chairman. Motion carried.

25 All right.

1           Senator Heinz. Mr. Chairman, I was not aware of any  
2 Administration objection to S.531. If they do so object, I  
3 will not press it. But I would like the Administration to  
4 tell me if what I understand is right.

5           There is a laboratory -- Salisbury Labs -- which makes  
6 this product. I understand that although they are a domestic  
7 producer that it is a captive producer. It sells only to its  
8 sister company; it does not sell to the general market.  
9 Indeed, a company in my State -- an affiliate of a company in  
10 my State, this particular company being Miles Lab -- sought  
11 to buy methalomine from Salisbury and was told they do not  
12 sell the chemical; and I have a letter to that effect.

13           In addition, the company that makes this product,  
14 Salisbury, appears to not make enough of it even for their  
15 sister company. They have been trying to buy this product  
16 from a company in my State, at the same time they are  
17 objecting to the bill's enactment. Now something tells me  
18 that we have a short supply problem here.

19           I would hope the Administration would take a very careful  
20 look at this. Maybe you have taken a careful look at it.  
21 Could the Administration indicate what the nature of their  
22 objection is?

23           Ms. Steinbock. Yes. My understanding of the basis for  
24 the objection is that Salisbury Labs has established  
25 production of 5ASA for their U.S. pharmaceutical subsidiary.

1 Reed-Rowle produces the finished pharmaceutical which  
2 competes with Marion Pharmaceutical which contains  
3 methalomine. And that Salvey Animal Healthcare Products,  
4 which is a division of Salisbury Chemicals Division, contends  
5 that if the product which contains the methalomine is allowed  
6 to bring the methalomine in duty-free, then their product  
7 which does not use the methalomine would be disadvantaged.

8 Senator Heinz. Is it material here that -- Well let me  
9 ask you this: If it is in short supply, is the  
10 Administration's position that a duty should be maintained,  
11 that a trade barrier in effect should be maintained when  
12 there is a short supply? If so, my steel producers will be  
13 delighted to hear it.

14 Ms. Steinbock. Our position is based on how do the final  
15 products compete. If they both are using methalomine and  
16 that is in short supply, that is one case. When they are not  
17 both using methalomine, but are using different products, and  
18 one uses something they are producing here in the United  
19 States which competes with an input that is imported, then  
20 you are creating a disadvantage for the person who uses a  
21 totally U.S.-produced product in which you are changing the  
22 competitive conditions.

23 The Chairman. Senator --

24 Senator Heinz. Mr. Chairman, I will not prolong this.  
25 There is an objection. I just cannot resist saying that I

1 was not aware that the Administration was as involved in  
2 picking winners and losers as they seem to be here. I thank  
3 you for putting those concerns on the record. I will take a  
4 look at them. I appreciate it.

5 The Chairman. All right. Fine.

6 Does that complete yours?

7 Senator Heinz. The last one on karati pants and belts.  
8 Is there an objection on that? S.2131.

9 The Chairman. This is the one you introduced late, was  
10 it?

11 Mr. Lang. That I propose, Senator, you would take in  
12 that group of late filed bills.

13 Senator Heinz. Oh, all right.

14 Mr. Chairman, that is quite satisfactory.

15 The Chairman. When we get to the end of this and we see  
16 if no objection has surfaced, then we will take some action  
17 on it.

18 Senator Heinz. All right.

19 The Chairman. Senator Roth.

20 Senator Roth. Thank you, Mr. Chairman.

21 My amendment would create an administrative process for a  
22 temporary noncontroversial duty suspensions which would of  
23 course supplement the current legislative process. It is  
24 similar to a provision that passed the Senate in 1987.  
25 Attempts to defeat it then failed by an overwhelming margin



1 of 88 to 9. I might say it is also in substance the same as  
2 the text of S.1169, which was introduced by Senator Bradley  
3 and myself last June.

4 Based on thorough ITC investigations and findings, the  
5 amendment would allow noncontroversial miscellaneous tariff  
6 bills to proceed along an administrative track if Congress  
7 fails to take action on them within a 12-month time frame.

8 Mr. Chairman, I know you are familiar with this, as is I  
9 think the other members of the panel. I would just point out  
10 that there have been times where noncontroversial bills have  
11 been lodged in Congress for four years. I think it is  
12 critically important from the standpoint of being competitive  
13 that we proceed with this administrative process.

14 As I indicated, it does protect the rights of Congress.  
15 The administrative process would not start until the end of  
16 12 months and I would urge the adoption of my amendment.

17 The Chairman. Let me ask Mr. Lang, have we had any  
18 objection to it in the Committee?

19 Mr. Lang. Yes. This was discussed extensively in the  
20 staff process and there are some offices represented that  
21 their Senators had objection because it would be seeding  
22 power to the Administration and they would not want to do  
23 this. This passed the Senate in a different form, but it  
24 passed the Senate in the context of the Trade Act 88 to 9,  
25 and then the House objected to it in conference; and

1 eventually it was dropped from the 1988 Trade Act.

2 Senator Roth. I would point out, Mr. Chairman, that it  
3 is my understanding that there are some on the House side  
4 that are push this proposal. So that I think that we do have  
5 a better chance of getting it enacted into law.

6 As I said, our proposal does protect Congress. The  
7 administrative procedures would not take place until 12  
8 months have expired. I think from the standpoint of our  
9 competitiveness, our problems of exports, that it is  
10 critically important that we do what we can to help our  
11 industry become more competitive and this is one step in that  
12 direction.

13 The Chairman. Senator, I have previously support this.  
14 But my concern now though is with members who are not here  
15 who evidently have evidenced their opposition to it. I am  
16 reluctant to see it passed. I would suggest, perhaps, you  
17 would try it on the floor.

18 Senator Roth. All right. Well I recognize that we are  
19 down to a thin number.

20 The Chairman. Let me check on this a minute. I  
21 understood that Senator Heinz had been previously one who  
22 objected.

23 Senator Roth. That is correct.

24 The Chairman. Do you no longer object to it?

25 Senator Heinz. On the other bill?

1 The Chairman. Yes, on his.

2 Senator Heinz. Not this one?

3 Senator Roth. This one.

4 Senator Heinz. There was a bill of Senator Roth's that I  
5 did have an objection to.

6 The Chairman. But not this one?

7 Senator Heinz. But this is not the one.

8 The Chairman. All right.

9 Senator Heinz. This is one on which a number of us voted  
10 against it in Committee the last time it was brought up, and  
11 it will be controversial. There is no question about it. I  
12 do not agree with the principal of the amendment, and it will  
13 be controversial. There is no question about that.

14 The Chairman. Well then I would urge, Senator, that we  
15 withhold it and that you try it on the floor.

16 Senator Roth. Could I ask the Chairman, would he be  
17 willing to support it on the floor? I know he did in the  
18 past.

19 The Chairman. Is there any major difference in what I  
20 support before on this?

21 Mr. Lang. Mr. Chairman, the major difference between  
22 what you supported before and this is that under this bill a  
23 miscellaneous tariff bill would have to lie in the Congress  
24 for a year before the administrative procedure could begin.  
25 So it gives more power to the Congress than the provision you

1 supported before, where the administrative procedure could  
2 begin immediately.

3 I assume Senator Roth did that in order to try to answer  
4 the concerns of Senators who felt the seeding of  
5 Congressional --

6 The Chairman. With that in mind, yes, I will support it,  
7 Senator.

8 Senator Roth. I would like to withdraw it at this time  
9 and reserve the right to bring it up on the floor, Mr.  
10 Chairman.

11 The Chairman. All right.

12 Mr. Lang.

13 Mr. Lang. I am aware of only one other bill that we have  
14 been asked to bring to your attention.

15 The Chairman. Let me at that point -- Senator Daschle  
16 has left me with an amendment that he asked to be presented  
17 on his behalf. Do you have the information on that?

18 Mr. Lang. Yes, sir.

19 The Chairman. All right.

20 Mr. Lang. This was introduced originally by Senator  
21 Johnston. It would require the Customs Service to refund  
22 anti-dumping duties to a broker in New Orleans who mistakenly  
23 assumed the liability for the duties, rather than leaving the  
24 liability with the consignee. This has happened, that I  
25 remember, at least once before.

1           The Chairman. I know on Senator Murkowski we took care  
2 of one of these problems.

3           Mr. Lang. That is it.

4           The Chairman. And I understand that Senator Johnston  
5 argues that this would force this broker into bankruptcy and  
6 jeopardize 250 jobs.

7           Mr. Lang. Now the only reason we treated it  
8 controversial is because of administration opposition.

9           The Chairman. All right. So I introduce it on behalf of  
10 Senator Daschle and ask for its consideration. The Chair so  
11 moves.

12           All of those in favor, make it known by saying aye.

13           (A chorus of ayes.)

14           The Chairman. Opposed.

15           (No response.)

16           The Chairman. Motion carried.

17           All right.

18           Mr. Bolten. Mr. Chairman, with the Administration's  
19 objection noted, I trust.

20           The Chairman. Absolutely. It will be so noted.

21           Mr. Lang. Now the only other amendments we are aware of  
22 are the late filed bills. What I recommend is that I read  
23 off the bills that would be covered and that you then move  
24 the adoption of these bills. They are S.2129, introduced by  
25 Senator Moynihan; S.2131, introduced by Senator Heinz;

1 S.2140, introduced by Senator Mitchell; S.2141, introduced by  
2 Senator Dole; S.2142 introduced by Senator Rockefeller;  
3 S.2204 introduced by Senator Bentsen; and S.2200 introduced  
4 by Senator Riegle.

5 I am aware of opposition to only one of the bills and  
6 that is S.2141, the ETBE bill.

7 The Chairman. Yes. We had that before the Committee, as  
8 I recall, and it was controversial, passed by a vote of about  
9 12 to 8. Are there those here that have any comment  
10 concerning it?

11 (No response.)

12 The Chairman. Senator Heinz, were you involved in that  
13 before?

14 Senator Heinz. Which one, Mr. Chairman?

15 The Chairman. That is on the question of ETBE.

16 Senator Heinz. Not on any duty suspension that I know  
17 of.

18 No, Mr. Chairman.

19 The Chairman. All right.

20 I must say I am trying to keep the bill free of  
21 controversy. I would hope the distinguished Republican  
22 Leader would take up this after final action is brought about  
23 on the regulation or perhaps in connection with the  
24 legislative proposal dealing with ETBE on both the tariff and  
25 the tax side.

1 I would propose the amendment, because I think it is  
2 without a question controversial.

3 I must say then I would move for the adoption of the  
4 package of the later bills with the exception of Senator  
5 Dole's amendment.

6 Senator Heinz. Second.

7 The Chairman. All in favor make it known by saying aye.

8 (A chorus of ayes.)

9 The Chairman. Opposed by similar sign.

10 (No response.)

11 The Chairman. Motion carried.

12 Mr. Lang. Now, Mr. Chairman, the last thing in the  
13 miscellaneous tariff area is the Customs user fee. Here  
14 again, we have reached a consensus, except for one problem  
15 that --

16 Mr. Bolten. Mr. Chairman, may I interrupt Mr. Lang for  
17 just one minute to go back on the tariff bills and ask for  
18 your authority, Mr. Chairman, to work with staff on any  
19 technical problems that may remain on the miscellaneous  
20 tariff bills.

21 The Chairman. Yes.

22 Mr. Bolten. There are quite a number.

23 The Chairman. Oh, Mr. Bolten, I certainly agree with  
24 that and am supportive of that; and hope that we can work  
25 those out.

1 Mr. Lang. In fact, we will technical change authority  
2 for the whole bill which is why I had not asked for it yet.  
3 I just do not know what technical problems there are.

4 The Chairman. I beg your pardon?

5 Mr. Lang. We may have technical problems elsewhere in  
6 the bill as well and that is why I hadn't mentioned it.

7 The Chairman. Well obviously we authorize staff to work  
8 with you on those and not limit it to that.

9 Mr. Bolten. Thank you, Mr. Chairman.

10 Mr. Lang. Now on the user fee, this description in the  
11 Chairman's proposal was the current state of play and we did  
12 not have any objections to it as of the end of the day  
13 Tuesday. However, since then one problem has come to our  
14 attention and it concerns the problem of small package  
15 express service companies.

16 They would be subject to a flat across the board \$11 per  
17 entry fee for what are called informal entries -- that is,  
18 noncommercial entries of any amount or commercial entries  
19 under \$1250 or for textile products under \$250. The problem  
20 is, that \$11 is a very large amount and they believe would  
21 make them uncompetitive with the postal service. For  
22 example, the postal service's duty on dutiable mail is only  
23 \$5.

24 We have been working through the evening last night and  
25 this morning trying to arrive at a consensus between the



1 Administration and the small package express carriers so that  
2 they would not be unduly burdened by this feel which you are  
3 really only changing in order to comply with the GATT.

4 There are several ways you could handle this. You could  
5 lower the fee to \$5 on the informal entries or even zero it  
6 out; or you could just pass the program as it is set out  
7 here, but encourage the Administration to work with the  
8 industry to work something out. Because obviously if they do  
9 not, the amendment will be offered on the floor and you will  
10 have to readjust the numbers in the package in order to  
11 produce the revenue necessary to cover the commercial  
12 expenses of the service.

13 Mr. Bolten. Mr. Chairman, let me endorse Mr. Lang's  
14 second suggestion. The Administration is prepared to try to  
15 work something out with the air couriers. It will require a  
16 fairly heavy dose of jiggling with the numbers, that would be  
17 fairly hard to do at the markup table. But the Customs  
18 Service is prepared to meet with the air couriers to try to  
19 work out their problem as early as Monday morning.

20 The Chairman. All right. So we would talk about  
21 proceeding with a modified fee, effective for what, one year?

22 Mr. Lang. For one year. Yes, sir.

23 The Chairman. September 30. I in turn try to work out  
24 these differences between now and early next week.

25 Mr. Lang. Yes, sir.

1 The Chairman. That is fine.

2 All in favor of that, make it known by saying aye.

3 (A chorus of ayes.)

4 The Chairman. Opposed.

5 (No response.)

6 The Chairman. All right.

7 Mr. Lang. I would also mention that during the evening  
8 Senator Matsunaga's office worked out an amendment to this  
9 Customs user fee legislation concerning pineapples canned in  
10 Hawaii in imported cans. I believe you have arrived at a  
11 solution to that problem and I would recommend that you add  
12 that to the package so that that problem would be solved.

13 The Chairman. Is the Administration in accord on that?

14 Mr. Bolten. Yes, Mr. Chairman.

15 The Chairman. All right. Any objection?

16 (No response.)

17 The Chairman. If not, we will include it in the package.

18 Mr. Lang. Now, Mr. Chairman, the last matter which I  
19 think will require a quorum is to order favorably reported  
20 the bill. I just want to say that the adoption of the fees  
21 includes both the merchandise fee and the conveyance fee as  
22 described in the package.

23 The Chairman. I have checked with the minority. They  
24 have no objection to a roll call in quorum for a vote and we will  
25 proceed that way. We have had sufficient members here during

1 the process.

2 Mr. Lang. Very well.

3 The Chairman. With that I urge a motion for approval of  
4 the legislation.

5 Senator Danforth. So moved.

6 The Chairman. So moved.

7 All in favor, aye.

8 (A chorus of ayes.)

9 The Chairman. Opposed.

10 (No response.)

11 The Chairman. Motion is carried.

12 Mr. Lang. Thank you, sir.

13 Mr. Bolten. Mr. Chairman, may I just take an opportunity  
14 on behalf of Ambassador Hills and the rest of the  
15 Administration to thank you for moving this bill so rapidly  
16 and for including the Administration so closely in all the  
17 consultations on it. And a special thanks to Mr. Figel and  
18 Mr. Lang for their customarily very capable and highly  
19 professional handling of this matter and the rest of the  
20 staff.

21 The Chairman. I thank you very much, Mr. Bolten. You  
22 have developed quite a knack of listening to a person talking  
23 in each ear and then someone out front. I hope I have  
24 digested part of it anyway.

25 We had some competitive studies, reports. Would you

1 speak to that?

2 Mr. Lang. Mr. Chairman, there were two Section 332  
3 studies requested. One was Senator Breaux's proposal for a  
4 study on the competitiveness of the tuna industries. We are  
5 not aware of any objection to that one.

6 The Chairman. All right. Without objection, that will  
7 be reported out then as a part of the legislation.

8 Senator Danforth, did you have one?

9 Senator Danforth. On the next one, Mr. Chairman.

10 The Chairman. All right. Would you speak to that then,  
11 Mr. Lang?

12 Mr. Lang. Yes, sir. Senator Danforth has proposed a  
13 study to be conducted by the Commission on U.S.  
14 competitiveness. We have been working with the Commission  
15 and all interested staffs, including the Minority Staff of  
16 the Committee on a text. I do not think we are quite there  
17 yet. We have talked. Individual Commissioners have been  
18 personally involved, as well as the Commission staff. We are  
19 hopeful that we can work something out.

20 But as I understand it, Senator Danforth does not propose  
21 to press it this morning.

22 Senator Danforth. Well what do you mean propose to press  
23 it? I would like us to agree on the study. My intention was  
24 to embellish a little bit on what I thought the study should  
25 consist of.

1 Mr. Lang. That would be most helpful.

2 Senator Danforth. Mr. Chairman, some years ago we  
3 created the National Trade Estimates, which were annual  
4 reviews of barriers to U.S. exports and those National Trade  
5 Estimates have been very useful and really formed the basis  
6 of the 1988 trade legislation.

7 Clearly, trade distorting activities by other countries  
8 go beyond barriers and they include various governmental  
9 activities which enhance industries which select certain  
10 industries for particular attention and give those countries  
11 the benefit of a big governmental push in getting the favored  
12 sectors moving forward in international trade, so that in  
13 addition to barriers there is the whole question of  
14 government inducement or government enhancement of  
15 competitiveness.

16 This is what I anticipate this study to entail. The  
17 question that has been discussed with the ITC has to do with  
18 the breadth or the narrowness of such a proposal. I would  
19 hope that this would be very broadly construed and that what  
20 we would be creating is an ongoing capability within the ITC  
21 of identifying and giving a sense of judgment on the relative  
22 effectiveness of governmental policies, both at home and  
23 abroad for promoting various product lines or services. That  
24 is what I have in mind.

25 The point that I wanted to make, and the history I wanted

1 to create, and message to the ITC in these comments, was that  
2 it would be my hope that the ITC would not be content just  
3 with picking a couple of industries and a couple of  
4 countries, and giving us a very narrow view of  
5 competitiveness, but that what we are talking about is a very  
6 broad approach and indeed an ongoing capability or mission  
7 within the ITC to look not only at barriers to exports from  
8 the United States, but also to the competitive advantage that  
9 is created by the policies of various governments.

10 The Chairman. Well with that amplification that is a  
11 worthy objective and a tough one. But I am supportive of it  
12 and we are proceeding on it, as I understand.

13 Mr. Lang. Yes, sir.

14 The Chairman. Is there any further action for us to take  
15 in that regard?

16 Mr. Lang. No, not now.

17 The Chairman. No.

18 All right. Do we have anything further than the  
19 nomination of Mr. Nunez.

20 Mr. Lang. No. The nomination is the only thing.

21 The Chairman. All right. The next item then on the  
22 agenda is the nomination of Mr. Peter K. Nunez, to be the  
23 Assistant Secretary of the Treasury for Enforcement.

24 Now we had a hearing on that nomination on January 25.  
25 At that time some questions arose and we ask further time for

1 a review of the information and the Committee is now in a  
2 position to vote on the nomination of Mr. Nunez.

3 If there is no further discussion of it, I would  
4 entertain a motion that he be confirmed and sent to the  
5 Senate for confirmation.

6 Senator Danforth. So moved.

7 The Chairman. All in favor of that motion, make it known  
8 by saying aye.

9 (A chorus of ayes.)

10 The Chairman. Opposed.

11 (No response.)

12 The Chairman. It is carried.

13 Do we have anything further to be brought before the  
14 Committee?

15 Mr. Lang. No. Thank you, Mr. Chairman.

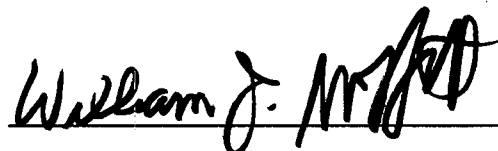
16 The Chairman. All right.

17 We will stand adjourned. Thank you very much.

18 (Whereupon, the meeting was adjourned at 1:44 p.m.)  
19  
20  
21  
22  
23  
24

C E R T I F I C A T E

This is to certify that the foregoing proceedings of an Executive Session, of the Committee on Finance, United States Senate, held on March 1, 1990, were transcribed as herein appears and that this is the original transcript thereof.



WILLIAM J. MOFFITT

Official Court Reporter

My Commission Expires April 14, 1994.



UNITED STATES SENATE vBM✓  
COMMITTEE ON FINANCE

Executive Session

Thursday, March 1, 1990 -- 10:30 a.m.  
SD-215 Dirksen Senate Office Building

A G E N D A

- I. Miscellaneous Trade and Tariff Matters (See Staff Documents A Through E)
- II. Proposals for U.S. International Trade Commission Studies, Pursuant to Section 332 of the Trade Act of 1974 (See Staff Documents F and G)
- III. Nomination of Peter K. Nunez to be Assistant Secretary of the Treasury for Enforcement

**A. BIOGRAPHICAL**

1. Peter Kent Nunez.
2. 3510 Addison Street, San Diego, CA 92106
3. 08/31/42 - West Reading, Pennsylvania
4. Married - Elizabeth Ann Cohn
5. Jeffrey Nathan Nunez, DOB 10/04/81  
Zachary Aaron Nunez, DOB 10/28/86
6. University of San Diego School of Law, 1967-1970,  
Juris Doctor degree, May 1970  
  
Duke University, Durham, North Carolina, 1960-1964  
Bachelor of Arts degree, June, 1964
7. Brobeck, Phleger & Harrison, San Diego, California.  
Partner, Litigation Department, September 1988 to  
present  
  
United States Attorney, Southern District of  
California, San Diego, California, April 7, 1982  
through August 31, 1988  
  
Chief Assistant United States Attorney, Southern  
District of California, San Diego, California, May 31,  
1980 to April 7, 1982  
  
Assistant United States Attorney, Southern District of  
California, San Diego, California, September 1, 1972 to  
May 31, 1980  
  
Law Clerk to the Honorable Gordon Thompson, Jr., United  
States District Judge for the Southern District of  
California, November, 1970 to September 1972  
  
Operations Officer, Pan American World Airways, Los  
Angeles, California, September, 1966 to August, 1967  
  
Naval Officer, U.S.S. Wexford County (LST 1168), San  
Diego, California, July, 1964 to July, 1966

8. United States Attorney, Southern District of California, San Diego, California, April 7, 1982 through August 31, 1988

Chief Assistant United States Attorney, Southern District of California, San Diego, California, May 31, 1980 to April 7, 1982

Assistant United States Attorney, Southern District of California, San Diego, California, September 1, 1972 to May 31, 1980

Naval Officer, U.S.S. Wexford County (LST 1168), San Diego, California, July, 1964 to July, 1966

San Diego County Drug Abuse Strike Force, 1986 - 1988

Member, San Diego County Alcohol Advisory Board, 1988 - present

Mayor's Committee Against Drug Abuse, 1987 - 1988

9. State Bar of California

United States District Court, Southern District of California

Ninth Circuit Court of Appeal

Supreme Court of the United States

San Diego County Bar Association

Criminal Justice Act Committee, Judicial Conference of the Ninth Circuit Court of Appeal, 1985 to 1988

Board of Directors, The Crime Victims Fund, 1987-1988

Committee on Criminal Discovery and Procedure Before Trial, Judicial Conference of the Ninth Circuit Court of Appeal, 1983 - 1985

Committee to Study and Report on S.1: Conference of Delegates, State Bar of California, 1975-1976

Board of Visitors, University of San Diego School of Law, 1983 - present

Board of Directors, San Diego Volunteer Lawyer Program, 1982 - present

Member, Dean's Search Committee, USD School of Law,  
June, 1988 - May, 1989

San Diego County Drug Abuse Strike Force, 1986 - 1988

Member, San Diego County Alcohol Advisory Board,  
1988 - present

Board of Directors, San Diego Crime Commission,  
1988 - present

Mayor's Committee Against Drug Abuse, 1987 - 1988

Board of Directors, San Diego County Council, Boy  
Scouts of America, 1988 - present

Board of Directors, National Association of Former  
United States Attorneys, 1989 - present

National Board of Advisors, Federation for American  
Immigration Reform, 1988 - present

Member, Business Council, Alcohol and Drug Abuse  
Prevention Task Force, 1988 - present

Citizens' Advisory Committee, San Diego Police  
Officers' Association, 1989 - present.

10. "Lawyers for Bush", October-November, 1988, State Vice  
Chair (one of seventeen).

Contributions:

Republican National Committee:

01/84	\$100
03/85	\$100
12/86	\$ 50
12/86	\$ 50
09/87	\$ 25
09/87	\$100
05/88	\$100
12/88	\$100
04/89	\$100
06/89	\$ 50
06/89	\$ 50

Republican Presidential Task Force

04/89	\$120
06/89	\$ 50

San Diego County Republicans

04/89               \$ 50  
07/89               \$ 50

California Republican Party

06/89               \$ 50

Pete Wilson for Governor

06/89               \$100

In addition, between 1979 and 1984, I made miscellaneous contributions totalling less than \$1,000, however, I have been unable to locate my records to provide a detailed breakdown.

11. Certificate of Appreciation, California Red Ribbon Campaign, Californians for Drug-Free Youth, Inc., October 25, 1989

Distinguished Community Service Award, San Diego County, October 24, 1989

Community Leadership Award, Lions International, San Diego County, October 24, 1989

Commissioner's Award, U. S. Customs Service, Department of the Treasury - October, 1988

Special Recognition for Drug Enforcement Activities from the Attorney General - February 22, 1988

Distinguished Alumnus - 1984 - University of San Diego School of Law

Awarded Certificate of Appreciation, Drug Enforcement Administration - 1983

Recipient of United States Attorney General's Special Commendation Award - May, 1979

Law Review Scholarship, University of San Diego School of Law, 1969 - 1970

12. Case Note, Perma Life Mufflers, Inc. v. International Parts Corp., 392 U.S. 134 (1968), in 6 San Diego Law Review 117 (1969)

Comment, Fluctuating Shorelines and Tidal Boundaries: An Unresolved Problem, 6 San Diego Law Review 447 (1969)

Book Review, Turner: The Chemical Feast, 8 San Diego Law Review 184 (1971)

Toward a Drug-Free Workplace, USPA Reports, Volume V, No. 1, January/February, 1989

Commentary Re Drugs in the Workplace, Personnel Management Association Source, Spring, 1989

13. ADAPT Business Council Community Seminar, Drug Testing, October 25, 1989

Lions Club of San Diego, October 24, 1989, regarding drug enforcement

Greater San Diego Industry-Education Council, October 18, 1989, regarding local drug problem

Princeton Club of San Diego, October 12, 1989, regarding substance abuse in the workplace

Federation for American Immigration Reform, October 7, 1989, regarding border enforcement

The Breakfast Club, September 28, 1989, regarding drug enforcement

Vista Republican Women Federated, September 21, 1989, regarding border enforcement

Telesis, September 20, 1989, regarding drugs in the workplace

San Diego Republican Businesswomen, September 14, 1989, regarding crime, drug problems and border issues

Single Volunteers in Politics, September 15, 1989, regarding border issues

San Diego County Federation of Republican Women, September 11, 1989, regarding border issues

California Commission on Drugs, August 3, 1989, regarding private sector involvement in the war on drugs

ADAPT Business Council Community Seminar - Drugs in the Workplace, June 6, 1989

Central Republican Women Federated, June 15, 1989, regarding border issues

Brobeck, Phleger & Harrison Client Retreat, June 16, 1989, regarding drugs in the workplace

Pacific Beach Republican Women, Federated, May 19, 1989, regarding border issues

East County Republican Association, May 17, 1989, regarding border issues

Coronado Republican Women Federated, May 10, 1989, regarding border issues

San Diego Mensa, April 28, 1989 regarding Oliver North trial

Building Industry Association, April 26, 1989, regarding drugs in the workplace

Young Americans for Freedom, San Diego State University, April 25, 1989, regarding border enforcement

California League of Savings Institutions, April 13, 1989, regarding drugs in the workplace

Southern California Bank Security Officers' Association, April 4, 1989, regarding drugs in the workplace

California Senate Select Committee on Border Issues, Drug Trafficking, March 22, 1989, regarding border enforcement

San Diego County Bar Association, Corporate Law Section, March 17, 1989, regarding developments in RICO law

Bachelor's Club of San Diego, March 16, 1989, regarding criminal justice

El Cajon Community Drug Awareness Seminar, February 25, 1989, regarding drug abuse and community involvement

County of San Diego, Community Drug and Alcohol Conference (We've Got the Right), October 21, 1988, regarding reduction of demand for drugs

Brobeck, Phleger & Harrison Client Seminar, October 7, 1988, regarding "Swift Justice: Finding a Fast Track for Business Disputes"

Minority Law Students, November 15, 1986, regarding career opportunities

As the United States Attorney for the Southern District of California from 1982 to 1988, I made numerous speaking appearances for various organizations, but I do not have access to those records any longer.

14. My sixteen years as a federal prosecutor in San Diego has given me the knowledge and experience to deal effectively with virtually any federal law enforcement issue. In particular, due to San Diego's proximity to the Mexican border, I have had an intimate association with the Customs Service, and understand its relationship with other border agencies, such as INS and the Border Patrol, and the Drug Enforcement Administration.

Further, as a U. S. Attorney for six and one-half years, I understand the policy issues affecting law enforcement generally, and federal law enforcement particularly. As a member of various committees of U. S. Attorneys, I have participated in both the formulation and review of national law enforcement policy.

Finally, I think I have earned the respect of law enforcement officials from all federal agencies during my career as a federal prosecutor. I have also worked effectively with state and local agencies, and believe I have the ability to create an attitude of inter-agency cooperation.



STAFF DOCUMENTS FOR THE EXECUTIVE SESSION

Thursday, March 1, 1990

The following documents were prepared by the staff of the Senate Committee on Finance for the Executive Session on Thursday, March 1, 1990 at 10:00 a.m. in room 215 of the Dirksen Senate Office Building:

- A. Possible Constitutional Defects in Title IV of the Trade Act of 1974
- B. Authorization of Appropriations for the United States Customs Service, the United States Trade Representative, and the United States International Trade Commission
- C. The Caribbean Basin Economic Recovery Act and Noncontroversial Provisions of H.R. 1233 and S. 504
- D. Noncontroversial Miscellaneous Tariff Bills
- E. Customs Merchandise User Fee
- F. Breaux Proposal for an ITC Section 332 Study on the Competitiveness of the U.S. and European Tuna Industries
- G. Danforth Proposal for an ITC Section 332 Study on Competitiveness

2/27/90  
10:00 a.m.

STAFF DOCUMENT A

**POSSIBLE CONSTITUTIONAL DEFECTS IN  
TITLE IV OF THE TRADE ACT OF 1974**

Title IV of the Trade Act of 1974 sets out special rules for countries that did not receive "nondiscriminatory" trade treatment, that is, most-favored-nation (MFN) treatment, as of the date of the enactment of that law, January 3, 1975. These countries are currently the Soviet Union and other nonmarket economy countries. In three instances, the 1974 Act creates procedures that might be viewed as "legislative vetoes." Legislative vetoes were declared unconstitutional by the Supreme Court in Immigration and Naturalization Service vs. Chadha in 1983. The three instances are as follows:

(1) Section 405 of the 1974 Act authorizes the President to enter into bilateral commercial agreements extending MFN to any of these countries when he determines that such agreements will promote the purposes of the 1974 Act and are in the national interest, but such an agreement can only take effect if "approved by the Congress by the adoption of a concurrent resolution," which is considered on a legislative fast track.

The facts of the Chadha decision do not include either concurrent (as distinguished from one-house) legislative actions nor legislative approvals (as distinguished from disapprovals), but the Executive Branch might conclude, by extending the decision, that the concurrent resolution of approval of section 405 is unconstitutional because a concurrent resolution is not submitted to the President for signature or veto. If the Executive Branch also concluded that the section 405 concurrent resolution procedure was separable from the statutory authority granted the President to enter into such trade agreements, then the President might enter into such an agreement and proclaim MFN for the country concerned without seeking Congressional approval. This could extinguish the role of Congress in approval of such trade agreements.

This result could be prevented by changing Section 405 to require approval by a joint resolution, since joint resolutions are subject to presentment to the President.

(2) The President may, under current law, waive the prohibition of section 402 of the Trade Act, the Jackson-Vanik amendment, but his waiver is subject to disapproval by either House of Congress.

The Jackson-Vanik amendment prohibits MFN for nonmarket economy countries unless they meet certain standards relating to freedom of emigration, but the President is authorized to waive these conditions under certain circumstances. However, if his waiver is disapproved by either House of Congress within 60 days after he makes the waiver, then his waiver authority with respect to the country concerned is invalid.

Since the one-house resolution of disapproval under this procedure would not be submitted to the President, it is considered likely (by the American Law Division of the Congressional Research Service, among others) that this procedure is unconstitutional under the Chadha decision. The defect can be cured, again, by amending the law to make the resolution of disapproval a joint resolution.

(3) Under section 407 of the 1974 Trade Act, either House has the power to prevent MFN for a nonmarket economy country, even if the President finds the country in compliance with the Jackson-Vanik amendment, by passing a resolution of disapproval within 90 days after the President makes his finding. Like the one-house disapproval of waivers, this procedure is likely unconstitutional, and the defect can be cured by providing for the use of a joint resolution.

2/2/7/90  
10:00 a.m.

STAFF DOCUMENT B

**AUTHORIZATION OF APPROPRIATIONS FOR THE UNITED STATES  
CUSTOMS SERVICE, THE UNITED STATES TRADE REPRESENTATIVE,  
AND THE UNITED STATES INTERNATIONAL TRADE COMMISSION**

CUSTOMS SERVICE

**U.S. Customs Service  
(Dollar Amounts in Thousands)**

	<u>FY 1990</u>	<u>FY 1991 Request</u>
Salaries and Expenses	1,065,090	1,125,700 *
Operations and Maintenance (Air Drug Interdiction)	230,363	143,047
<b>TOTAL</b>	<b>1,295,453</b>	<b>1,268,747 *</b>

\* These numbers differ from those shown in a previous staff memorandum for the reasons stated under item (2) at the top of page two.

Salaries and expenses.--As shown above, the fiscal year 1990 appropriation for Customs for salaries and expenses is \$1,065.1 million, covering 16,976 positions. These totals include: (1) the regular appropriation of \$1,059.6 million, (2) additional drug-related monies provided in the Transportation appropriation bill (\$18 million and 130 positions), (3) a transfer of \$2.5 million from the Department of Defense (the nature of which is classified and is unknown to the Committee staff), (4) loss of \$15 million and 218 positions affected by the Gramm-Rudman sequester and (5) loss of 225 positions through Customs' absorption of the January 1990 3.6 percent pay raise.

The proposed salaries and expenses budget for fiscal year 1991 is \$1,125.7 million and 16,349 positions, an increase of \$60.6 million, but a decrease of 314 positions. The budget begins with fiscal year 1990's base of \$1,065.1 billion and 16,976 positions (thus, it carries over the loss of funding and positions from fiscal year 1990 caused by the sequester and absorption of the pay raise). From this base it subtracts a total of \$34.4 million and 636 positions. There are four categories of cuts:

(1) Absorption by Customs of the cost of fiscal year 1991 pay and benefits increases (\$13.1 million and 281 positions) and absorption of the cost of Congressionally mandated removal of the cap on administratively uncontrollable overtime for law enforcement officers (\$13.6 million and 257 positions).

(2) Nonrecurring fiscal year 1990 costs related to a money laundering initiative and the Defense Department transfer (\$6.9 million). [A previous staff memorandum included an additional \$5.6 million nonrecurring cost from a cargo examination initiative begun in fiscal 1990. Customs has subsequently informed us that it erred in treating this item as a nonrecurring cost. Therefore, this amount has been included in, not subtracted from, the total budget request figure shown above.]

(3) Projected savings of \$.8 million and 98 positions resulting from contracting out to the private sector.

(4) A transfer to the Treasury Department of \$0.4 million for Inspector General rent.

The budget also includes increases for fiscal year 1991. These are:

(1) An increase to maintain current levels of operation (\$59.5 million).

(2) Annualization of the 1990 money laundering and air staffing initiatives (\$11.5 million and 156 positions).

(3) Cost of equipment for renovated Southwestern border facilities (\$2.2 million).

New 1991 program changes in salaries and expenses.--In addition to the above changes in the base, the budget further removes \$5.3 million and 55 positions representing a transfer to the Justice Department in the upcoming fiscal year of program authority for organized crime drug enforcement. This is a budgetary change only; the positions involved remain at Customs. There are also program increases for improving internal controls, expanding the canine enforcement team program, improving money laundering enforcement, increased levels of inspectors on the Southwest border, and further developments in automation. These increases account altogether for an additional \$27.5 million and 221 positions.

Air interdiction program.--As indicated in the chart on page one, the fiscal year 1990 appropriation for operations and maintenance of the Customs air drug interdiction program was \$230.4 million. This included \$35.8 million added in the Transportation appropriation bill, minus \$2.1 million lost to sequestration. A number of nonrecurring costs for aircraft and equipment purchases made in fiscal year 1990 reduce the budget for fiscal year 1991 by \$103.4 million. The proposed budget would add back \$16 million to maintain current levels of operation and to annualize costs of assets previously purchased. The total request for the upcoming fiscal year is thus \$143 million, a decline of \$87.4 million from the current year.

U.S. TRADE REPRESENTATIVE

The President's budget requests \$18,936,000 and 152 full-time equivalent (FTE) positions for USTR for FY 1991. As indicated in the following table, this represents increased funding of \$936,000 (5.2 percent) over the FY 1990 appropriation or, alternatively, \$1,158,000 (6.5 percent) over the adjusted FY 1990 appropriation, i.e., the level as reduced by the Gramm-Rudman-Hollings sequestration. The budget request proposes a decrease of four positions.

Of the total funds requested, the Administration proposes that \$1,500,000 be made available only for the U.S. share of expenses of binational panels and extraordinary challenge committees convened pursuant to Chapter 19 of the U.S.-Canada Free Trade Agreement (FTA). Chapter 19 pertains to binational dispute settlement in antidumping and countervailing duty cases. The Administration also proposes that the amount of no-year funds designated in USTR's budget be increased from \$1,000,000 to \$2,500,000 (reflecting the amount reserved for U.S.-Canada FTA expenses) and that the representational allowance be increased from \$89,000 to \$98,000.

U.S. Trade Representative  
(Dollar Amounts in Thousands)

<u>FY 1990 Appropriation</u>		<u>FY 1991 Request</u>		<u>Increase</u>	
<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
156	\$18,000	152	\$18,936	- 4	+936
	\$17,778 *				+1,158

\* Appropriation less the Gramm-Rudman-Hollings sequestration.

Of the Administration's proposed increase for FY 1991, \$678,000 is attributable to increases in personnel costs because of planned increases in SES salaries and regular government pay increases. The Administration is also requesting an additional \$131,000 to support the conclusion of the Uruguay Round of Multilateral Trade Negotiations; \$147,000 for increases in travel expenses, rent, and certain equipment and services; and, \$202,000 to cover inflation-related adjustments to the USTR's recurring base.

INTERNATIONAL TRADE COMMISSION

The ITC's budget submission for FY 1991 requests \$42,430,000 and 502 positions. As indicated in the following table, this represents increased funding of \$3,430,000 (8.8 percent) over the FY 1990 appropriation or, alternatively, \$3,953,000 (10.3 percent) over the adjusted FY 1990 appropriation, i.e., the level as reduced by the Gramm-Rudman-Hollings sequestration. In its budget proposal, the ITC states that the requested increase is limited to nondiscretionary requirements to provide for necessary support services and to enable the ITC to have sufficient resources to accomplish its mission. The ITC is currently staffed approximately 27 positions below the authorized level.

International Trade Commission  
(Dollar Amounts in Thousands)

<u>FY 1990 Appropriation</u>		<u>FY 1991 Request</u>		<u>Increase</u>	
<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
502	\$39,000	502	\$42,430	-0-	+3,430
	\$38,477*				+3,953

\* Appropriation less the Gramm-Rudman-Hollings sequestration.

The ITC's budget is not subject to review or control by the Administration. By law the Office of Management and Budget must submit it directly to the Congress without change in order to preserve the agency's independence.

2/2/7/90  
10:00 a.m.

STAFF DOCUMENT C

**THE CARIBBEAN BASIN ECONOMIC RECOVERY ACT  
AND NONCONTROVERSIAL PROVISIONS OF H.R. 1233 AND S. 504**

**THE CARIBBEAN BASIN ECONOMIC RECOVERY ACT (CBERA)**

President Reagan announced the Caribbean Basin Initiative (CBI), a program to further the economic development and political stability of Caribbean countries, in February 1982. The CBI was a package of economic assistance, trade benefits, and incentives, in part administrative and in part statutory. The centerpiece of the proposal was in essence a one-way free trade area in which the United States would grant to Caribbean countries duty-free access to the U.S. market. The CBERA was enacted in August 1983, with an effective date of January 1, 1984. It contained trade and tax provisions to implement the CBI.

CBERA provides duty-free status to eligible imports for a 12-year period (through September 30, 1995). Certain articles are ineligible for duty-free treatment because they are considered import sensitive. These are: textile and apparel articles that are subject to bilateral textile agreements; canned tuna; petroleum and petroleum products; and footwear, handbags, luggage, flat goods, work gloves and leather wearing apparel. Also excluded are watches and watch products if any material used in their manufacture originates in countries ineligible for most-favored-nation status.

CBERA is distinct from the Generalized System of Preferences (GSP) in that its beneficiaries are limited to Caribbean countries, while GSP benefits less-developed countries globally (thus, CBI beneficiary countries may also benefit from GSP). In addition, GSP covers only about a third of the items in the U.S. Tariff Schedule, while CBERA covers all items except those, discussed above, that are explicitly excluded.

CBERA contains a specific listing of the Caribbean and Central American countries and territories that are potentially eligible for CBI beneficiary designation. On the effective date of the Act 20 were designated as eligible for benefits: Antigua and Barbuda; Barbados; Belize; British Virgin Islands; Costa Rica; Dominica; Dominican Republic; El Salvador; Grenada; Guatemala; Haiti; Honduras; Jamaica; Montserrat; Netherlands Antilles; Panama; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; and Trinidad and Tobago. Subsequently designated were the Bahamas (1985), Aruba (1986), and Guyana (1988). The President suspended Panama from designation in 1988, pursuant to the Narcotics Control Trade Act, because of failure to cooperate fully with U.S. drug enforcement efforts. The Administration is now seeking to restore benefits for Panama. Five countries and territories remain eligible but have not been designated (Anguilla, Cayman Islands, Nicaragua, Suriname, and the Turks and Caicos Islands).



CBERA establishes criteria for the President's determination whether a Caribbean country may be a beneficiary of the program. Mandatory criteria include, among others, whether the country is Communist or has nationalized or expropriated U.S. property. The President is allowed to waive certain of these mandatory criteria if he certifies that designation is in the U.S. national economic or security interest. In addition, there are a number of discretionary criteria the President may apply in making his decision, including the desire of the Caribbean country for designation, its economic condition, the extent it is prepared to provide access to its own market, and the degree to which it follows international trade rules. Finally, the President, based on changed circumstances, may withdraw or suspend a country's designation under any of the mandatory criteria for which he would originally have been barred from designating the country.

The Act also contains rules of origin designed to ensure that products made outside the CBI region are not given duty-free status just for passing through a CBI country. To qualify for duty-free treatment, an article that is grown, produced, or manufactured in a beneficiary country must be (1) imported directly from a beneficiary country and (2) no less than 35 percent of the appraised value of the article when imported must represent the sum of the cost or value of materials produced in one or more beneficiary countries, and the direct costs of processing operations performed in one or more beneficiary countries. For this purpose, Puerto Rico and the U.S. Virgin Islands are to be treated as beneficiary countries. U.S.-produced materials may count toward the 35 percent requirement up to a maximum 15 percent of the appraised value of an article. Eligible articles must also be substantially transformed in a CBI country.

CBI II: History of the current legislation.--The CBI II legislation was first introduced in August 1987 as H.R. 3101, with Ways and Means Trade Subcommittee Chairman Sam Gibbons as the principal sponsor. Although hearings were held in 1987 and 1988, no action was taken on the bill in the 100th Congress. Congressman Gibbons introduced a successor bill in the 101st Congress, H.R. 1233, in March 1989. Senator Graham, with cosponsors, introduced an identical companion bill, S. 504, in the Senate at the same time. S. 504 was referred to the Finance Committee and has not received any action to date.

H.R. 1233 was amended by the Ways and Means Trade Subcommittee and favorably reported to the full Ways and Means Committee in May 1989. The Committee further amended the bill and reported it favorably to the House in June. H.R. 1233 was incorporated into the House budget reconciliation bill with one further change deleting all provisions relating to footwear and textile and apparel imports. Ultimately, all trade-related issues, including the CBI legislation, were stripped out of reconciliation.

NONCONTROVERSIAL PROVISIONS OF H.R. 1233 AND S. 504

Repeal of termination date.--Repeals the September 30, 1995 termination date of duty-free treatment under the CBI, thus making the program permanent.

Conforming GSP amendment.--Conforms the rule of origin for the Generalized System of Preferences (GSP) to the rule of origin under CBI by requiring that GSP-eligible articles either be wholly the product of a beneficiary country or be substantially transformed in a beneficiary country.

Country eligibility and worker rights.--Prohibits the President from designating any country as a CBI beneficiary if that country has not or is not taking steps to afford internationally recognized worker rights to workers in the country, as defined in the GSP statute. The President may waive this requirement for U.S. economic or national security reasons.

Pilot preclearance program.--Requires the Commissioner of Customs, in fiscal years 1991 and 1992, to establish a pilot program in a appropriate Caribbean country for testing the extent to which having customs preclearance operations can enhance the development of tourism in the region.

Scholarship assistance.--Requires the Agency for International Development to establish and administer a program of scholarship assistance for students from beneficiary countries to study in the United States.

Promotion of tourism.--Declares that increased tourism should be a central part of the CBI program and directs the Secretary of Commerce to complete a study of Caribbean tourism development strategies that was begun in 1986, including information on mutual benefits to the United States and the Caribbean and proposals for developing increased linkages between the tourism industry and other local industries.

Increase of duty-free allowance for tourists returning from the Caribbean.--Increases the duty-free allowance for tourists returning from the Caribbean from \$400 to \$600 (the allowance for tourists to U.S. insular possessions would be increased from \$800 to \$1200) and increases the duty-free alcoholic beverage allowance by one liter if CBI-produced.

Eastern Caribbean and Belize.--States the sense of the Congress that special efforts should be undertaken to improve the ability of Belize and Organization of Eastern Caribbean States countries to benefit from CBI.

Presidential reports.--Requires the President to issue a complete report on the operation of the CBI program by October 1, 1993, and every three years thereafter.

Agriculture infrastructure support.--States the sense of the Congress that, in order to facilitate trade with, and the economic development of, the CBI, the Secretary of Agriculture should coordinate with AID the development of programs to encourage improvements in the transportation and cargo handling infrastructure in CBI countries to improve agricultural trade. [This provision does not appear in either S. 504 of H.R. 1233, but was suggested by the Administration and appears not to be controversial.]

2/28/90  
4:00 p.m.

STAFF DOCUMENT D

NONCONTROVERSIAL MISCELLANEOUS TARIFF BILLS

\* Denotes expiration dates after 12/31/92 that will be changed to 12/31/92.

<u>BILL #</u>	<u>SPONSOR</u>	<u>PRODUCT</u>
S.294	Heinz	Certain waste & scrap metal
S.295	Heinz	1,5 naphthalene diisocyanate
S.323*	Reid	Three-dimensional cameras
S.367	Graham	Calcium acetylsalicylate
S.385*	Roth	Bendiocarb
S.437*	Dixon	Certain glass bulbs
S.510	Rockefeller	Octadecyl isocyanate
S.549*	Glenn	Self-folding telescopic shaft, collapsible umbrellas
S.690*	Heinz	Certain benzenoid dye intermediates
S.697*	Heinz	Certain wools
S.698	Heinz	Certain circular knitting machines & parts
S.699	Heinz	Molten-salt-cooled acrylic acid reactors & associated parts, accessories & equipment
S.717*	Heinz	Ice & field hockey gloves & pants

S.718*	Heinz	Certain sports clothing
S.756*	Thurmond	Menthol feedstocks
S.786*	Heinz	3-amino-3-methyl-1-butyne
S.787*	Heinz	Triethylene glycol dichloride
S.789*	Heinz	m-Hydrobenzoic acid
S.791*	Heinz	2-n-octyl-4-isothiazolin-3-one & mixtures of 2-n-octyl-4- isothiazolin-3-one & application adjuvants
S.792*	Heinz	Methylene blue
S.793*	Heinz	Mixtures of mancozeb & dinocap
S.794*	Heinz	Mixtures of maneb, zineb, mancozeb & metiram
S.795*	Heinz	Crosslinked polyvinyl- benzyltrimethylammonium chloride
S.796*	Heinz	Mixtures of 5-chloro-2-methyl- 4-isothiazolin-3-one, 2-methyl- 4-isothiazolin-3-one, magnesium chloride, & stabilizers
S.802	Thurmond	Dimethylbenzylidene sorbitol
S.803	Thurmond	4,4' isopropylidenedicyclohexanol
S.806	Bentsen	Tobacco grown in the U.S. & processed in a designated Caribbean Basin country

S.867	Grassley	Sulfachloropyridazine
S.876	Helms	Thiothiamine hydrochloride
S.884	Thurmond	Paramine Acid
S.885	Thurmond	Trimethyl Base
S.889	Thurmond	Anthraquinone
S.910	Chafee	Theobromine
S.911	Chafee	Chlorhexanone
S.925	Heinz	Naphthalic acid anhydride
S.929	Rockefeller	1,6-hexamethylene diisocyanate
S.934	Thurmond	K-Acid
S.935	Thurmond	Broenner's Acid
S.936	Thurmond	D Salt
S.937	Thurmond	Neville & Winter's Acid
S.938	Thurmond	Anis base
S.939	Thurmond	Naphthol AS types
S.957	Heinz	Ceftazidime Tertiary Butyl Ester
S.991*	Wirth	d-6-Methoxy-a-methyl-2-naphthialeneacetic acid & its sodium salt

S.1033	Moynihan	Certain operatic sets, scenery, & properties
S.1042	Durenberger	In-line roller skate boots
S.1054	Matsunaga	Certain magnetic video tape recordings
S.1095	Glenn	Mixed ortho/para toluene sulfonamide (expiration 12/31/90)
S.1102*	Helms	2,6-dichlorobenzonitrile
S.1103*	Helms	1-[1-((4-chloro-2- (trifluoromethyl)phenyl)imino)- 2-propoxyethyl]-1-H-imidazole
S.1105	Danforth	Certain Christmas ornaments
S.1106	Danforth	Frozen carrots
S.1122	Boschwitz	Impact line printers
S.1123*	Heinz	Certain chemicals
S.1137	Danforth	4-fluoro-3-phenoxy benzaldehyde
S.1134	Moynihan	Castor oil & its fractions
S.1136*	Moynihan	Certain modelling pastes
S.1138	Danforth	0,0-dimethyl-S-[(4-oxo-1,2,3- benzotriazin-3-(4H)-yl)methyl] phosphorodithioate
S.1166	Levin	Certain chipper knife steel products

S.1281*	Glenn	Certain bicycle parts
S.1295	Kennedy	Scenery & costumes
S.1317*	Heinz	L-alanyl-L-proline (Ala Pro)
S.1318*	Heinz	Certain types of hosiery knitting machines & parts thereof & certain types of knitting needles
S.1319*	Heinz	Certain hosiery knitting machines & single cylinder coarse gauge machines & parts
S.1320*	Heinz	Tfa Lys Pro in free base & tosyl salt forms
S.1323	Kohl	Certain timing apparatus
S.1326	Lieberman	Ciprofloxacin hydrochloride, ciprofloxacin, & nimodipine
S.1334	Packwood	Certain entries
S.1335	Bentsen	Certain furniture & seats
S.1363*	D'Amato	Wicker products
S.1374	Mack	Bi-level rail passenger cars
S.1394*	Moynihan	Corned beef in airtight containers
S.1395	Moynihan	(6R-(6a,7B(Z)))-7-(((2-Amino-4-thiazolyl) ((carboxymethoxy) imino) acetyl) ...



S.1396	Moynihan	N-(4-(((2-amino-5-formyl-1,4,5,6,7,8-hexahydro-4-oxo-6-pteridinyl)methyl)amino)benzoyl)-L-glutamic acid
S.1415*	Lautenberg	Norfloxacin
S.1416*	Lautenberg	D-carboxamide
S.1417*	Lautenberg	Amiloride hydrochloride
S.1418	Lautenberg	Chemical light activator blend
S.1432*	Sanford	Gripping narrow fabrics of man-made fibers
S.1433	Moynihan	Certain parts of indirect process electro-static copying machines & accessories
S.1434	Moynihan	Certain entries of digital processing units
S.1468	Rockefeller	BPIP
S.1470	Rockefeller	MBEP
S.1498	Johnston	2-Ethylanthraquinone
S.1500	Johnston	Rhodamine 2C base
S.1501	Johnston	Polymin P & polymin P hydrochloride
S.1502	Johnston	Polymin SNA 60
S.1504	Kasten	26-inch bicycles

S.1538	Bentsen	Fresh cantaloupes
S.1567	Glenn	Ornithine
S.1568	Glenn	Teicoplanin
S.1584	Cranston	A certain extracorporeal shock wave lithotripter
S.1597*	Bradley	Certain chemicals
S.1598	Bradley	Diphenolic acid
S.1599	Bradley	2,6-HNA
S.1601*	Bradley	Certain chemicals
S.1602	Bradley	ADC-6
S.1603	Bradley	Diflunisal
S.1605	Bradley	Trifluromethylaniline
S.1613	Bradley	Tamoxifen citrate
S.1642*	Matsunaga	Knitwear fabricated in Guam
S.1647	Coats	Fenofibrate
S.1685	Dodd	6-t-butyl 2,4 xylenol
S.1686	Dodd	2,4-Diamino-6-phenyl-1,3,5 triazine
S.1693	Lautenberg	Iopamidol

S.1710	Bradley	Iohexol
S.1713*	Dole	p-hydrobenzaldehyde
S.1715	Danforth	Ioxaglate
S.1716*	Danforth	Triallate
S.1717*	Danforth	Triphenyl phosphate
S.1724	D'Amato	7-Acetyl-1,1,3,4,4,6-hexamethyltetrahydro-naphthalene
S.1733	Bentsen	A certain specialty thermoset resin
S.1736	Grassley	Mercuric oxide
S.1744	Lautenberg	2,3,6-Trimethylphenol (TMP)
S.1749	Bradley	Edible molasses
S.1845	Heflin	A nuclear magnetic spectrometer
S.1915	Breaux	Foreign repair of vessels (only LASH barge section)
S.2004	Heinz	Certain entries of methanol
S.2018*	Lautenberg	Certain types of veneer
S.2022*	Helms	Heat-set, stretch texturing of continuous man-made fibers
S.2047*	Thurmond	p-Tolualdehyde

S.2060	Dole	Sucralfate
S.2061	Dole	Diltiazem hydrochloride, & sustained release diltiazem hydrochloride
S.2063	Dole	TA3090
S.2065	Moynihan	Certain entries of frozen vegetables
S.2081	Danforth	Toy jewelry, certain small toys & novelty goods
S.2099	Gorton	Personal effects & equipment of participants & officials involved in the 1990 Goodwill Games
S.2107*	Graham	Copper acetate monohydrate
S.2109	Dixon	Parts of generators for use on aircraft
S.2110	Moynihan	Certain entries
S.2115	Armstrong	Certain infant nursery monitors & intercoms
S.2116	Armstrong	Certain glass fibers
S.2126	Danforth	Terfenadone
S.2127	Danforth	Nicotine resin complex

2/27/90  
10:00 a.m.

STAFF DOCUMENT E

### CUSTOMS MERCHANDISE USER FEE

Current law, enacted in 1986, imposes an ad valorem fee of 0.17 percent on entries of imported merchandise. This fee will expire by law at the end of fiscal year 1990. The proceeds of the fee are used to offset the cost of salaries and expenses of the Customs Service incurred in commercial operations. Certain types of goods (for example, products of less-developed countries, U.S. goods returned, government importations) are exempted from payment of the fee. In addition, the U.S.-Canada Free Trade Agreement requires the United States to phase out the fee on Canadian imports over a five-year period.

A GATT panel found in November 1987 that this fee, as constituted, violated the GATT limitation on customs user fees to the "value of services rendered," that is, the approximate cost of processing customs entries. The ad valorem fee was found to be inconsistent with this requirement to the extent it caused fees to be levied in excess of this cost. In addition, the panel considered it inappropriate to use fee receipts to pay for customs processing of entries exempted from the fee or for Customs activities not sufficiently related to merchandise processing (the panel mentioned airport passenger processing, export activities, and international affairs). The United States agreed to GATT adoption of the panel report.

The House Ways and Means Committee last year formulated an interim proposal for amending the merchandise processing fee, limited to fiscal year 1990. Under the Ways and Means provision, this modified ad valorem fee would remain at 0.17 percent of the value of the imports, but would be capped at a maximum \$575 per entry, and it would expire at the end of FY 1990, as under current law. However, the General Accounting Office would be charged with conducting a six-month study on the costs incurred by Customs in commercial operations and the appropriate fees to be charged with a view to putting a new, GATT-legal fee into existence. Processing costs for entries exempted from the House fee would be funded out of general Federal revenues, not from the user fee account, and the definition of "commercial operations" funded from the account would not include air passenger processing, export control, and international affairs. This proposal was added to the House budget reconciliation bill last year, but was stripped from that bill in conference.

COBRA fee.--There is a separate schedule of flat-rate user fees, on air passengers, conveyances and the like, that is also scheduled to expire by law at the end of September 1990. These fees (called "COBRA" fees after the 1985 Consolidated Omnibus Budget Reconciliation Act) are used to pay for inspectional overtime services and preclearance operations.

SPARK M. MATSUMAGA, HAWAII  
 DANIEL PATRICK MOYNIHAN, NEW YORK  
 MAX BAUCUS, MONTANA  
 DAVID L. BOREN, OKLAHOMA  
 BILL BRADLEY, NEW JERSEY  
 GEORGE J. MITCHELL, MAINE  
 DAVID PRYOR, ARKANSAS  
 DONALD W. RIEGLE, JR., MICHIGAN  
 JOHN D. ROCKEFELLER IV, WEST VIRGINIA  
 TOM DASCHLE, SOUTH DAKOTA

BOB PACKWOOD, OREGON  
 BOB DOLE, KANSAS  
 WILLIAM V. ROTH, JR., DELAWARE  
 JOHN C. DANFORTH, MISSOURI  
 JOHN H. CHAFFEE, RHODE ISLAND  
 JOHN HEINZ, PENNSYLVANIA  
 DAVID DURENBERGER, MINNESOTA  
 WILLIAM L. ARMSTRONG, COLORADO  
 STEVE SYMMS, IDAHO

# United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

VANDA B. MCMAFFITY, STAFF DIRECTOR AND CHIEF COUNSEL  
 ED MIHALSKI, MINORITY CHIEF OF STAFF

March , 1990

The Honorable  
 Anne Brunsdale  
 Chairman  
 United States International  
 Trade Commission  
 Washington, D.C. 20436

Dear Madame Chairman:

The Committee on Finance requests that the United States International Trade Commission conduct an investigation under section 332(g) of the Tariff Act of 1930, as amended [19 U.S.C. 1332(g)], for the purpose of assessing the competitive condition of the U.S. and European canned tuna industries in domestic and foreign markets.

In its investigation, the Commission should, to the extent possible, develop information pertinent to an evaluation of the competitive position of the tuna harvesting and processing sectors of the U.S. industry and of the industries in the European Community and other foreign countries, including, but not limited to, the following subjects:

- (1) **The U.S. industry.**--Levels and trends in technology, number of operations, employment and wages, sources of raw tuna used by the processing sector, production, capacity, major markets, inventories, costs, productivity, financial experience, changes in industry structure such as ownership changes in the tuna canning sector, steps the U.S. fleet and processors have taken to adjust to import competition and the results of such measures, the availability of tuna resources, and government involvement in the industry.
- (2) **Foreign industries.**--Information on the tuna industry in the European Community and in other important producing countries. To the extent information can be readily obtained, this should include levels and trends in technology, number of operations, employment and wages, sources of raw tuna used by the processing sector, production, capacity, major markets, inventories, costs, productivity, financial experience, industry structure, the availability of tuna resources to foreign fleets, and government involvement in the industry.

The Honorable  
Anne Brunsdale  
March , 1990  
Page Two

- (3) The U.S. market.--A description of the tuna market, channels of distribution, supply and demand factors, inspection standards and procedures, levels and trends in U.S. consumption, trade, and prices for both domestic and foreign raw and canned tuna.
- (4) The European market.--A description of the market for raw and canned tuna, channels of distribution, supply and demand factors, inspection standards and procedures, levels and trends in consumption, trade, and prices for both domestic and foreign raw and canned tuna.
- (5) Trade distorting practices maintained by the European Community and other major producing and consuming areas.--To the extent possible, a description and assessment of the competitive effects on U.S. and foreign tuna industries of tariffs and other trade barriers encountered by U.S. or third-country exporters; and EC fishery agreements with nations and island states in the Indian Ocean and elsewhere, that may restrict access of U.S.-flag tuna vessels to tuna resources within the waters of such nations and island states. This assessment should include, inter alia, an evaluation of the likely competitive effects on U.S. and European production and trade of an equalization of U.S. and EC tariffs and other trade barriers in the markets for raw and canned tuna.

The Commission should report the results of the investigation no later than nine months after receipt of this letter.

Thank you for your cooperation in and attention to this important matter.

Sincerely,

Lloyd Bentsen

Danforth Competitiveness Report

The proposed report, to be compiled by the ITC, would assess US competitiveness relative to other countries across a range of leading edge industries.

The objective of the report is to develop a comprehensive source of information on which to base future policy decisions in order to move beyond the fragmented, "technology du jour" approach that currently characterizes the competitiveness debate.

Specifically, the proposed report would include information on: what the US government is doing to encourage competitiveness in these industries; what other countries are doing; what impediments exist to increasing US competitiveness; and what the US plans to do to encourage competitiveness in these industries. Since a snapshot would be of limited use, the report would be updated annually.

The ITC has the authority to investigate the "conditions, causes, and effects relating to competition of foreign industries with those of the United States." Thus, the agency is well-positioned to develop detailed information on the global competitiveness of American industry.



**CHAIRMAN'S PROPOSALS**

**EXECUTIVE SESSION**

**OF THE**

**UNITED STATES SENATE  
COMMITTEE ON FINANCE**

**THURSDAY, MARCH 1, 1990**

CHAIRMAN'S PROPOSAL ON TITLE IV OF THE TRADE ACT OF 1974

- (1) To amend section 405 of the 1974 Act to require Congressional approval by a joint resolution, rather than a concurrent resolution, of any bilateral commercial agreement extending most-favored-nation (MFN) status to certain nonmarket economy countries that did not receive MFN treatment as of the date of the enactment of that law, January 3, 1975.
- (2) To amend section 402 of the 1974 Act to provide that a Presidential waiver of the Jackson-Vanik amendment may be disapproved if Congress passes a joint resolution of disapproval, rather than a one-house resolution of disapproval.
- (3) To amend section 407 of the 1974 Trade Act to provide that a Presidential finding that a country is in compliance with the Jackson-Vanik amendment may be disapproved if Congress passes a joint resolution of disapproval, rather than a one-house resolution of disapproval.

BUDGET AUTHORIZATION -- U.S. CUSTOMS SERVICE

CHAIRMAN'S PROPOSAL

(Dollar Amounts in Thousands)

	<u>FY 1990</u> <u>Appropriations</u>	<u>President's Budget</u> <u>FY 1991</u>	<u>Proposed</u> <u>FY 1991</u>	<u>Proposed</u> <u>FY 1992</u>
Salaries and Expenses	1,065,090	1,125,700*	1,193,527	1,253,527
Operations and Maintenance (Air Drug Interdiction Program)	230,363	143,047	143,047	163,047
<b>TOTAL</b>	<b>1,295,453</b>	<b>1,268,747*</b>	<b>1,336,574</b>	<b>1,416,574</b>

\* Revised according to advice from the Customs Service

USTR AND ITC AUTHORIZATIONS OF APPROPRIATIONS FOR FISCAL YEARS 1991 AND 1992  
(Prepared by the Staff of the Senate Committee on Finance)

Thursday, March 1, 1990

(Full-Time Equivalent (FTE) Staff and Dollars in Thousands)

UNITED STATES TRADE REPRESENTATIVE

FY 1990 Authorization	FY 1990 Appropriation		FY 1991 President's Request		FY 1991 Chairman's Proposal		FY 1992 Chairman's Proposal		
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	
164	\$21,143	156	\$18,000	152	\$18,936	164	\$23,250	164	\$21,077**
			\$17,778*						

INTERNATIONAL TRADE COMMISSION

FY 1990 Authorization	FY 1990 Appropriation		FY 1991 ITC Request Chairman's Proposal		FY 1992 ITC Estimate Chairman's Proposal		
	FTE	Amount	FTE	Amount	FTE	Amount	
502	\$39,943	502	\$39,000	502	\$42,430	502	\$46,673
			\$38,477*		"		

\* Appropriation less the Gramm-Rudman-Hollings sequestration.

\*\* Assumes FY 1991 authorization of \$23,000.

## CHAIRMAN'S PROPOSAL ON CBI II

Repeal of termination date.--Repeals the September 30, 1995 termination date of duty-free treatment under the CBI, thus making the program permanent.

Treatment of articles assembled from U.S. components.--Grants duty-free treatment to articles assembled or processed in a beneficiary country wholly of U.S.-produced contents or ingredients, except water. This provision does not apply to any product excluded from duty-free treatment under CBI.

Conforming GSP amendment.--Conforms the rule of origin for the Generalized System of Preferences (GSP) to the rule of origin under CBI by requiring that GSP-eligible articles either be wholly the product of a beneficiary country or be substantially transformed in a beneficiary country.

Country eligibility and worker rights.--Prohibits the President from designating any country as a CBI beneficiary if that country has not or is not taking steps to afford internationally recognized worker rights to workers in the country, as defined in the GSP statute. The President may waive this requirement for U.S. economic or national security reasons.

Pilot preclearance program.--Requires the Commissioner of Customs, in fiscal years 1991 and 1992, to establish a pilot program in an appropriate Caribbean country for testing the extent to which having customs preclearance operations can enhance the development of tourism in the region.

Scholarship assistance.--Requires the Agency for International Development to establish and administer a program of scholarship assistance for students from beneficiary countries to study in the United States.

Promotion of tourism.--Declares that increased tourism should be a central part of the CBI program and directs the Secretary of Commerce to complete a study of Caribbean tourism development strategies that was begun in 1986, including information on mutual benefits to the United States and the Caribbean and proposals for developing increased linkages between the tourism industry and other local industries.

Increase of duty-free allowance for tourists returning from the Caribbean.--Increases the duty-free allowance for tourists returning from the Caribbean from \$400 to \$600 (the allowance for tourists to U.S. insular possessions would be increased from \$800 to \$1200) and increases the duty-free alcoholic beverage allowance by one liter if CBI-produced.

Eastern Caribbean and Belize.--States the sense of the Congress that special efforts should be undertaken to improve the ability of Belize and Organization of Eastern Caribbean States countries to benefit from CBI.

Presidential reports.--Requires the President to issue a complete report on the operation of the CBI program by October 1, 1993, and every three years thereafter.:-

Agriculture infrastructure support.--States the sense of the Congress that, in order to facilitate trade with, and the economic development of, the CBI, the Secretary of Agriculture should coordinate with AID the development of programs to encourage improvements in the transportation and cargo handling infrastructure in CBI countries to improve agricultural trade. [This provision does not appear in either S. 504 of H.R. 1233, but was suggested by the Administration and appears not to be controversial.]

## CHAIRMAN'S PROPOSALS ON CUSTOMS USER FEES

### MERCHANDISE PROCESSING FEE

- \* Changes current .17 percent ad valorem fee to a .15 percent ad valorem fee with a cap of \$403 on manual entries and \$400 on automated entries, and a minimum of \$20 on automated entries and \$23 on manual entries. Fees of \$14 (manual) and \$11 (automated) on informal entries.
- \* Expires September 30, 1991.
- \* Retains exemptions from fee provided in current law (Canadian, CBI, less developed country and insular possession imports; chapter 98 imports), but bars using fee receipts to pay for customs processing of these entries.
- \* Provides that, with regard to entries of merchandise under temporary monthly entry programs established by Customs prior to July 1, 1989, for testing entry processing improvements, the fee is to be applied on the aggregate value of each day's importations at each port of entry by each importer from the same exporter.

### "COBRA" FEES ON AIR PASSENGERS, CONVEYANCES, ETC.

- \* Renews current law provision (19 U.S.C. 58c(a)) establishing a schedule of user fees on arriving ships, trucks, rail cars, private vessels and aircraft, air passengers, etc., used for paying the costs of inspectional overtime services and preclearance operations.
- \* Adds authorization for Customs Service to use surplus funds in the user fee account to provide additional inspectional services of benefit to payers of the fee. The Commissioner of Customs will be required to account to Finance and Ways and Means for these expenditures.