

TRANSCRIPT OF PROCEEDINGS

UNITED STATES SENATE

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COMMITTEE ON FINANCE

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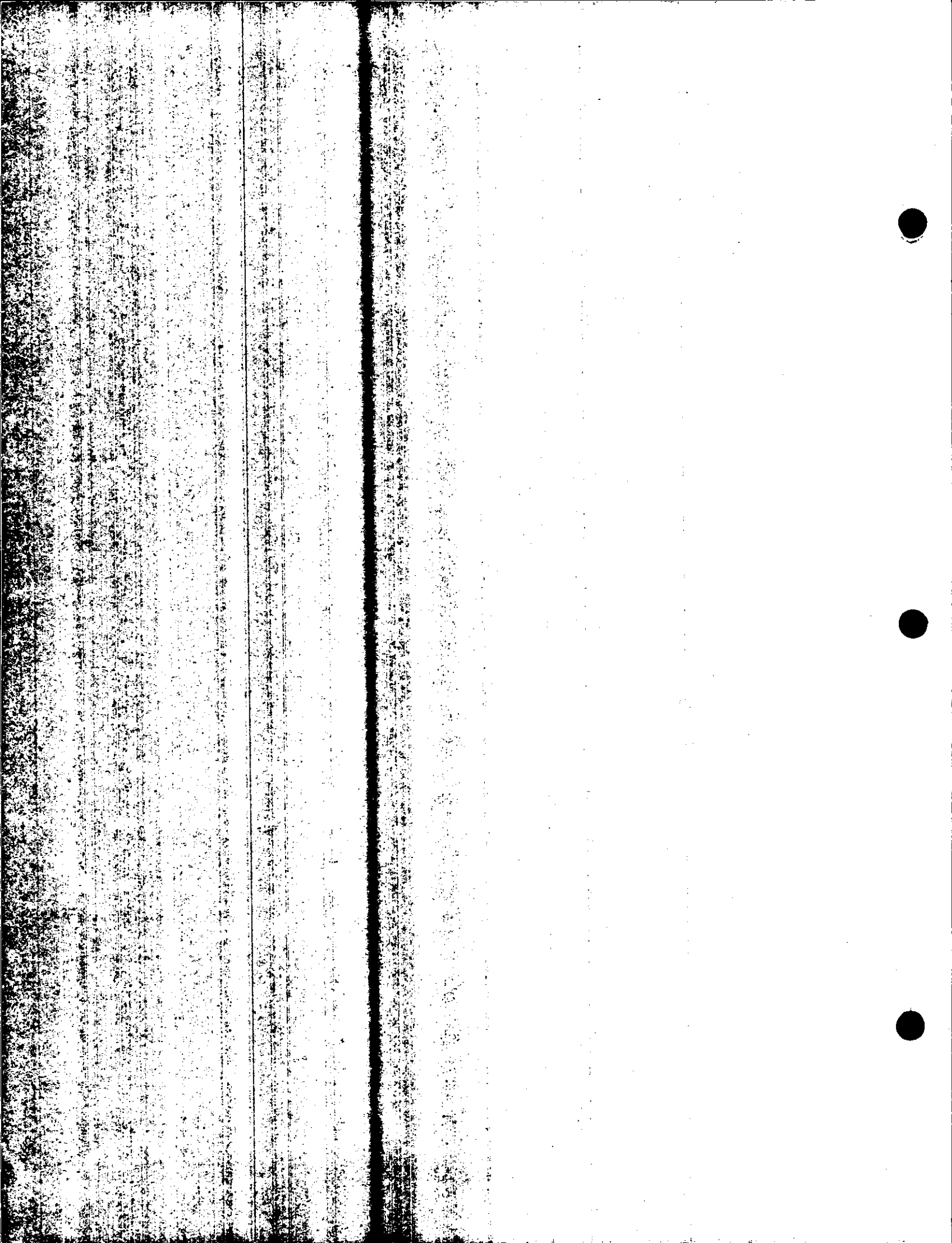
HEARING

S. 2237 AND H.R. 7337

AMERICAN INDIAN RESERVATIONS

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Washington, D. C.
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S. 2237 AND H.R. 7397

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CARIBBEAN BASIN INITIATIVE

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MONDAY, DECEMBER 20, 1982

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United States Senate,

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Committee on Finance,

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Washington, D. C.

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The Committee met, pursuant to call, at 1:14 p.m., in Room S. 207, Capitol Building, Hon. Robert J. Dole, Chairman, presiding.

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Present: Senators Dole, Packwood, Roth, Danforth, Wallop, Durenberger, Armstrong, Grassley, Long, Bentsen, Matsunaga, Moynihan, Baucus, Bradley, and Mitchell.

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The Chairman. Let me say we are meeting for the one and only purpose of considering the Caribbean Basin Initiative.

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It is a matter of great importance to the Administration. The President called this morning. I told him we would schedule a meeting at 1 o'clock. I was not certain what would happen on the Senate floor but we would do our best to try to report it out of the Senate Finance Committee. It did pass the House by--I guess by about 100 votes and it had

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1 strong bipartisan support, as I recall, 98 Democratic House
2 members voted for it and 140 some Republicans.

3 So it is not without a great deal of support. Part of
4 the principal--well, one of the principals on the House side
5 has been Congressman Sam Gibbons, who is the second ranking
6 member of the House Ways and Means Committee. So we are
7 meeting for that purpose. I think I would have--who wants to
8 explain it very quickly? Ted?

9 Mr. Kassinger. Mr. Chairman, the House passed bill con-
10 tains two parts. Two of the original three parts of S.2237,
11 that is trade and tax incentives.

12 On the trade side, the bill provides for duty free entry
13 for goods from the beneficiary countries for 12 years with
14 several exceptions.

15 On the tax side, the bill provides for the North American
16 Convention treatment for the beneficiary countries.

17 I can go through each of the provisions in detail.

18 Senator Bentsen. Provides for what? We still have a
19 lot of noise.

20 The Chairman. Yes. If we cannot have quiet, we will
21 have to clear the room except for the Senators.

22 Mr. Kassinger. In essence, it will treat the beneficiary
23 countries as sites that one can deduct all necessary business
24 expenses relating to conventions held in them. That treatment
25 is now extended to Mexico, Jamaica and Canada outside of the

1 United States.

2 I would be happy to run through it.

3 The Chairman. Why do you not do it very quickly if you
4 can, and if anybody has questions, they can interrupt.

5 Mr. Kassinger. Section 101 and 106 to the bill estab-
6 lished the President's authority to proclaim duty-free entry
7 for goods for 12 years.

8 Section 102 establishes the criteria for eligibility for
9 the beneficiary countries. Essentially there are two types
10 of criteria. One set of criteria binding on the President;
11 one not. The binding criteria are such things as a country
12 cannot be a Communist country and must be a body by interna-
13 tional law in settling its expropriation disputes.

14 The discretionary criteria essentially relate to the
15 desire of the beneficiary countries and the programs of those
16 countries to engage in economic policies that will make the
17 program work; that is foster free enterprise practices.

18 Senator Grassley. Mr. Chairman, you brought up the sub-
19 ject of expropriation. Let me raise this point.

20 In 1979, there was--the Government of Panama had agreed
21 to settle with some countries that they had claims against
22 it and those settlements have not been made yet. There may
23 be other countries involved as well. I am just interested
24 in Panama.

25 Number one, I want to know how we are coming on the

1 Panama cases and, number two, are there any other countries
2 where expropriation claims are unsettled that will not be
3 able to take advantage of this bill. And I assume Panama
4 will not be able to take advantage of the bill, is that an
5 accurate assumption?

6 Mr. Kassinger. Mr. Chairman, you posed that question to
7 the Administration in the hearing in August. Their reply,
8 for the record, is that with regard to the Citrococ Claim in
9 Panama, the U. S. company has turned down one offer of a
10 settlement. The parties have been engaged in negotiations
11 since.

12 From the Department of State's view, the best effort of
13 Panama now would be to agree to submit the dispute to inter-
14 national arbitration. And they have urged the Department to
15 do so. If not, under the criteria of the bill, I assume that
16 Panama would not be eligible.

17 The representatives from the State Department may wish
18 to speak to that here.

19 Senator Grassley. Is that the Chairman's intention then
20 if this is not submitted to international arbitration, that
21 Panama will not be able to get the benefit of the legislation?

22 The Chairman. Well, are you familiar with this, Bob?

23 Mr. Lighthizer. No, sir, I am not.

24 Mr. Kassinger. Mr. Chairman, this is Ambassador Ryan
25 from the State Department.

1 Ambassador Ryan. I think that is correct, Mr. Chairman.
2 If this were not at the time of designated beneficiary settled
3 in terms of the criteria in the legislation, then Panama
4 would not get the benefits.

5 Senator Grassley. Well, is the ruling factor then going
6 to be whether or not we submit it to international arbitra-
7 tion?

8 Ambassador Ryan. Either it would be that or we would
9 have to be satisfied that there was a good faith negotiation
10 going on still between the parties and we could not exclude
11 that as a possibility as well.

12 Senator Grassley. The second part of my question, is
13 there any other country where this would be an impeding
14 practice to their participating in the legislation?

15 Mr. Kassinger. There was one outstanding dispute, Mr.
16 Chairman, with regard to Honduras. I understand, and Amba-
17 sador, please correct me if I am wrong, that that is in the
18 process of being settled.

19 Ambassador Ryan. Yes, that is the subject of very active
20 negotiations between the Government of Honduras and the
21 parties, and we would hope that it would be settled fairly
22 quickly.

23 Senator Grassley. If it is not settled, then will the
24 Administration's determination be on the same basis? It will
25 either be submitted to international arbitration or there will

1 be a good faith progress being made?

2 Ambassador Ryan. Yes. Again we would look at each of
3 the criteria in the law.

4 Senator Grassley. All right.

5 In the case of Panama, would the Administration consider
6 that there has to be more progress made in the near future to
7 qualify under the Act than there has been between 1979 and now
8 in regard to Panama?

9 Ambassador Ryan. That would be a legal determination
10 that we would have to make at the time but, as of now, I think
11 that is correct.

12 Mr. Kassinger. The President must notify the Congress
13 before either designating or terminating the eligibility of a
14 beneficiary country.

15 Mr. Chairman, the products eligible for duty-free treat-
16 ment from the Caribbean Basin would be all products except
17 for textiles and apparel which are subject to bilateral
18 agreements on quotas, petroleum and petroleum products, foot-
19 wear, handbags, luggage, flat goods, work gloves, and leather
20 wearing apparel that are not eligible for exemptions under
21 this generalized system of preferences.

22 The Chairman. What about tuna?

23 Mr. Kassinger. Tuna was included by the House on the
24 floor as a committee amendment. I think it would also be
25 excepted from those duty-free provisions.

1 The Chairman. Now, that calls for the Congressman over
2 there to check on it.

3 Mr. Kassinger. Also to be eligible, a product must
4 satisfy a rule of origin that would require that at least 35
5 percent of the value added be from either one or a group of
6 the beneficiary countries or include up to 15 percent value
7 of U. S. origin.

8 Senator Bentsen. Did you say or?

9 Mr. Kassinger. I am sorry, I said or, but in the con-
10 text that within the 35 percent it could be 35 percent from
11 within the beneficiary countries or up to 15 percent of that
12 35 percent could be U. S. origin.

13 The President--with regard to perishable agricultural
14 products, there is a special safeguards provision in the
15 bill if a domestic industry is likely--shows that he may be
16 suffering serious injury as a result of increased imports
17 from the Caribbean area, the Secretary of Agriculture can,
18 within 21 days, impose restrictions on those products.

19 Section 104 of the bill contains a number of measures
20 with regard to Puerto Rico and the Virgin Islands. These
21 include adding--permitting an additional liter of alcoholic
22 beverages to enter the United States duty free if they are
23 in the possession of U. S. residents returning directly from
24 that Commonwealth and Territory.

25 In addition, under present law, all Federal excise taxes

1 that are imposed on sales of rum from the Virgin Islands,
2 Puerto Rico, are rebated to those governments. This bill
3 would rebate Federal excise taxes that are imposed on rum .
4 from all sources to those two governments.

5 I think that goes through the major provisions of the
6 bill.

7 The Chairman. Are there questions?

8 Senator Chafee. Well, Mr. Chairman, I would like to be
9 heard at the proper time on the provision that deals with the
10 House bill--

11 The Chairman. Excuse me. Go ahead.

12 Senator Chafee. Looking on page 5, the House has in
13 their provision exempting nontoxic rum stillage discharges
14 from certain provision of the Water Pollution Control Act.
15 That is in the House bill and not in the Senate bill.

16 But I feel strongly on that matter, Mr. Chairman, and
17 would hope that, one, it would not be included in the Senate
18 bill and, two, that our conferees would not agree to it.

19 Now, I do not know what the proper time is to speak on
20 that.

21 The Chairman. Anybody from the Administration want to
22 comment on that question?

23 Mr. Stern. I am sorry, Senator, I was--

24 The Chairman. John, why do you not bring it up right
25 now?

1 Senator Chafee. Okay. On page 5, the House bill has
2 a provision which, in effect, exempts the Virgin Island rum
3 industry from the Clean Water Act Amendments.

4 The House people have been pressing that--the Virgin
5 Islands people have been pressing that for sometime. The
6 facts are that this was looked into by a study under the
7 Clean Water Act Amendments of 1977, required EPA to look
8 into this very problem. They came back with a conclusion
9 that special relief for the Virgin Islands rum industry was
10 not required.

11 Secondly, the Puerto Rican rum industry has met these
12 requirements. Basically, it comes if you run a pipe out
13 about 1,500 feet, can you just discharge into the ocean?

14 We are going to have in the Environment and Public Works
15 Committee, we are going to do the Clean Water Act Amendments
16 again, probably next year, and we are going to look into
17 these different situations. And therefore I would hope that
18 we would not give this break to the Virgin Islands--well, it
19 is denigration of the Clean Water Act, exemptions to the
20 Virgin Islands rum industry.

21 Mr. Stern. Senator, we have not had any--addressed that.
22 I do not think we would have any objections.

23 I would wonder what the State Department--I think Mr.
24 Enders might.

25 Tom, are you familiar with that?

1 Mr. Rosenbaum. Well, as I understand it, the Virgin
2 Islands stated that they should be able to come and discharge
3 like the other countries in the Caribbean Basin so they would
4 be at a competitive disadvantage if the influence were not
5 treated in the same fashion. They would have added expense.

6 In addition to that, we have been told that what is
7 being discharged is biodegradeable. Actually it has no toxic
8 effect. I am sure that there is contrary opinion on that,
9 but that is what we have been told.

10 Senator Chafee. Well, it is not on contrary opinion, but
11 the EPA studied this and did not recommend this special relief.

12 Now, if you are talking about competitive advantage,
13 then obviously you would get rid of all EPA provisions for
14 Puerto Rico and the Virgin Islands both, because the other
15 Caribbean nations do not have them. So I would hope, Mr.
16 Chairman, that we are going to look at this again when we
17 mark up the Clean Water Act. As I say, the Puerto Rican rum
18 industry has met these provisions and I would hope that we
19 would not go along with that.

20 Senator Matsunaga. Well, Mr. Chairman, may I raise the
21 question?

22 Is not the exemption good for only a year?

23 The Chairman. Do it that way, John.

24 Senator Chafee. No, I do not think so.

25 If somebody can show me that language, I do not see what

1 difference that makes.

2 The Chairman. Let us see if we can resolve this problem.

3 What do you want to do then, Senator Chafee?

4 Senator Chafee. Well, Mr. Chairman, I would like--of
5 course, it is not in the Senate bill so we are not confronted
6 with the problem, and that is why I raised it and asked the
7 question as to--one, I did not want it included in the Senate
8 bill and, two, I did not want our conferees to agree to it.

(2) 9 Senator Grassley. Mr. Chairman, are we working off the
10 House bill or not?

11 Mr. Lighthizer. We can mark up either one but presumably
12 it makes more sense to mark up from the House bill so if we
13 pass the bill, it will not have to go back to Congress.

14 The Chairman. So we would have to make that change in
15 the House Bill. All right, let us make that change unless
16 there is objection.

17 Senator Long. What is that? I did not--

18 Mr. Lighthizer. Removing the provisions that exempt
19 the Virgin Islands, certain provisions of the Federal Water
20 Pollution Control Act, is that not right, Senator Chafee?

21 Senator Chafee. That is right. And we are going at it
22 when we mark up the Clean Water Act very early in 1983. We
23 made that commitment to everybody.

24 The ranking member of the committee, Environmental Pollu-
25 tion Subcommittee, Senator Mitchell, is here, and we made

1 that public commitment and we will get to it. So I do not
2 think that the Virgin Islands should feel dismayed.

3 Mr. Kassinger. It is Section 104(g).

4 The Chairman. All right. Let us make that change unless
5 there is any objection.

6 Senator Matsunaga?

7 Senator Matsunaga. As I understand it, Mr. Chairman,
8 the present law provides that the Virgin Islands has a year
9 to comply with the EPA regulations. I do not think that is
10 unreasonable to give them that year.

11 I recall, Mr. Chairman, that EPA required Hawaii to put
12 in the secondary treatment plant over on Sand Island and
13 every expert testified, biologists and so on, that secondary
14 treatment was not necessary, and yet EPA was trying to force
15 Hawaii to spend \$17 million, I think it was. We finally got
16 the exemption by statute. But here is a case where the
17 Virgin Islands will be in a difficult position to compete
18 with the other islands because the other islands will not be
19 required to meet the EPA requirements. But under existing
20 law, the Virgin Islands is still required to comply within a
21 year.

22 So why do we not grant them the year, leave it as it is?

23 The Chairman. Senator Mitchell, do you want to be heard
24 on that?

25 Senator Mitchell. No. It is a separate issue, Mr.

1 Chairman.

2 The Chairman. Senator Chafee?

3 Senator Chafee. Mr. Chairman, they do not have to meet
4 until 1984 as the law is. And you just get--if you are going
5 to get into the argument that do not impose restrictions on
6 --EPA restrictions for various items on the Virgin Islands
7 or Puerto Rico because their competitors do not have it, you
8 can stretch that law all the way from here to Valdez because
9 why should we--anybody in the United States observe EPA since
10 our competitors do not observe them? But we decided that as
11 a country, these are things we wished to do.

12 So I do not think that is a very valid argument. And as
13 I say, Mr. Chairman, Puerto Rico has met these. Furthermore,
14 EPA has studied this and did not recommend this special relief.
15 We are going to go through it again early next year, which is
16 before the deadline that the Virgin Islands has to meet. And
17 I would hope, Mr. Chairman, that we would not give them this
18 exemption.

19 Senator Matsunaga. Mr. Chairman, if I may make one more
20 point.

21 It is different from application of EPA regulations to
22 mainly the United States because out there the discharge of
23 the waste matter into the sea and whatever is discharged is
24 biodegradable. That was the same problem we had in Hawaii.

25 As a matter of fact, it was determined by experts, after

1 making tests, that the emissions out into the sea was bene-
2 ficial to sea life. It was only on that basis that we were
3 able to get the statute changed and not made applicable to
4 Hawaii. Hereto, the requirement is that the emissions being
5 discharged into the sea, and the government must find that the
6 discharge will not be--will not constitute a hazard to marine
7 life. So we cannot, and I say this from experience of living
8 out in the middle of the Pacific, that we cannot apply the
9 same standards that apply to the Continental United States,
10 to the Island States and the island territories.

11 Senator Chafee. Well, Mr. Chairman, this is not a
12 Finance Committee matter. This is a jurisdiction of the
13 Environment and Public Works Committee. And to put it in
14 this, to bring it up in this, to start with, is an improper
15 area. It is non-germane and the Senator from Hawaii is refer-
16 ring to municipal discharge and not to industrial discharge.
17 Hawaii has an exemption on municipal, but this is completely
18 different.

19 Mr. Chairman, I just think it is the wrong thing to do
20 and would object to it being included here.

21 The Chairman. Well, let us move on and see if there are
22 any other questions. Maybe we can resolve the questions. We
23 would like to get the bill reported.

24 Yes?

25 Senator Packwood. I have an issue that is not in this

1 bill but it relates to the Virgin Islands watch industry.

2 We sent out a bill out of this committee sometime ago,
3 it is page 4566, which I do not think is going any place.

4 The Administration wanted, as I recall, the watch pro-
5 vision.

6 We ought to add it to this if we want to add it because
7 there is about a thousand jobs, about a quarter of the Virgin
8 Islands' manufacturing force involved, and if I am correct,
9 and maybe the Administration can tell me, without a continua-
10 tion of the provision that we now have, that there is going
11 to be no watch industry in the Virgin Islands?

12 The Chairman. In fact, I might say I talked to Senator
13 Bumpers about that this morning, and he said he would have to
14 object very strenuously to this bill unless we could work out
15 something on watches.

16 Ambassador Brock?

17 Ambassador Brock. As I understand it, the Chair
18 mentioned it is going to conference this afternoon on the
19 House. The House side includes the House measure which did
20 deal with the watch problem. Is that not right?

21 Mr. Gingrich. No, sir, it does not. It is in 6867 but
22 not 4566.

23 Ambassador Brock. It is not in conference?

24 Mr. Lang. The only bill approved by the Senate yester-
25 day was H.R. 4566 in its Senate version. So when the

1 conference occurs, only measures that were on the version of
2 the bill when it came over from the House or that were on the
3 bill when it came out of the Finance Committee will be con-
4 ference. The house watch provision was on H.R. 6867 and,
5 therefore, it is not in conference.

6 Ambassador Brock. We would like to deal with it. The
7 problem we have is that any modification of this bill is it
8 seems like it makes it almost impossible to achieve passage
9 of the bill. We have the other conference on this bill. It
10 just about killed the possibility of having this bill in.

11 We would be willing to work in any way that we can with
12 an alternative approach to that particular problem and support
13 it.

14 Senator Packwood. Well, I am not going to jeopardize
15 this bill. We have passed out the watch provision.

16 If the facts are correct, it is going to be the end of
17 the industry and the end of their principal manufacturing
18 unless we continue it.

19 Ambassador Brock. We will be very supportive of any
20 effort to remove any problems that we can.

21 The Chairman. Senator Mitchell?

22 Senator Mitchell. Mr. Chairman, I have a question regard-
23 ing Section 104 of the bill. It is Puerto Rico and U. S.
24 possessions listed at the top of page 5 of the spread sheet
25 that we have here.

1 As I understand it, under existing law, Puerto Rico and
2 the U. S. possessions are given preferential treatment in the
3 tariff schedules. The value of foreign content of the
4 imported articles from these areas should not exceed 50 per-
5 cent, if the articles are imported duty free. The duty-free
6 provisions of the CBI will adversely affect the relative com-
7 petitive positions of Puerto Rico and the possessions, and so
8 these measures contained in Section 104 are provisions to
9 liberalize the trade routes from those areas but permit them
10 to maintain their competitive position.

11 One of these provisions which is described in the para-
12 graph at the top of the middle of the page, it increases the
13 foreign content percentage allowable of duty-free treatment
14 from those areas of 50 to 70 percent, except petroleum and
15 petroleum products. That creates a problem for some American
16 textile manufacturers who already have a problem as a result
17 of the current rule because Czechoslovakia ships into this
18 country low quality wool and other fabrics through the Virgin
19 Islands to secure duty-free treatment. They already have a
20 problem with that, that if this foreign content percentage is
21 raised from 50 to 70 percent, that will aggravate very
22 seriously an existing problem for some American textile manu-
23 facturers.

24 The textile are excluded from the provisions of CBI and
25 this would be corrected by simply providing the exclusion

1 instead of identifying petroleum products for all of those
2 products that are already excluded from the CBI--

3 The Chairman. Bill, do you have any objection to that?

(3) 4 Ambassador Brock. Well, I think the Senator's proposal
5 was in the original House bill, was it not? They were pro-
6 tected, as I understood it.

7 Senator Mitchell. No, they were not.

8 Senator Matsunaga. Mr. Chairman, may I raise the ques-
9 tion?

10 Is it not a fact that only Communist textiles are
11 excluded?

12 Senator Mitchell. They are excluded from the general
13 provisions of the CBI but they are not excluded from the
14 effects of this liberalizing provision which were inserted
15 to offset the competitive disadvantage of Puerto Rico and
16 the possessions would suffer as a result of the CBI itself.
17 And in order to meet that objection of textiles, instead of
18 it could be done, instead of identifying petroleum and
19 petroleum products as the only items with respect to which the
20 current 50 percent maximum would be retained, if you simply
21 had that exclusion, including a reference to all articles that
22 are included from the effect of CBI itself, that would include
23 textiles because they are in the original broad range.

24 Senator Baucus. Mr. Chairman, did we confirm that all
25 textiles are in fact included in CBI?

1 Ambassador Brock. Yes.

2 Senator Baucus. They all are regardless of origin?

3 Ambassador Brock. I think it deals only with the--

4 Senator Baucus. I want to confirm this assumption that
5 all textiles otherwise are excluded.

6 Ambassador Brock. Yes.

7 The Chairman. What about Senator Mitchell's request?

8 Can that be--

9 Ambassador Brock. Well, I would not have any objection
10 to it in substance. My problem goes to whether or not we can
11 get a bill again, the modification if it requires confidence,
12 and I think effectively we have destroyed the process.

13 The Chairman. Except I think that there are members who
14 might want to offer amendments on the floor who may be will-
15 ing to withhold in this session. I do not see that as a
16 problem frankly. I think there may be prior problems, getting
17 it passed.

18 Senator Long. Other than the joy that we will have in
19 knowing that we gave something to these additional people,
20 then the theory that if we give more trade advantages in our
21 market to our friends and enemies, whoever, the Caribbean
22 area and elsewhere around the world, that even if they do not
23 appreciate it, that we will have a joy inside of knowing that
24 we have done things for others.

25 What is in it for the United States? I am not talking

1 about the hope that somebody might appreciate us or something
2 like that, I am just talking about what is in it for us.

3 Senator Mitchell. You are not talking about my amend-
4 ment?

5 Senator Long. No, I am not talking about yours. About
6 the whole damn thing.

7 Senator Mitchell. Thank you, Senator.

8 Senator Long. No, I am not talking about yours. I would
9 think--my impression, that might be the first suggestion, the
10 one redeeming grace on that aspect, and I do not see what is
11 all that bad about giving all this stuff away. I would just
12 like to know what is in it for us? What do we get in return
13 by way of reciprocity, for example?

14 Senator Bentsen. Mr. Chairman, if I might comment on
15 that.

16 Senator Long. Senator, I have heard your comments
17 already.

18 (Laughter)

19 Senator Bentsen. Let me speak my comment then to the
20 rest of the members if I might, Senator.

21 We have got a situation where you have Bishop down there
22 in the Grenadines; you have a situation where you have Manley
23 in Jamaica. Those are countries that under that kind of
24 leadership were certainly not friendly to us, and we have
25 much to lose. And they were working quite closely with

1 Castro. Now you have Siago (phonetic) in Jamaica. You have
2 got a situation where you have yourself a stationary aircraft
3 carrier and the Grenadines developed with the Lincoln Runway,
4 and Prime Minister Bishop again is very close to Castro. And
5 I think it is important to this country that some of those
6 people be able to get their belly buttons off their backbones
7 and that we do see that some jobs are created in that area.
8 I think it is in the long-term interest of this country.

9 Now, trying to balance that off into the concerns of
10 this country is what are we trying to do? And we have riddled
11 this bill with exceptions to try to have some protection for
12 high unemployment areas in this country. So I think it is a
13 good exercise and I think it is important for the long-term
14 interests.

15 Senator Long. Well, according to that theory, Cuba
16 would be a democratic country and they would give a bigger
17 sugar quota, and I do not buy that. What is in it other than
18 that idea, and I understand it, if we do not do something
19 for these people, they are going to go Communist.

20 Now, the same thing beats true for the whole wide world.
21 But aside from that thought, what is in this by way of a
22 mutual trade concession from the other side?

23 Ambassador Brock. First of all, we get a lot of jobs on
24 the front ends because if they are going to do any development,
25 they have to buy anything, they buy from us because we are the

1 traditional market. We did a survey in the Dominican Republic,
2 1,500 manufacturers have products on their shelves down there
3 U. S. manufacturers. We are the natural and logical and tra-
4 ditional buyer of that marketplace. They have 1 percent of
5 their--1 percent of our GNP, in the sum total of these 28
6 countries. If they start making some economic progress, the
7 first thing they are going to do is put in a plant and they
8 have to buy machinery and equipment, the engineering and con-
9 sulting, all of those will be American made. The front end
10 benefits will be jobs for us.

11 Senator Long. Is there anything in that bill that says
12 that?

13 Ambassador Brock. There is not a mandate in the bill,
14 but the bill does increase the trade process between the two
15 countries substantially.

16 Senator Long. You mean if they sell more to us, then
17 hopefully they would spend that money with us?

18 Ambassador Brock. Before they can sell to us, they are
19 going to create a product that they can sell, they have to
20 manufacture it. Before they can manufacture it, they have to
21 buy equipment, machinery, get all the engineering and every-
22 thing else and the very substantial overwhelming part of that
23 is going to come from the United States. So we are going to
24 get first front end jobs out of it as they begin to grow and
25 produce, and as they begin to create a market here for their

1 products, everything that they--every single job that they
2 get from us they are going to be spending back here to buy
3 more. The process is going to generate an awful lot more
4 trade.

5 Right now you have 40 million people down there. That
6 is one-fifth of our population with 1 percent of our GNP. If
7 we can increase their economic growth rate, then you do get
8 the political stability, at least the prospect of it that you
9 do not have now, and you have the opportunity for doing an
10 awful lot more business.

11 We have \$4.5 billion surplus in trade with these
12 countries right now. It is very, very profitable for us to
13 do business down there. The opportunity to do a lot more is
14 huge and it is totally in our self-interest. This is not an
15 altruistic exercise. This is a self-interest bill and we have
16 a lot at stake in doing more business down there.

17 I should say one other thing, Senator. We talked about
18 the almost dismantlement of the GATT by the combination of
19 the LDC's who are operating exceedingly under a unit rule in
20 the political world today.

21 If we start improving our relationship and our economic
22 ties with countries like this, we can break up the unit rule
23 any day for economic reality. I just do not see that there
24 is any downside to this bill in economic terms, but I think
25 there is enormous upside for us.

1 The Chairman. Why is it so strongly opposed by the
2 organized labor then?

3 Ambassador Brock. Because I think when you have as
4 much unemployment as we do, the fear is that one more job
5 would be jeopardized as an unacceptable risk for us to take.
6 And I think it is just easier to say no than it is to say yes,
7 but I think the argument against is a very short-sided argu-
8 ment. And frankly one that does not seem to hold any economic
9 merit to it. I do not see how anybody can demonstrate any
10 jeopardy to the United States.

11 Remember what they have got now. We are only offering
12 them duty-free treatment on the 19 percent of their non-
13 petroleum products that they do not already have duty-free
14 treatment. 81 percent of all these sellers now of petroleum
15 tax are duty free. Of the duty items, we have exempted tex-
16 tiles, we have exempted petrochemicals, we have exempted all
17 leather, even billfolds and handbags and leather garments.
18 What is left? Not a lot. The average tariff is 4 percent,
19 4 percent. What are you giving them? Not much except hope.

20 And the ability to become a mantle for investment that
21 will allow them to grow, and they are going to buy their pro-
22 ducts from us so that they can grow which means that we get
23 the brunt end of the economic benefit and we get the long-term
24 freedom, and how do you lose on a deal like that?

25 The Chairman. Senator Bradley?

1 Senator Bradley. I think that is a good statement by
2 Ambassador Brock and it would seem to me that helps me under-
3 stand it.

4 Senator Mitchell. Will Senator Bradley yield for a
5 minute?

6 The Chairman. So you have no objection to the Mitchell
7 amendment?

8 Ambassador Brock. No problem.

9 The Chairman. Senator Bradley?

10 Senator Bradley. As I understand this, it will require
11 a waiver in GATT?

12 Ambassador Brock. Yes, sir.

13 Senator Bradley. What are the chances that we will get
14 the waiver?

15 Ambassador Brock. Pretty good. If we sense there is
16 any problem, we can simply notify the GATT as the EC has
17 done with its Lome Conventions and proceed anyway.

18 Senator Bradley. I did not hear you. It is hard to
19 hear down here.

20 Ambassador Brock. I am sorry. The EC has had its Lome
21 Convention process in place for 20 odd years. They never
22 even sought a waiver. They just notified the GATT, and
23 unless there is objection, they proceed. We could do that or
24 we could officially seek a waiver. However, if we think
25 there is any possibility of objection, we do not even have to

1 do that. We do not see any problem with the GATT. I think
2 that is the bottom line. We think that there are so many
3 countries involved on both sides that it would be almost
4 ridiculous for anybody to object.

5 Senator Bradley. I am sorry. I yield.

6 Senator Bentsen. I just wanted--when you talk about Lome,
7 you are talking about the African Northern Tier of African
8 countries?

9 Ambassador Brock. But there are also Caribbean countries
10 involved.

11 Senator Bradley. This is the Dominican Republic,
12 Guatemala.

13 Ambassador Brock. Everybody that wants to sign up. It
14 is negotiated bilaterally. After we authorize the process,
15 then we negotiate bilaterally country by country. If they
16 have a free labor movement, if they meet the other criteria
17 like that.

18 Senator Bradley. Particularly those three countries.
19 But others, it seems to me they have a basic problem that
20 does not have access as fully as the U. S. market as it might
21 and I am curious, what is the Administration's position on
22 sugar quotas?

23 Ambassador Brock. I am the wrong person to ask that
24 question, Senator. But I am precluded from intervening in
25 that process from my own personal point of view. The

1 Administration did not oppose the amendment when it was
2 offered. I do not think we have taken a position since that
3 time.

4 Senator Bradley. It seems to me that if you really want
5 to buy some economic stimulus for the countries, then instead
6 of trying to generate new industries there or attract capi-
7 tal for the next phase of development, if they already have
8 agriculture sector that produces sufficient quantities of
9 sugar, that it is perfectly consistent with the Administra-
10 tion's general position to provide a market for that sugar
11 instead of establishing--kind of 20 percent hole for certain
12 kinds of products to get through. It just struck me as
13 inconsistent.

14 Mr. Enders. Senator Bradley, with regard to this, the
15 volumes are down as a result of the quota system which is
16 being applied now to the area as they are worldwide. But
17 remember the prices that we offer are about double the world
18 market prices. The result is that the countries of the area
19 are not losing in revenue terms, most of them. Some of them
20 are gaining over what they otherwise would have if in fact
21 there were no sugar policy here.

22 Now, I am only trying to address your specific concern
23 about what the best way to help them is. Sugar prices inter-
24 nationally are very low and they are more than offsetting by
25 the high U. S. prices at the moment.

1 Senator Matsunaga. Senator, if I may provide an answer
2 to that question.

3 Senator Bradley. I thought you might be.

4 Senator Matsunaga. See, what has happened in the sugar
5 industry is that foreign countries, particularly now in the
6 case of the European Community, whereas the European Community
7 used to be importers of sugar, since 1974, they have become
8 exporters of sugar. And the European Community has refused
9 to join the international sugar agreement. For that reason,
10 whatever surplus they have been producing since 1974, and the
11 surplus has been increasing because the European Community
12 government in France, for example, they subsidize the sugar
13 farmer by as much as 14 cents a pound and yet they take that
14 sugar, put it on the so-called world market and dump that
15 sugar in the United States as eight and nine cents a pound.
16 And it costs the European farmer 24 cents to raise a pound of
17 sugar. They are selling it way below their cost merely to
18 get rid of the surplus. So that they get a little money out
19 of the surplus instead of dumping the sugar into the ocean.

20 And in order to stop that, we have got to have a quota
21 system. The same thing would happen with the Caribbean
22 nations if they began to overproduce. They would be selling
23 sugar below cost. That is the reason. And if it had not
24 been for the sugar quotas imposed by the Administration, the
25 Hawaii sugar industry would be out of business today. As a

1 matter of fact--

2 Senator Bradley. The point is that the quota was re-
3 established because the industry itself is in trouble
4 because of generally bad economic circumstances; not in par-
5 ticular aspects of the sugar market I mean.

(4) 6 Senator Wallop. Bill, that is a great misjudgment of
7 what the situation is.

8 If indeed there was a world sugar market, you know, it
9 would be quite another thing. But what we have is a grossly
10 subsidized export to the United States as the only place that
11 will take it. I mean the quota system is there for a very
12 specific purpose and that is that there is not a world sugar
13 market.

14 Senator Durenberger. While you have moved to this end
15 of the table, let me add a broader dimension to Central
16 America in particular.

17 I think the objective of the CBI, and I think this is
18 Phase 1 of an initiative, is to broaden the kinds of products
19 that can come out of these countries. It is to get them off
20 of sugar or coffee or tobacco or whatever it is in which they
21 are a small drop in a rather large world bucket and to move
22 them into a wider variety of economic production. And I
23 think that is the better answer to your question than the
24 one that--

25 Senator Matsunaga. One other point, it is not going to

1 affect any of the countries of CBI except two, and they are
2 satisfied.

3 Senator Bradley. My point is that Senator Durenberger
4 is right and we have excluded from this petroleum, petroleum
5 products, footwear, handbags, luggage, flat goods, work
6 gloves, leather wearing apparel. I think the House--what did
7 the House do--

8 The Chairman. Tuna.

9 Senator Bradley. They excluded tuna so there is still a
10 tariff barrier there for tuna. What is left? What are we
11 encouraging them to diversify into?

12 The Chairman. Could I just--

13 Senator Bradley. This continues to shrink.

14 The Chairman. We have the representative from Puerto
15 Rico here from the House side who still thinks it is a very
16 valuable piece of legislation, rather not have all those
17 exclusions obviously. I do not want to shut anyone off but
18 we have about three conferences that we are supposed to be in
19 this afternoon. And the gas tax bill is on the floor. Some
20 of the tariff bills that we want to go to conference on
21 affect nearly every Senator here. So we would like to report
22 the bill. If there are any amendments--

23 Senator Baucus. Mr. Chairman, I have a couple of ques-
24 tions.

25 One is GATT ministerial broke down, I think in large part

1 due to the EC.

2 What contributions is GATT making to the Caribbean Init-
3 iative? Is this United States only or is GATT also in
4 trading sessions? Excuse me, not GATT, EC.

5 Ambassador Brock. EC has preferences but they are
6 directed almost exclusively at the island countries and not
7 the Central American countries. They are beginning to improve
8 their support there as well. But they have made frankly more
9 contributions than we have made.

10 Senator Baucus. To the Caribbean countries?

11 Ambassador Brock. Yes.

12 Senator Baucus. Not to the island countries?

13 Ambassador Brock. To the islands they have done more
14 than we have done.

15 Senator Baucus. Could you expand that a little bit more?
16 What areas?

17 Ambassador Brock. All of the island States that were
18 former colonies have come under the EC preference scheme
19 which is pretty similar to what we have for this proposal.
20 And it has been of some benefit. I suppose Tom can comment
21 on the aid aspects.

22 But most of the direct support is coming from Canada,
23 Mexico and Venezuela and Colombia. The EC has not, as far as
24 I know, sent out anything specific of late, have they?

25 Mr. Enders. No. But they do have ongoing aid programs

1 which are quite large. Canada provides practically 100 per-
2 cent preferences to the islands but not yet to Central America
3 and the developing countries of the area, Venezuela, Mexico
4 and Colombia all provide, as part of this overall effort, aid
5 and some trade concessions, too. Both.

6 In other words, people have gotten out ahead of us on the
7 trade side.

8 Senator Long. Are those countries providing those sub-
9 sidies, those advantages to countries that provide them a
10 reciprocal advantage?

11 Mr. Enders. No reciprocal advantage.

12 Senator Long. Are they providing it to all of them?

13 Ambassador Brock. It is to all the colonies.

14 Senator Long. My understanding, the British Empire where
15 they had sort of a empire trading arrangement, they would
16 trade in the sterling area among themselves. There is
17 advantage to trading with one another so that they would give
18 preference to the former British colonies but they would get
19 some reciprocal advantage.

20 Has that been wiped out?

21 Ambassador Brock. As far as I know, I do not know of
22 any reciprocal process in the system today.

23 Senator Long. John has pointed out an important thing.
24 We are required in the statute to see whether or not they have
25 a reverse preference system with any other country. We cannot

1 sign a CBI country out if they have a reverse preference
2 with any other country. We are precluded by law from doing
3 that.

4 Senator Bradley. What is the answer, what they are
5 going to diversify into?

6 Ambassador Brock. Well, there are probably at least
7 100,000 products that are not listed ranging from every type
8 of consumer goods, durables, semi-durables, shelf items,
9 agribusinesses is an enormous opportunity for example, but so
10 are small electronics assembly plants, things of that sort.

11 Senator Bradley. What percent of the product has to be
12 made in the country?

13 Ambassador Brock. We have a 35 percent value added
14 component which really translates into a lot more than that.
15 We are trying to preclude simply repackaging programs and
16 require substantial elements of labor value added.

17 Senator Bradley. So that the problem that we encountered
18 in the Virgin Islands, the Soviet watches, will not be
19 encountered under this legislation. You cannot just send in
20 a product to have it painted in the Caribbean or add a couple
21 of wheels and say it is now coming in under preferential
22 treatment?

23 Ambassador Brock. No, you cannot.

24 Senator Baucus. Well, why can you not?

25 Ambassador Brock. If you read the value added language

1 carefully, and I do not have it right in front of me, but it
2 is very specific about how you calculate the costs. Remember
3 we are taking something that is a known quantity. We have a
4 35 percent rule under GSP today. It works very nicely. The
5 Customs people know how to cope with it and it does in fact
6 require substantial labor component to change the product
7 from a raw steel product into a finished product in a fashion

8 Senator Baucus. But still 65 percent of the value would
9 come from some other country?

10 Ambassador Brock. Well, that is true no matter how you
11 present it. Because if you have raw materials that they do
12 not have in their own home country, like iron ore, the value
13 added of just basic steel would be anywhere from 30 to 50 per-
14 cent of a product. If you go much above 35, there is no way
15 you could come into it. Because the labor component, by and
16 large, would run 30 to 50 percent in most of these product
17 areas.

18 Senator Baucus. Do you have any studies showing if that
19 35 were, say, raised to 50 percent?

20 Ambassador Brock. I do not know.

21 Senator Baucus. It sounds like an arbitrary number. I
22 am trying to find out what the basis is for that number.

23 Ambassador Brock. You would probably just about elimi-
24 nate them. Because there are few products that I could think
25 of on the market where the labor-management component comes

1 to 50 percent.

2 If you do not have the raw materials in your own country,
3 and you have to bring it in, you are at such a high part of
4 your sales price that you are going to just strike any oppor-
5 tunity for those countries to put any labor into it at all.
6 They will not be able to sell it.

7 The Chairman. Senator Bentsen?

8 Senator Bentsen. How would our standards differ from
9 Section 806 or 807 situation?

10 Mr. Marsh. Under the 806/807 provisions, the only duty
11 that is relieved is what is value added in the country. Here
12 obviously you do have your provision for the duty to be
13 relieved on the entire landed cost of the product so that the
14 inputs that are indigenous and so forth are gaining the bene-
15 fits.

16 On the other question, the 35 percent, again it is 35
17 percent direct processing cost. It is not leaving 65 percent
18 to be foreign value because you have to take out the profits
19 and the other overhead, so that is all reduced. We estimate
20 that under the 35 percent, percent provision, on most products
21 you might be allowed only 35 percent foreign content and
22 still be able to notch up to their limit.

23 Senator Matsunaga. Mr. Chairman?

24 The Chairman. Senator Matsunaga.

25 Senator Matsunaga. Are we marking up the Senate bill or

1 the House bill?

2 The Chairman. The House bill.

3 Senator Matsunaga. The House bill. I note then, Mr.
4 Chairman, that while I subscribe to the excellent statements
5 made by the Ambassador, if we can do things without hurting
6 our own economy, particularly an economy which is based pri-
7 marily on tourism, for example. As I note, the Senate bill
8 did not contain the convention incentive which the House bill
9 contains. Instead we have a provision for extending invest-
10 ment tax credit and one-half of the--

11 The Chairman. Could we have order?

12 Senator Matsunaga. And one-half of the accelerated cost
13 recovery system to investment in U. S. possessions by certain
14 U. S. corporations.

15 There, we went over that provision rather considerably
16 and, as you recall, this was a provision which was recommended
17 by the Administration in order to encourage the building up
18 of industry in these islands.

19 The House provision, I note, substitutes a convention
20 incentive which will truly hurt not only Hawaii but Puerto
21 Rico, which is a U. S. possession. For example, the number of
22 conventions held in Puerto Rico prior to 1977, when we did not
23 have the restriction on foreign conventions, was only 300.
24 And after the restrictions were imposed from 1977 to 1981, the
25 number of conventions increased from 300 to 1,200, and Puerto

1 Rico is a region where we suffer the greatest degree of
2 unemployment in the entire United States practically. So
3 that this would really hurt Puerto Rico. And the total par-
4 ticipants, of course, increase from 62,000 to 88,000.

5 Now, this shows that the convention exemptions which
6 would be extended by the House provision would divert the
7 smaller groups, the smaller conventions, to those islands.

8 Of course, one of the arguments made is that, oh,
9 heavens, you know these smaller islands will have no capacity
10 to handle tourists so big conventions themselves will not go.
11 But the smaller business conventions will be diverted to these
12 foreign countries, and it is going to really hurt Puerto Rico
13 and Hawaii as well. Hawaii, despite the recession and despite
14 the reduction in sugar production, pineapple production, and
15 we--because we subscribe to the theory espoused by the Amba-
16 sador, and so eloquently laid out, we did not object
17 strenuously on the sugar and the pineapple. Just an announce-
18 ment made two days ago, Amtrak is not only closing down food
19 and sugar, they propose to close down two other sugar plan-
20 tations because of the threat of foreign sugar coming into
21 this country at prices below the cost of production.

22 Now, we have tourism which we have built up. So tourism
23 has held up the economy of Hawaii, and if this happens, well,
24 we will not have too much, we will probably come for foreign
25 assistance. We might do better as a foreign country appealing

1 for foreign aid. I do not think it was intended by the
2 Administration to throw the entire economy out in any State
3 so when the measure was before the Senate, we strongly sup-
4 ported the provision of extended tax credits and so on. But
5 not the convention incentive, I think, which would really
6 hurt.

7 So I would move to delete that provision and restore the
8 Senate provision as originally put forth in the Senate bill.

9 The Chairman. Could I--I guess ask Mr. Chapoton to
10 respond. I think what happened, this was substituted for the
11 other and I understand, again from Puerto Rico, they prefer
12 not to have the provision but they are supporting the bill
13 with this provision in it.

14 I think--in fact, we have the Congressman here so he can
15 speak to it. Is that correct?

16 Mr. Corrada. Mr. Chairman, Puerto Rico is now supporting
17 the passage as reported by the House. As stated, we like to
18 see a convention tax defeated if possible. However, we are
19 prepared to accept the bill as passed by the House.

20 The Chairman. It is my understanding that the rum excise
21 tax rebate will help offset some of the concerns raised by
22 the Senator from Hawaii as far as revenue.

23 Secretary Chapoton?

24 Mr. Chapoton. Well, I would add, we proposed in the
25 original CBI provisions, giving investment tax credit for

1 investment in the Caribbean Basin. We had expressed concern
2 about convention treatment on another level, that is the
3 section problem that we see with it. This bill, the House
4 bill, does include the exchange of information requirement.
5 Provision treatment will not be available unless a country
6 enters into an executive agreement with the U. S. in a full
7 exchange of information and going--changing, if necessary,
8 domestic law to allow penetration of fair shares and back
9 secrets. So that that provision, and with the requirement of
10 the overall package, we do not accept it.

11 You were addressing the other question, whether it
12 applies to various levels. We have addressed it more on the
13 tax policy concern, what it does to present the problems.

14 Senator Matsunaga. Plus, in the case of Puerto Rico,
15 they have the counterbalancing--what is that, the tuna pro-
16 vision I guess, which counterbalances in the case of Hawaii,
17 we have no such counterbalancing provision. We have given in
18 on sugar, et cetera. So this is really going to hurt Hawaii.

(5) 19 Ambassador Brock. If I might, with all respect, I
20 honestly do not agree that Hawaii or Puerto Rico or the
21 Virgin Islands mantle does anything by this process. It
22 seems to me that the basic objective is to do a lot more
23 business across the board in all areas. I think this bill
24 is clearly designed to do that.

25 This particular provision was accepted because both

1 members of this committee and of the Ways and Means Committee
2 felt that the 10 percent investment tax credit was unaccept-
3 able extension of U. S. tax policy to non-territories of the
4 United States. We needed something which would provide some
5 modest incentive for expansion of their business opportunity
6 in the short term. Tourism is the quickest single area for
7 growth, but if you look at your own members, Senator, the
8 growth in Puerto Rico, 66,000, 88,000, is about a one-third
9 growth in the last six years. That is not a typical rate of
10 growth. It simply reflects the fact that the whole business
11 area--

12 Senator Matsunaga. The last four years.

13 Ambassador Brock. Four, that is fine. That is not
14 really a remarkable change in tourist traffic.

15 Senator Matsunaga. It is not?

16 Ambassador Brock. Well, it has been growing very nicely
17 for sometime, and to think that these islands can compete
18 with Hawaii and Puerto Rico is somewhat surprising.

19 I just do not think there is any possibility of that.
20 I think you are going to see a lot more business done for
21 everybody.

22 Senator Matsunaga. Would you object to a further pro-
23 viso there, that provided that the President makes a
24 determination that it will not unduly hurt the economy of
25 any sector of the United States?

1 Ambassador Brock. I think that is a presumption in the
2 whole bill, is it not?

3 Senator Matsunaga. Right now there is no need for such
4 finding in order to--

5 Ambassador Brock. No, but there is a need. The quid pro
6 quo we got for this is what Chapoton mentioned, that is the
7 access to a tax treaty with these countries. There is a lot
8 of tax escapism going on that we cannot get a handle on
9 because we simply have no treaties with these countries and
10 the opportunity to deal with that problem is of real import-
11 ance to Hawaii and everyone else for that matter.

12 We thought there was a very specific quid pro quo which
13 means that you are going to be somewhat slow in developing
14 this initiative. That is why we do not think there is any--

15 The Chairman. Could I also suggest that we are advised
16 that the cost of this provision is \$5 million per year so it
17 cannot be very much. The cost of the ITC provision would
18 have been \$67 million in 1983; 108 million in 1984; 139
19 million in 1985, and on up to 200 some million by 1987.

20 Senator Matsunaga. But the loss of this shift that you
21 are referring to, Mr. Chairman, is in terms of taxes and not
22 in terms of revenue, not in terms of income by way of expend-
23 itures, which a tourist would spend.

24 Ambassador Brock. If the tax is 50 percent deductible,
25 you are talking about doubling the loss of revenue so instead

1 of 5 million loss of revenue, we are talking about 10 million
2 maximum total, and that is assuming that these people all take
3 their conventions that they would have held in Puerto Rico
4 and take them to the Dominican Republic. I just think that
5 is an irrational expectation. If you have a net increase in
6 business, nobody will lose anything.

7 Senator Chafee. I think the chances for anyone going to
8 Haiti for a convention are modest.

9 Senator Long. Well, if you are including the Dominican
10 Republic there, you better take another look at the whole
11 cost. If you take a look at what Governor West is doing down
12 in the Dominican, they are doing one good job down there.
13 And, of course, one reason is that with the money that they
14 are making from the sugar and otherwise, they cannot take
15 that money out. So the only thing to do is to apply it back
16 in. And the logical thing to put it into is tourism. And
17 they are doing one terrific job. I guess you know that that
18 looks like something ancient, but it is really something that
19 they have built themselves, Williamsburg style.

20 Senator Grassley. Mr. Chairman, I have another point of
21 order I want to bring up in this committee.

22 Mr. Chairman, I want to know, considering the incentives
23 that were given to these countries to change their agricultural
24 production to sugar and to beef, and that is part of the
25 purpose of the legislation, to what extent are we--have we

1 considered the number of peasants that this legislation is
2 going to displace?

3 Ambassador Brock. We have a prohibition against that,
4 that was mandated in the House bill, that we are required to
5 consider

6 Senator Grassley. Okay. Consideration. In other words
7 there is a prohibition against displacement. Is that a point?

8 Ambassador Brock. We are required to consider the land
9 use and, of course, the plans of the local government.

10 Senator Grassley. Is the attitude of the Administration
11 that we will not be displacing people or that we will, or
12 that there could be a little bit of it, or how much of it is
13 tolerable?

14 Ambassador Brock. If there is a net economic benefit to
15 the country, that they decide it is in their own interest, we
16 have decided that it is in their own interest to make and not
17 ours.

18 The Chairman. Are there any other amendments?

19 Senator Chafee. Well, Mr. Chairman, getting back to the
20 --the bill, as I understand, has already been amended by
21 Senator Mitchell, is that correct?

22 The Chairman. That is correct.

23 Senator Chafee. Well, Mr. Chairman, on that basis, I
24 would like to pursue my provision on that Virgin Islands
25 thing. Well, I would like to pursue it if I might.

1 I would urge that that be struck.

2 Senator Bentsen. Mr. Chairman, if I might comment.

3 We have long and seriously fought to protect the juris-
4 diction of this committee, and I believe very strongly in
5 that. But in turn I really believe that what we are dealing
6 with is the jurisdiction of the Environment and Public Works
7 Committee, and I cannot imagine that amendment being a serious
8 thing as far as jeopardizing this bill.

9 The Chairman. All right.

10 In fact, as I understand, you are sympathetic to the
11 amendment but it is clearly not within our jurisdiction?

12 Senator Bentsen. I am not sure I am sympathetic to the
13 amendment either.

14 The Chairman. Oh, excuse me.

15 Senator Chafee. Also, Mr. Chairman, there is some sug-
16 gestion that this might make it a conferencable item. Well,
17 we have already accepted the Mitchell amendment.

18 Secondly, I just cannot believe that this would make it
19 into a conferencable item. It is rather modest. And let us
20 just see what happens on the floor. If this gets to be an
21 obstruction to the whole matter, then we can reconsider it.
22 But, at this time, I would like to take it out.

23 The Chairman. Is there anybody from the Administration
24 with a view on this?

25 Ambassador Brock. My view, Mr. Chairman, is that this

1 will be a very contentious item on the House floor, and the
2 Virgin Islands feels very strongly about it. They made a very
3 strong case to the Ways and Means Committee and to the House
4 floor asking for this exemption, and that I am sure they will
5 insist on arguing the case in conference if it is added.

6 The Chairman. Well, it is not, as I understand the pro-
7 vision, the exemption is not in the Senate bill, is that
8 correct?

9 Mr. Kassinger. That is correct.

10 The Chairman. And it seems to me, I think we are proba-
11 bly acting without jurisdiction. Maybe somebody can correlate
12 that. But if the Senator from Rhode Island wants to press
13 the amendment--actually, I think Senator Symms has an oppo-
14 site view, but Senator Symms is not here. Maybe others have
15 a contrary view.

16 Is there any objection to striking that provision?

17 Without objection.

18 Are there any other amendments?

19 Senator Moynihan. Mr. Chairman?

20 The Chairman. Yes.

21 Senator Moynihan. Mr. Chairman, I object to that.

22 Senator Matsunaga. Senator Moynihan objects.

23 The Chairman. All right. Let us vote on it. We will
24 vote on it.

25 Senator Baucus. What is the vote?

1 The Chairman. The question is whether or not we should
2 strike the provision added in the House bill that would exempt
3 rum stillage, discharge in the Virgin Islands of certain pro-
4 vision of the Water Pollution Control Act.

5 Change the amendment to strike that provision. It is on
6 page 5, Item 2.

7 The Clerk will call the roll.

8 The Clerk. Mr. Packwood.

9 Senator Packwood. Aye.

10 The Clerk. Mr. Roth.

11 Senator Roth. Aye.

12 The Clerk. Mr. Danforth.

13 Senator Danforth. Aye.

14 The Clerk. Mr. Chafee.

15 Senator Chafee. Aye.

16 The Clerk. Mr. Heinz.

17 The Chairman. Aye.

18 The Clerk. Mr. Wallop.

19 Senator Wallop. Aye.

20 The Clerk. Mr. Durenberger.

21 Senator Durenberger. Aye.

22 The Clerk. Mr. Armstrong.

23 (No response.)

24 The Clerk. Mr. Symms.

25 The Chairman. Aye.

1 The Clerk. Mr. Grassley.
2 Senator Grassley. Aye.
3 The Clerk. Mr. Long.
4 Senator Long. Aye.
5 The Clerk. Mr. Byrd.
6 (No response.)
7 The Clerk. Mr. Bentsen.
8 (No response.)
9 The Clerk. Mr. Matsunaga.
10 Senator Matsunaga. No.
11 The Clerk. Mr. Moynihan.
12 Senator Moynihan. No.
13 The Clerk. Mr. Baucus.
14 Senator Baucus. No.
15 The Clerk. Mr. Boren.
16 (No response.)
17 The Clerk. Mr. Bradley.
18 Senator Bradley. No.
19 The Clerk. Mr. Mitchell.
20 (No response.)
21 The Clerk. Mr. Chairman.
22 The Chairman. Aye.
23 The Chairman. Eleven yeas and four nays, the amendment
24 is agreed to.
25 Are there other amendments?

1 Senator Long. Mr. Chairman, I have a number of amend-
2 ments but I am not going to offer them here because I think
3 you are anxious to get this bill to the floor.

4 Senator Matsunaga. Mr. Chairman, will you see if there
5 are any objections to my amendments to delete the convention
6 provisions?

7 The Chairman. Do you want a record vote on it?

8 Senator Matsunaga. See if there are any objections to
9 it.

10 The Chairman. Oh.

11 Are there any objections to removing the amendment on
12 conventions, Title 3 of the bill?

13 Senator Packwood. I think I object, Mr. Chairman.

14 Senator Chafee. Mr. Chairman, are you asking to take
15 that to the convention--

16 The Chairman. No. I just asked if there is any objec-
17 tion to doing what Senator Matsunaga suggested, taking out
18 the amended project.

19 Senator Chafee. Gee, I object. I think that really
20 guts what we are trying to do. We heard Ambassador Brock
21 speak on the subject and I just do not think it represents--

22 Senator Matsunaga. May we have a vote on it, Mr.
23 Chairman?

24 The Chairman. Sure.

25 The Clerk will--Mike, you know all of us.

1 Mr. Stern. Mr. Packwood--
2 Senator Packwood. This is to remove?
3 Mr. Stern. Motion to delete the convention, Senator..
4 Just to delete.
5 Mr. Packwood.
6 Senator Packwood. No.
7 Mr. Stern. Mr. Roth.
8 Senator Roth. No.
9 Mr. Stern. Mr. Danforth.
10 Senator Danforth. No.
11 Mr. Stern. Mr. Chafee.
12 Senator Chafee. No.
13 Mr. Stern. Mr. Heinz.
14 The Chairman. No.
15 Mr. Stern. Mr. Wallop.
16 Senator Wallop. No.
17 Mr. Stern. Mr. Durenberger.
18 Senator Durenberger. No.
19 Mr. Stern. Mr. Armstrong.
20 (No response.)
21 Mr. Stern. Mr. Symms.
22 The Chairman. No.
23 Mr. Stern. Mr. Grassley.
24 Senator Grassley. Yes.
25 Mr. Stern. Mr. Long.

1 Senator Long. Aye.
2 Mr. Stern. Mr. Byrd.
3 (No response.)
4 Mr. Stern. Mr. Bentsen.
5 (No response.)
6 Mr. Stern. Mr. Matsunaga.
7 Senator Matsunaga. Aye.
8 Mr. Stern. Mr. Moynihan.
9 (No response.)
10 Mr. Stern. Mr. Baucus.
11 Senator Baucus. Aye.
12 Mr. Stern. Mr. Boren.
13 (No response.)
14 Mr. Stern. Mr. Bradley.
15 (No response.)
16 Mr. Stern. Mr. Mitchell.
17 (No response.)
18 Mr. Stern. Mr. Chairman.
19 The Chairman. No.
20 On this vote, the nays are nine and the yeas are four,
21 and the amendment is not agreed to.
22 Are there other amendments?
23 Senator Baucus. Mr. Chairman, I want to ask has the
24 unanimous consent request been granted so that we can meet
25 beyond two hours?

1 The Chairman. That is in process.

2 Senator Baucus. It has not been granted yet?

3 The Chairman. Not yet.

4 Senator Baucus. So we have been meeting past two hours?

5 The Chairman. That is right.

6 Senator Baucus. Can we report out a bill if such a con-
7 sent has not been done?

8 The Chairman. We can report out a bill. It might be
9 subject to a point of order on the Senate floor. If you want
10 to make that point of order, we will recess the Senate if we
11 can for 10 minutes and then reconvene and vote it out.

12 Senator Baucus. I do not understand.

13 Mr. Lighthizer. You can report legislation out two hours
14 after the Senate has come in without consent if it is during
15 a recess. You can meet during the recess of the Senate.

16 Senator Baucus. We are not now in recess?

17 The Chairman. No, but we are working on it.

18 (Laughter)

19 Senator Long. Mr. Chairman, I am not going to offer my
20 amendments in this meeting because I think you want to get
21 the bill out. I think I would want to offer some on the
22 floor.

23 At the moment, I think I oppose the bill for no better
24 reason because it violates the long jail break program. I am
25 trying to get us out of here, and if you bring the bill up,

1 it is going to further delay out whatever chance we might
2 have of getting out before Christmas. So I would like to
3 first see it go over and take it up next year.

4 I am not going to report it out of the committee.

5 The Chairman. It is not the question. I can report it
6 out, but it is probably subject to a lot of things we are not
7 going to be able to solve on the Senate floor, unanimous con-
8 sent being one to bring it up. But I would just like to ask
9 Senator--I keep saying Senator Brock, Ambassador Brock if--

10 Ambassador Brock. I appreciate the label.

11 The Chairman. I assume this is very important to the
12 Administration and I am not certain whether we can convince
13 our colleagues on the Senate floor of that. There has just
14 been, as I understand, a meeting in Miami a couple of weeks
15 ago on this, I think three weeks ago, two or three weeks ago.

16 Do you wish to add any additional comments?

17 Ambassador Brock. Mr. Chairman, I do not think I can
18 state adequately the urgency with which we view this particu-
19 lar piece of legislation. There are 28 countries down there.
20 Some of those governments are in considerable jeopardy now,
21 more will be in jeopardy as time goes on. Everyone that
22 falls will be a loss for us in real terms. Senator Bentsen's
23 point is fundamentally important one but so is the economic
24 opportunity. I know how difficult it is in this session to
25 do something like this. But to start all over again will be

1 distressing event for these countries. They have everything
2 at stake. Their whole political survival may depend on our
3 ability to keep the word of this country in a fashion that we
4 have not done in the last two decades since John Kennedy's
5 alliance for progress.

6 I just pray that whatever steps can be taken will be
7 taken to try to bring it out and get it into law.

8 The Chairman. Any further comments? I am waiting for
9 signals.

10 Senator Matsunaga. May I ask the Ambassador one question?

11 Would it not be wiser for the Administration not to have
12 this considered on the Senate floor if it is certain that it
13 is not going to receive unanimous consent vote consideration,
14 and it was be filibustered to death in this lame duck session
15 although it may have a good chance in the next Congress, even
16 perhaps in the early part of the first session?

17 Ambassador Brock. I have never been accused of exces-
18 sive wisdom before the fact. Only after the fact, Senator.

19 I do not know what the answer to that question is. If
20 there is any chance that we could get the bill to final legis-
21 lative form, and signature by the President, I think we ought
22 to make the effort. If it cannot be done, then the Senate
23 has the wisdom to make its own judgment. I think it will do
24 this country some violence if the bill is not passed and
25 passed very soon.

1 Senator Matsunaga. Of course wisdom is measured only
2 after the fact anyhow.

3 The Chairman. Would the Administration object if we
4 put the unemployment compensation bill on this package?

5 (Laughter)

6 Senator Packwood. And the jobs program?

7 Ambassador Brock. I do not think I ought to speak for
8 the Administration. It sounds like it might be worth con-
9 sidering.

10 Senator Long. If you put the jobs program on, I think
11 it will pass.

12 The Chairman. That would be the guppy swallowing the
13 whale.

14 (Laughter)

15 Senator Long. How about the jobs program, if you put
16 that on, I think it will pass.

17 Ambassador Brock. It might pass the Congress anyway.

18 The Chairman. I wonder if we could have a vote but not
19 report the bill; that I unravel a parliamentary situation.
20 At least we would be on record. I know we are all for this.
21 So I would ask the Clerk to call the roll.

22 The Clerk. Mr. Packwood.

23 Senator Packwood. Aye.

24 The Clerk. Mr. Roth.

25 Senator Roth. Aye.

1 The Clerk. Mr. Danforth.
2 Senator Danforth. Aye.
3 The Clerk. Mr. Chafee.
4 Senator Chafee. Aye.
5 The Clerk. Mr. Heinz.
6 The Chairman. Mr. Heinz aye.
7 The Clerk. Mr. Wallop.
8 Senator Wallop. Aye.
9 The Clerk. Mr. Durenberger.
10 Senator Durenberger. Aye.
11 The Clerk. Mr. Armstrong.
12 (No response.)
13 The Clerk. Mr. Symms.
14 The Chairman. Aye.
15 The Clerk. Mr. Grassley.
16 Senator Grassley. No.
17 The Clerk. Mr. Long.
18 Senator Long. No.
19 The Clerk. Mr. Byrd.
20 (No response.)
21 The Clerk. Mr. Bentsen.
22 (No response.)
23 The Clerk. Mr. Matsunaga.
24 Senator Matsunaga. Nay.
25 The Clerk. Mr. Moynihan.

1 Senator Moynihan. Aye.
2 The Clerk. Mr. Baucus.
3 Senator Baucus. No.
4 The Clerk. Mr. Boren.
5 (No response.)
6 The Clerk. Mr. Bradley.
7 (No response.)
8 The Clerk. Mr. Mitchell.
9 (No response.)
10 The Clerk. Mr. Chairman.
11 The Chairman. Aye.
12 Senator Long. Record Senator Bentsen as aye. He is for
13 the bill.
14 The Chairman. Mr. Bradley?
15 Senator Bradley. No.
16 The Chairman. I think we will have to recess this meet-
17 ing until we have a recess.
18 But you can indicate that there is strong support for
19 the bill.
20 I think we can recess the Senate later this afternoon and
21 reconvene quickly off the floor.
22 Thank you very much.
23 [Whereupon, at 2:35 p.m., the Committee recessed.]
24 - - -
25