

1 EXECUTIVE COMMITTEE MEETING
2 TUESDAY, MAY 14, 1991
3 U.S. Senate
4 Committee on Finance
5 Washington, D.C.

ORIGINAL

6 The meeting was convened, pursuant to notice, at 9:21
7 a.m., Hon. Lloyd Bentsen (Chairman) presiding.

8 Also present: Senators Baucus, Boren, Bradley,
9 Mitchell, Riegle, Rockefeller, Daschle, Breaux, Packwood,
10 Dole, Roth, Chafee, Durenberger, Symms, and Grassley.

11 Also present: Vanda McMurtry, Staff Director and Chief
12 Counsel; Edmund Mihalski, Chief of Staff, Minority.

13 Also present: Joshua B. Bolten, General Counsel,
14 Office of the United States Trade Representative.

15 Also present: Bob Kyle, Chief Trade Counsel, Majority;
16 Brad Figel, Chief Trade Counsel, Minority.

17 (The prepared written statements of Senators Moynihan,
18 Dole, Roth, Chafee and Durenberger appear at the end of the
19 hearing transcript.)

20 (The press release announcing the meeting follows:)

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Gilmour
5-14-91

1 The Chairman. The committee meeting will come to
2 order. This morning this committee is going to consider, I
3 think, one of the most important, if not the most
4 important piece of legislation involving economic issues
5 that the Congress will consider this year.

6 We have before us Senate Resolution #78, and that is a
7 resolution that would disapprove the President's request
8 for an extension of fast-track on a free trade agreement.

9 This resolution is part of the process that we built
10 into the 1988 Trade Bill to hold the Administration's feet
11 to the fire. We wanted to insure that there would be a
12 close and a continuing consultation between Congress and
13 the Executive Branch on trade negotiations, and we wanted
14 to make sure that the negotiations objectives that we wrote
15 into the law were being met.

16 So, instead of giving the Administration the permanent
17 fast-track authority that they wanted, we gave the
18 President till June of this year, but we also provided
19 that the President could have two more years of fast-track
20 if he requested it, unless either House of the Congress
21 disapproved it.

22 I believe that sufficient progress has been made, and
23 that the President's request should be granted. The law
24 does not require that this committee report out this
25 resolution. We have the option of doing nothing, and

1 frankly, that is very tempting to just stop the resolution
2 right here in the committee. It would have the effect of
3 killing the disapproval resolution. But this is a very
4 important matter, and I think that the full Senate should
5 have a chance to act on it. So let us be clear what is at
6 stake.

7 This resolution would have the effect of denying fast-
8 track procedures to all trade agreements, including Uruguay
9 Round of multilateral negotiations; the negotiations with
10 Mexico and Canada; the negotiations with any of the
11 countries on the Enterprise of the Americas.

12 And although we are not voting directly on these
13 negotiations, it is clear to me that a vote to deny the
14 fast-track authority is, in fact, a vote to kill all of
15 these negotiations. And I feel very strongly that that
16 would be the wrong thing to do.

17 It is inconceivable to me that the United States would
18 deny itself the right to negotiate the elimination of
19 unfair trade barriers. With all the kinds of protectionism
20 we see around the world that we would say we are not going
21 to take the initiative; we are not going to try to break
22 down those barriers to American products going overseas.

23 In my judgment, that would be a dramatic step backwards
24 in our effort to crack open foreign markets and to meet
25 our international competition head on. Today trade has

1 assumed a new importance in our economic future. Here we
2 are in the middle of a recession. More than any time in
3 our past, America will have to export its way back to
4 prosperity. We just cannot keep cutting the fed rate and
5 think that that, in itself, is not going to finally give us
6 some problems in the cheapening of the dollar -- of
7 inflation. Better yet that we open up these markets.

8 And one key element of that challenge must be to
9 eliminate the foreign barriers and doing it through trade
10 negotiations. We can either move forward confidently to
11 meet that challenge, or we can refuse to negotiate with our
12 trading partners. The choice is that simple, that basic,
13 that important.

14 This committee has looked long and exhaustedly at the
15 President's extension request itself and all the
16 negotiations covered by that request. And doing so has
17 convinced me it is in our best economic interest to pursue
18 both the Uruguay Round and the negotiations with Mexico and
19 Canada.

20 There is a lot of work left to be done in that Uruguay
21 Round. Over one-third of the world's trade is not covered
22 by GATT. In ten weeks, Taiwanese pirate -- can steal a
23 semiconductor design that may have taken an American
24 semiconductor company ten years to develop, all with GATT
25 immunity. The EC spends \$12 billion on agricultural

1 exports. \$12 billion. We spent about \$280 million. No
2 wonder our farmers have problems and troubles. When you
3 see foreign countries--the EC, Germany, France--dumping
4 their products on world markets through those kinds of
5 subsidies, that is another reason that the Uruguay Round
6 must continue. I am not willing to let those negotiations
7 fail. There is too much at stake.

8 Those that say our negotiators are not tough enough.
9 If they were not tough, we would not need this extension.
10 One of the reasons that Brussels ground to a halt was
11 because our negotiators were tough in fighting for what
12 they thought was in the economic interests of the United
13 States.

14 The Mexican talks negotiations need to go forward,
15 also. There has been a lot of talk about how we could lose
16 in those negotiations. But let us look at what we can
17 gain.

18 Mexico's tariffs are over two times ours. They
19 require 36 percent Mexican domestic content in all the cars
20 that they make down there. They will not let us ship a car
21 into their country until they ship two and a half cars out.

22 The problem is so bad that we have special facilities
23 along the border to hold U.S.-made cars going into Mexico
24 that cannot go in until that requirement is met. Now,
25 those are the kinds of requirements that we want to

1 eliminate in these negotiations. It is a window
2 opportunity with Mexico. For years, I have watched Mexican
3 politicians, leaders rail against the Yankee of the North.
4 Now, we have a leader in Salinas, who is committed to
5 trying to work with the United States, and that is an
6 opportunity we ought to seize. If we do not, we will
7 regret it into the next century.

8 I know my colleagues are concerned about what a Mexican
9 agreement would do to American jobs. If I believed that
10 this meant a net exodus of jobs, I would fight it every
11 step of the way. But I do not believe that. I think the
12 doubling of trade with Mexico over the last four years has
13 created hundreds of thousands of jobs in this country and
14 in theirs.

15 Many Senators are concerned that U.S. companies will
16 invest in Mexico. They can do that now. Mexico is a
17 sovereign nation. It can open up its doors even more to
18 foreign investment any time it wants to without a free
19 trade agreement. The only question is are they going to
20 open their doors to our products as well. That is the
21 issue that we have to address in these negotiations.

22 One of my friends has stated that, in fact, we have a
23 free trade agreement already, but it is one way. Over 50
24 percent of the products coming into this country from
25 Mexico are duty-free. The average duty is 4 percent coming

1 this way. But we are two times as much going the other
2 way. And now we have the President's commitment to make
3 progress on a number of issues that are not typical trade
4 issues; issues like the environment, and health, safety
5 standards; workers' rights. How do you help solve these
6 problems along that border on the environment? If you just
7 turn your back, walk away from it and refuse to negotiate.

8 Most importantly, the President has agreed to work with
9 us to make sure that a worker adjustment program is in
10 place by the time any agreement goes into effect. That is
11 a pretty big concession for this Administration -- a
12 program that is adequately funded and designed to provide
13 financial assistance to workers that may be adversely
14 affected by any agreement with Mexico.

15 Sure, I expect the President to fulfill his commitment,
16 but I think it would be a serious mistake not to move
17 ahead with the North American Free Trade Agreement
18 negotiations and with the Uruguay Round and see what we can
19 gain.

20 By letting those negotiations go forward, we are not
21 giving up our right--indeed, our responsibility--to
22 scrutinize those agreements, both while they are under
23 negotiation, and when they come back to us for approval.
24 We have to examine every one of those agreements closely to
25 make sure it signifies net benefits to the United States of

1 America. But we should not deny ourselves those potential
2 benefits, particularly now when our economy is in need of
3 help. And for that reason, I oppose this resolution.

4 As a procedural matter, I want to note that the
5 resolution that we have before us is unamendable. I
6 intend, at the appropriate time, to move that this
7 committee order Senate Resolution #78 be reported out
8 unfavorably. Senator Packwood, any comments you would like
9 to make?

10 Senator Packwood. Mr. Chairman, thank you. We have an
11 opportunity today, not just for the United States, but for
12 the world to set the mark that we are going to push for for
13 the 21st century. We are not going to be successful in
14 turning our back on world trade if we wanted to turn our
15 back on world trade.

16 And the question is, can we help shape a system in
17 which we can compete and we can compete? In my own State,
18 I see between one job and six, and one job in seven
19 dependent on trade. We are the biggest port of entry for
20 Hyundai, second biggest port of entry for Toyotas. They
21 are the biggest port of export for Hondas.

22 I look at a company like Metrographics that was a
23 fledgling ten years ago now bordering close to 2,000
24 employees, and half of their sales overseas. I look at
25 Electro Scientific Industries, 70 percent of their sales

1 overseas, and a quarter of their overseas sales in Japan.
2 I look at ADEK that makes dental equipment, the biggest
3 seller of dental equipment in Japan. We can compete. We
4 can compete in very high-class, high-quality industries
5 that require as much imagination, and intellect, and
6 capital as any industries in the world. And we can compete
7 and sell in Mexico, and in Europe, and in Latin America.
8 But the things that we need to compete in are the things
9 that are not today protected.

10 So, I am very strongly going to support the Chairman in
11 his motion to report this unfavorably, because I would hate
12 for this country to miss the opportunity not just to take
13 the lead--because the world is going with, or without us.
14 I would simply like to be aboard--but to take this
15 opportunity to lead the world in a direction that will
16 prove successful for us and the rest. Thank you, Mr.
17 Chairman.

18 The Chairman. Thank you. Senator Baucus.

19 Senator Baucus. Thank you, Mr. Chairman. I would like
20 to follow on the points that both you made, as well as the
21 Senator from Oregon. I, frankly, think that this is one of
22 those moments in history where the United States decides
23 either to go forward, or to go backwards. I think most
24 Americans are anxious about our economic future. We are
25 proud of our military prowess in the Persian Gulf. We are

1 proud of our defense establishment. We are a little less
2 proud of, a little more concerned about, a little more
3 anxious about our ability to compete economically in the
4 world. Witness the successful efforts of Japan and other
5 European countries which put the United States in a
6 somewhat tenuous economic position. So we have the
7 opportunity now to either meet the challenge, or to go
8 forward to attempt to knock down trade barriers, or not.

9 In my view, if we disapprove extension of fast-track,
10 we will be signaling to ourselves and to the world that we
11 Americans are a bit tenuous; we are tentative; we are
12 hesitant; we are timid. We are not really sure we can meet
13 the economic challenges of the future; the rest of this
14 decade, and into the next century.

15 On the other hand, if we go forward, we are showing
16 that hey, maybe we have got a little guts after all. We
17 are willing to try to compete; we are willing to put
18 ourselves to the test a little bit more -- something we
19 have to do, in my judgment, if we are going to at least try
20 to assure not only ourselves, but our children a higher
21 living standard in the future.

22 Up until 1988, I think this country was a bit timid in
23 international trade. I think that when we passed the 1988
24 Trade Act, a lot of that changed. And I compliment you,
25 Mr. Chairman, on your efforts in the 1988 Trade Act. I

1 think that Act has gone a long way to signal to the
2 Administration and to the world that we Americans are
3 finally no longer going to be patsies. We are finally
4 going to begin to stand up for our rights. We are finally
5 going to begin to try to knock down trade barriers which
6 make it very difficult for the United States to compete. I
7 have often said, and I will say it again, that we Americans
8 are not pure. We do not wear white hats. We have barriers
9 ourselves.

10 Other countries are not the Darth Vaders of the world.
11 They do not wear black hats. They are not totally wrong.
12 But it is true, and it is undeniably true, that the shade
13 of gray of our hats is a lot lighter than the shade of gray
14 of their hats. That is, other countries have more
15 barriers to trade than do we -- far more.

16 And if we are going to compete in the world, and if we
17 are going to maintain growth--of which a large component is
18 exports--we are going to have to do a better job to knock
19 down those trade barriers and knock down some of ours at
20 the same time.

21 In 1988, we struck a bargain with the Administration.
22 Essentially we said to the Administration, "You go ahead,
23 you negotiate agreements. You get tougher on Section 301,
24 Special 301, Super 301. You just stand up a little bit
25 taller." I think the Administration has lived up to its

1 end of the bargain. The Administration has pursued trade
2 remedies much more vigorously than it had before 1988. It
3 also has consulted with this committee, and with Congress
4 very, very seriously over Uruguay Round negotiations, as
5 well as North American Free Trade Agreement negotiations.

6 In fact, we are hearing complaints now that Ambassador
7 Hills is consulting too much, she is too accessible.
8 Frankly, I think that is good to hear. It is good to hear
9 that the Administration is going the extra mile to try to
10 deal with and work with Congressional concerns.

11 So, it is my view that now it is time for Congress to
12 live up to its end of the bargain. That is, extend fast-
13 track negotiating authority another couple of years. The
14 road will be a bit rocky. We will have differences. We do
15 have to meet very, very difficult challenges, but we have
16 to nevertheless meet them if we are going to go ahead.

17 Someone once said that we have two choices; it is
18 either try or do nothing. I think we have got to try. We
19 have to try to knock down barriers. We have to try to meet
20 these challenges, and try to be more creative than we have
21 been in the past. And to me, it is open and shut.

22 It is clear; we have no choice. We have to go ahead,
23 disapprove their resolution; disapprove an extension of
24 fast-track--which essentially means go ahead--and let us
25 sit down for two more years. Give the President

1 negotiating authority, and then we reserve the final
2 judgment to not ratify the trade agreement. And frankly, I
3 think that is going to be a difficult chore for the
4 Administration. That is, it is going to be difficult for
5 the Administration to produce an agreement which this
6 Congress will ratify.

7 I am very much in favor of extending fast-track. I am
8 not at all assured, Mr. Chairman, that I am going to vote
9 for the final agreement. I see a lot of rough seas ahead,
10 and I think that is going to be the more difficult chore
11 that the Administration has before us. That is, produce an
12 agreement that this body is going to ratify. Thank you.

13 The Chairman. Thank you. Senator Chafee. Senator
14 Dole. I beg your pardon.

15 Senator Dole. No, no. I want to hear what he has to
16 say.

17 (Laughter)

18 Senator Chafee. All right. I am glad your vote hinges
19 on what I have got to say. First, Mr. Chairman, I want to
20 commend you for the leadership that you have given in this
21 entire issue. I think it has been splendid, and I am very
22 proud to be a member of this committee. And I think what
23 you said is great, because I agree with it.

24 Now, Mr. Chairman, I have got a longer statement I want
25 to put in here, but I would like to restrict my remarks --

1 first of all, I believe this agreement is going to mean
2 more jobs for Americans, and more jobs for Mexicans. And I
3 think it is going to mean more jobs for the residents of my
4 State, and so I am for it enthusiastically. Indeed, I
5 think this is a very, very exciting occasion.

6 I would just like to address my few remarks, if I
7 might, to the environmental concerns that have been
8 expressed about the Free Trade Agreement with Mexico. Ever
9 since I have been in the Senate I have served in the
10 Environment and Public Works Committee some 14 years, and
11 am now the ranking member.

12 So, clearly I would have reservations about the
13 proposed agreement if I believed it would weaken any of the
14 environmental standards and the environmental laws we
15 passed in the years since I have been here.

16 In addition, I would not want to see the environmental
17 problems that exist in Mexico exacerbated by the proposed
18 agreement. The proposed agreement will not weaken U.S.
19 environmental standards.

20 We had the Administrator of E.P.A., Mr. Reilly, here
21 last week, and he assured the committee--and I agree with
22 him--that the Administration would not agree to weaken
23 existing pesticide, energy conservation, or toxic waste, or
24 health or safety standards in the proposed Free Trade
25 Agreement with Mexico.

1 It has been my experience that the worst environmental
2 problems arise in the poorer countries. If a country is
3 poor, they cannot tackle environmental problems. Try
4 talking the environment in Bangladesh. They just cannot
5 afford anything like that.

6 And if we can make a country prosperous, then it will
7 be able to pay more attention to the environment, as most
8 of these countries--I believe all of these countries--have
9 concerns about the environment, but do not have the
10 wherewithal to wrestle with the problems that exist.

11 And so, if we can help Mexico increase its prosperity,
12 we, at the same time, will be helping Mexico increase its
13 ability to deal with those environmental challenges that it
14 has.

15 And the Administration's Action Plan makes the central
16 point that "Mexico has established a good basis for
17 progress on environmental protection and conservation of
18 natural resources, and that Mexico's 1988 General Law for
19 Ecological Equilibrium and Environmental Protection
20 provides an adequate legal base for protecting the
21 environment."

22 Mexico's record on enforcement of environmental laws
23 has dramatically increased within the past two years. You
24 have mentioned that several times in the statements I have
25 heard you make, Mr. Chairman.

1 Since 1989, Mexico has ordered more than 980 temporary,
2 and 82 permanent shut-downs of industrial facilities for
3 environmental violations.

4 One tiny example of Mexico's desire to meet U.S.
5 standards was the enactment of a requirement that all 1992
6 model year cars produced for use in Mexico must have
7 catalytic converters.

8 We think, "Oh, everybody has that." Not at all. The
9 EC--the European community--does not even have a
10 requirement like that, and that surely is an area that is
11 environmentally sensitive. But they have not taken the
12 step that Mexico has.

13 So, Mr. Chairman, I believe the Administration's Action
14 Plan, the commitment made by Mexico to clean up the
15 environment, prove that the proposed Free Trade Agreement
16 will be a plus for the environment.

17 The proposed agreement and the parallel negotiations
18 will actually improve environmental protection standards in
19 the Western Hemisphere, and improve the environment for
20 everyone in North America. Thank you, Mr. Chairman.

21 The Chairman. Thank you. Senator Dole.

22 Senator Dole. Mr. Chairman, thank you very much. And
23 I would ask if they are making a record, my statement be
24 made a part of the record.

25 The Chairman. That will be done.

1 Senator Dole. I want to just underscore what both
2 Senator Baucus and Senator Chafee have said. First of all,
3 to compliment the Chairman for his outstanding effort, and
4 Senator Packwood, and many others on this committee who
5 have been involved on a daily basis and I think are on the
6 verge of a very important success.

7 My view is that we are voting on a process, and I have
8 the same concerns expressed by Senator Baucus. I am not
9 certain what we are going to have to vote for in the final
10 analysis what kind of an agreement with Mexico, or what may
11 happen in the Uruguay Round.

12 But I do not believe it is in our interest to stop the
13 process. I cannot imagine any country dealing with 535
14 members of Congress--I cannot imagine any member of
15 Congress dealing with 535 members of Congress, or 534
16 members of Congress--and trying to put together some
17 agreement.

18 So, it seems to me that it is in our interest
19 regardless of philosophy, or party labels, or geography
20 that we let the process proceed. There are some legitimate
21 concerns raised by the environmentalists, and by organized
22 labor, and they should be addressed.

23 And, I believe that in addition to the consultations,
24 that we will have and the process once it starts again, we
25 have the commitment from the President of the United

1 States, which was not given lightly, and I want to commend
2 President Bush, and Carla Hills, and others in the
3 Administration who I think have been very forthcoming, and
4 are going to be very responsive. They understand the
5 importance of getting on with this process.

6 And I would underscore a point made by Senator Chafee.
7 If we want to find fault with Mexico, then we just stop the
8 process. If we want to strengthen the economy of Mexico
9 and help improve their economy and make possible a lot of
10 these concerns that we have expressed as far as wages, and
11 the environment, and other concerns, then let us get on
12 with the process. Let us see what kind of an agreement we
13 can reach with Mexico.

14 So, for all the reasons that I know have been stated
15 and will be re-stated, I certainly support the extension,
16 and I believe that there is no doubt about it. There is
17 growing support on both sides of the aisle in both the
18 House and the Senate. And in my view, it is probably one
19 of the most important votes we will cast this year.

20 The Chairman. Thank you. Senator Bradley. And I
21 would like unanimous consent put into the record the
22 comments of Senator Moynihan.

23 Senator Bradley. Thank you very much, Mr. Chairman.
24 Let me first echo what other people have said about your
25 leadership on the issue of both the Uruguay Round, and the

1 U.S. - Mexico Free Trade Area. I frankly think,
2 particularly with regards to Mexico, that there is no
3 politician and no member of Congress or the Senate that
4 understands the issue better and has lived with it longer,
5 and who has been consistently a progressive voice on the
6 issue of U.S. - Mexican relations.

7 And I think that it is particularly fortuitous that at
8 this moment in the relationship, you are the Chairman of
9 the Finance Committee, and I compliment you on the kind of
10 leadership that you have been offering.

11 The Chairman. Thank you, Senator.

12 Senator Bradley. To me, it is a very simple question
13 that has been said by any number of Senators, and it is
14 whether we should go ahead and attempt to negotiate an
15 agreement with Mexico and continue the Uruguay Round to
16 conclusion, or whether we should simply throw up our hands
17 and say it is over. I am not prepared to do that.

18 I think we should continue the Uruguay Round under no
19 illusion that it is the last 10-15 percent is going to be
20 easy; it is going to be very difficult. But the
21 alternative, I think, is an abyss of protectionism and
22 declining incomes world-wide. And I think we should
23 commence the negotiations with Mexico.

24 I think the real question is whether we will have the
25 imagination and boldness to take advantage of this historic

1 opportunity. As the Chairman well knows, it has not come
2 around before. It is now here. The world is changing;
3 certainly the economic texture of the world is changing.
4 The European community, essentially an Asian community, and
5 we have a real opportunity here to try to deal
6 straightforwardly and honestly with the very difficult
7 issues that will confront the U.S. and Mexico in attempting
8 to negotiate an agreement. I think we should attempt to
9 do that.

10 I think that the President's commitment on the worker
11 adjustment program is positive. Mexico's sensitivity on
12 the environmental issue -- all of the arguments have been
13 made by other members of the committee about the need for
14 clarity on the environmental issue. All those things will
15 be a part of a negotiation, and all those additions to our
16 conversations, I think, elaborate on our opportunity.

17 So, Mr. Chairman, I will certainly vote no on the
18 resolution of disapproval, and know that you and this
19 committee will be intimately involved in any negotiations
20 with Mexico and in the conclusion of the Uruguay Round.

21 And I would hope that both could be concluded
22 successfully, but ultimately, the proof is going to be in
23 the pudding. And this, however, in my view, is not the
24 time to say no, we are not willing to try to complete the
25 Uruguay Round, or to get a U.S. - Mexico Free Trade Area.

1 The Chairman. Thank you, Senator. Senator Grassley.
2 Senator Grassley. Mr. Chairman, thank you very much.
3 The first point I want to make is I do not know how many
4 hearings I have gone to in this committee and other
5 committees on the Free Trade Agreement. In fact, right the
6 next hour, Mrs. Carla Hills is before the Judiciary
7 Committee on the question of Intellectual Property Rights.

8 So, I do not know how many hearings I have attended in
9 three or four different committees on this issue. But this
10 issue has been thoroughly aired, particularly in this
11 committee, and I think you, Mr. Chairman, and Senator
12 Baucus, need to be complimented for not avoiding any
13 opportunity for anybody to raise any issues about this that
14 they wanted to.

15 And nobody can accuse the committee, or its leadership,
16 of not doing its duty in this area. So I commend you for
17 thoroughly debating this issue of fast-track. And I know
18 that the product of fast-track negotiations will be before
19 this committee, and be as thoroughly aired as well.

20 The Chairman. Thank you.

21 Senator Grassley. So, there is a lot of confidence.
22 If there is any doubt that people have about fast-track, or
23 about the ultimate agreement coming up, they ought to have
24 some confidence in the system that is used before this
25 committee to see that all issues come out. There has been

1 a lot of focus in this debate on the U.S. - Mexico Free
2 Trade Agreement. To some extent, we have lost sight--as I
3 think our Chairman has pointed out--of the bigger picture
4 of GATT. The Uruguay Round participants are not seeking
5 just to keep GATT alive, but they are talking about
6 expanding it considerably so there is more effective
7 agreement.

8 If the last 45 years have been good in international
9 trade, then the negotiations that we have now going on will
10 be better for the next 45 years as we try to cover
11 additional products--like agricultural products that are
12 now covered--or as we try to work in the new trade areas
13 like services, and the intellectual property rights which
14 were never covered before.

15 And also, we have learned a lot from 45 years of the
16 GATT system itself of dispute settlement and subsidies.
17 Procedural issues need to be brought up-to-date. In
18 February of this year, GATT officials announced that all
19 participants, including the EC, agreed to tackle the
20 problem of agriculture, which was good news for those of us
21 from the agricultural regions of the nation because we
22 wanted to make sure that we were included, and that there
23 was not any GATT agreement without some change in
24 agricultural trade, and the GATT procedures for
25 international trade.

1 To protect the farmers from undue trade risks, certain
2 agricultural spending reductions enacted in the last year's
3 budget are going to be nullified if the Uruguay Round
4 agreement is not in force by June the 30th of this year.
5 So there is a lot of incentive, but also a lot of
6 protection for American agricultural interests as this
7 process moves forward.

8 However, this safeguard is revoked if Congress does not
9 permit the extension of fast-track. Specifically, the
10 export enhancement program of the marketing loans for wheat
11 and feed grains may be increased, but not if fast-track is
12 denied.

13 So, for those members of the Senate that feel that
14 fast-track negotiations is a subterfuge for this
15 Administration doing away with farm programs, let me assure
16 you that that is not the case.

17 Not only because our own Administration has said so--
18 and I believe them--but also, because the ultimate tool in
19 the battle to protect American agriculture from
20 protectionist nations around the world is our standby
21 authority to implement the marketing loan agreement by 1993
22 if we do not have a GATT agreement.

23 But people who might be against extending fast-track
24 authority understand that we nullify then that standby
25 authority in the 1988 Trade Bill for the imposition of

1 marketing loan program if we do not have fast-track. So,
2 it seems to me that if we do not move forward with fast-
3 track, we are denying the farmers of America the ultimate
4 of protection that they have through the marketing loan
5 program, which is already on the books.

6 For my State of Iowa, this element of the agreement is
7 very important. I was extremely pleased when our U.S.
8 Trade Representative Carla Hills made it clear in this
9 committee that this United States will not unilaterally
10 disarm agriculture.

11 As to the issue of the U.S. - Mexico Free Trade
12 Agreement, I tend to agree with the need for fast-track
13 authority, as well. What we are looking at in such an
14 agreement is a trade area that would affect some 360
15 million people, and \$6 trillion of economic output.

16 And, of course, with the emergence of the Pacific Rim
17 as one trading block, and the EC-92 as another trading
18 block, it seems to me if the United States, Canada, and
19 Mexico is going to be competitive, we can be better
20 competitive as a North American free trade block than we
21 can as three separate countries.

22 So, I think this is a natural extension of U.S. trade
23 interests. Mr. Chairman, I thank you very much.

24 The Chairman. Thank you very much, Senator. Senator
25 Riegle.

1 Senator Riegle. Thank you, Mr. Chairman. I am going
2 to express some different thoughts than some of those that
3 have been heard thus far this morning. But before I make
4 those remarks, I want to just ask a question or two of you,
5 if I may, about the parliamentary situation so that it is
6 very clear, I think, to me, and to others.

7 And that is, we are not in a position, as I understand
8 it today, here to divide this question and treat the
9 Uruguay Round fast-track authority separate and apart from
10 that that is proposed for the U.S. - Mexico Trade
11 Agreement. Is that right? We have to take them --

12 The Chairman. That is correct, Senator.

13 Senator Riegle. I wish we were in a position to treat
14 them separately, because I hold a view that is expressed by
15 others, that we ought to retain the fast-track authority
16 for Uruguay. I think it is unworkable in a trade
17 negotiation with so many countries involved not to have a
18 procedure such as fast-track available to allow the
19 negotiation to go ahead.

20 I differentiate that, though, from what I consider to
21 be essentially a bilateral situation with respect to
22 Mexico. Now, I condition that, because Canada obviously is
23 tied in as well. But in the case of the U.S. - Mexican
24 proposed Free Trade Agreement, it seems to me that that is
25 fundamentally an issue between two nations, not a great

1 number of nations. And I think the fast-track, under the
2 circumstances that exist, is not appropriate for the
3 Mexican situation, and I will deal with that in just a
4 little bit more detail in a moment. But because I am
5 unable to separate those two questions in the issue that is
6 before the committee today, I will reluctantly be
7 supporting the Hollings proposition, but I want it
8 understood that my feeling about it is aimed at the U.S. -
9 Mexico Free Trade Agreement, and not the Uruguay Round.

10 Now, having said that, I think just to comment on the
11 Action Plan. We reviewed the Action Plan very carefully.
12 I think it is misstated as an action plan. There is very
13 little action that is laid out in that action plan, and I
14 find a series of generalizations that give me very little
15 confidence that we are going to get anything that is very
16 real and specific out of it.

17 As you, yourself have noted, Mr. Chairman, this
18 Administration has had a dismal record with respect to
19 assistance for displaced workers. And one of the leaps of
20 faith that is required here is to imagine that after 11
21 years of being against any kind of a significant program of
22 help for displaced American workers, that suddenly there
23 will be a new interest in seeing that that problem is met.

24 But that issue alone, I think, leads into another point
25 that has been raised by other Senators. And that is, with

1 respect to would a proposed U.S. - Mexican Free Trade
2 Agreement create jobs, or eliminate jobs? And I think it
3 does some of both. The problem is is that the tilt of the
4 relationship in the basic realities of the two countries is
5 such that we will be losing, in my view, good jobs -- high
6 value added jobs; jobs that are to be found in the
7 manufacturing base; jobs that would pay \$8, \$10, \$12 an
8 hour. And I think the jobs we will likely gain to the
9 extent there is a net gain over time will be much lower
10 wages jobs; jobs that are closer to the minimum wage.

11 And, therefore, I think we have to look very carefully
12 at the job exchange; what kinds of jobs would we be losing,
13 and what kinds of jobs might we be gaining; and are they
14 the same kinds of jobs; and is America damaged in the
15 exchange.

16 And I think the logic is overwhelming that we will be
17 damaged in the exchange, and I would like to just cite an
18 example. The average manufacturing wage today in Mexico is
19 about 50 cents an hour. The comparable wage in the United
20 States is about \$10.50 an hour.

21 That is fundamentally different than we saw in the case
22 of the U.S. - Canadian discussions, where our economies
23 were more comparable. In this case, you really have Third
24 World wage levels that would be put on a free trade footing
25 with American wage levels. The difficulty with that is

1 that we are losing today high value added manufacturing
2 base jobs at a very rapid rate in our own society. We are
3 losing them to foreign locations all around the world, to
4 the invasion of foreign goods coming into the United
5 States. And we are having an enormous difficulty retaining
6 those jobs.

7 At the same time, if we go into a free trade agreement
8 with Mexico--it is obvious the letter that we received
9 signed by so many American corporations before this
10 committee, I think illustrates it--that it will tilt the
11 table so dramatically that manufacturing plants will leave
12 the United States, and in a sense, roll down the country,
13 and roll into Mexico to take advantage of that far less
14 expensive Mexican labor.

15 And we see that now in that whole band of Maquiladora
16 plants, and where ironically, the wage levels have, in
17 fact, not gone up, versus the rest of the wages throughout
18 Mexico, although there are tremendous environmental
19 problems; there are tremendous problems with exploitation
20 of labor; child labor. There was a major story on that in
21 the Wall Street Journal just the other day with respect to
22 the problems. Mr. Chairman, I assume I can finish. We
23 have not used the bell before on anybody else, and I would
24 hope that it would not apply in my case.

25 The Chairman. Well, no one has exceeded it, but go

1 ahead. No one has exceeded it, but go right ahead.

2 Senator Riegle. Thank you.

3 The Chairman. Up to a point, Senator.

4 Senator Riegle. Well, Mr. Chairman, with all due
5 respect, the light has not been on before, and I do not
6 want to be argumentative --

7 The Chairman. Yes, it has. Oh, yes, it has. But go
8 ahead, Senator. You go ahead and make your point.

9 Senator Riegle. Very good. Well, maybe my eyesight is
10 failing. I missed it before. In any case, I think the
11 problem in at least five areas -- these differential wage
12 rates, which I think will end up transferring a substantial
13 number of high value added jobs out of the United States to
14 Mexico.

15 I think the lack of adequate environmental protections
16 in the nature of the lack of standards and the lack of
17 process to enforce standards in Mexico. I think the
18 inability to count on any significant rule of origin being
19 in place in Mexico as it would relate to Mexico becoming a
20 platform for foreign companies coming in and using that as
21 an entry point into the U.S. market.

22 And finally, dispute resolution and worker adjustment
23 assistance, which I have mentioned, I think, cannot be
24 dealt with adequately given the starting points that we
25 have on the two sides. So what I will be doing, Mr.

1 Chairman, and I would hope to have your assistance at a
2 later time in the same way that this committee has worked
3 with Senator Hollings in his views.

4 I have drafted a resolution, and in a moment, I would
5 like to just send a copy around for people in the committee
6 to look at--it is numbered S. 109--that would give us an
7 opportunity on the Senate floor to modify the rules so that
8 we could extend the time limit from 20 hours to 15 days,
9 and have the ability to offer amendments in these five
10 areas that I have just cited.

11 It would prohibit industry-specific kinds of
12 amendments, and it would also not deal with the part of
13 this package that would deal with tariffs and quota cuts in
14 individual industries, which I think should be kept
15 separate and apart and not open to amendment on the floor.

16 In any case, I would hope that we would be able to
17 establish a procedure by which that resolution at an
18 appropriate time after the disposition of the Hollings
19 resolution could be considered so that the Senate will have
20 an opportunity to be able to amend any agreement that is
21 brought back that does not meet the standards that common
22 sense would require in these five areas that I have cited.

23 I think it is a reasonable approach; I think it is a
24 necessary approach. And I will just conclude by saying
25 this. The American economy today is in serious trouble.

1 And anybody that does not understand it is not paying
2 attention to the basic data. The recession is one thing,
3 as serious as it is, but the loss of middle class jobs in
4 this country is a very serious problem. We have to retain
5 what middle class jobs we have, and add to them. We cannot
6 do that by moving those to Mexico. The notion that we can
7 start selling cars in Mexico -- I wish we could.

8 There were 5 million cars registered in Mexico the last
9 time that the data was made available to us, versus 137
10 million in the United States. People do not have the
11 incomes in Mexico, and will not for the foreseeable future,
12 to buy any significant amount of American exports. The
13 income just is not there, and it will not be there for
14 years, and years to come.

15 And so, I think the dangers to our economy are so real
16 that we have to see the U.S. - Mexican Trade Agreement in a
17 separate light from the Uruguay Round, and I would hope
18 that my proposal at a later time would be a way in which we
19 could deal with it fairly and responsibly. And I thank the
20 Chairman.

21 The Chairman. Just for the record, the Chairman would
22 strongly oppose the resolution, and the objectives of the
23 resolution of the Senator from Michigan. Senator Mitchell.

24 Senator Mitchell. Well, Mr. Chairman, thank you very
25 much, and thank my colleagues for permitting me to make

1 this statement. I intend to vote today in support of
2 Chairman Bentsen, and against the resolution disapproving
3 fast-track procedures. I want to make clear, however, that
4 I am doing this to accommodate the Chairman, and to permit
5 full debate on the issue by all Senators to permit, among
6 others, Senator Riegle, to present and debate his proposal.

7 This is not meant to be an indication of how I will
8 vote on the Senate floor on the question of fast-track
9 negotiations, nor does it indicate how I ultimate may vote
10 on any proposal to amend the process for considering a
11 trade agreement with Mexico, or in the final agreement
12 itself.

13 Like many members of Congress, I have concerns about
14 what will be included in the GATT agreement. I am
15 supportive of the process and the hoped for trade
16 liberalization it will bring. While considerably progress
17 has been made in the Uruguay Round of trade negotiations, a
18 number of major issues remain to be resolved. I hope they
19 will be resolved on a basis that will permit Congress to
20 support the agreement.

21 I have far greater concerns for the outcome of free
22 trade negotiations with Mexico. I fully support a closer
23 trade and economic relationship with our close neighbor to
24 the South. The Mexican Government, under President
25 Salinas, has made tremendous progress in liberalizing its

1 domestic economy, and fostering closer economic relations
2 between our two nations. The United States Government
3 should respond favorably to those domestic changes and move
4 toward even closer ties with Mexico.

5 However, while fully supportive of Mexico, I have
6 strong concerns about a Mexican Free Trade Agreement and
7 the role of Congress in this process. I am not convinced
8 that what are essentially bilateral trade negotiations
9 cannot be accomplished without a fast-track approval
10 process. Mexico wants negotiations; the United States
11 wants negotiations.

12 It has not been satisfactorily explained to me why
13 those negotiations cannot occur while preserving the normal
14 legislative role of Congress. As I understand it, fast-
15 track was originally created to accommodate multilateral
16 negotiations, not bilateral negotiations.

17 A free trade agreement could have important
18 implications for the North American environment, and for
19 workers in both the United States and Mexico. There should
20 be no question that Congress has a responsibility to insure
21 that American interests are protected with respect to these
22 issues.

23 The Administration has attempted to respond to the
24 concerns that have been raised. I welcome that response,
25 but I note that it still leaves our trade negotiators with

1 almost total latitude on all of these issues. Either now,
2 or in the future, Congress may wish to assert itself and
3 reserve a greater role in this process. Mr. Chairman,
4 thank you for the courtesy of permitting me to make this
5 statement at this time.

6 The Chairman. Thank you. Senator Rockefeller.

7 Senator Rockefeller. Thank you, Mr. Chairman. I,
8 along with all others, commend you for your leadership and,
9 as Senator Bradley said, your very special knowledge,
10 having grown up and lived on the Mexican border.

11 You just have an instinct and a sense of reality about
12 what goes on, I think, that is very valuable to us. And I
13 am going to support you, Mr. Chairman, and my own views
14 that we should vote this resolution out with a
15 recommendation that is unfavorable. I just cannot see how
16 we could walk away from the GATT Round at this point.

17 That is not to say that GATT either dominates world
18 trade, or sets all the rules for world trade, but there is
19 something about walking away from the only process that we
20 have which really does put some order in international
21 trade. Just walking away from it just does not make any
22 sense. It is wrong. It does not make any sense for our
23 country.

24 Having said that, when you and I, Mr. Chairman, and
25 others, were in the Oval Office with the President, I

1 expressed concern about not only Anti-dumping
2 Countervailing Duty Section 301, but also the gradual phase
3 out of duties with respect--in the case of West Virginia--
4 to glassware. And other Senators would have other problems
5 that they are very concerned about. And, therefore, as I
6 look at the Free Trade Agreement with Mexico, which is not
7 yet formed, which is still not clear in my own mind, my
8 views are much more skeptical as I go into the process.

9 But with respect to GATT with the possibility--as USTR
10 Administrator Brock some years ago said--that we could gain
11 a trillion dollars of trade in the next ten years. I am
12 not prepared to dispute that, and I know that I am not
13 prepared to dispute the fact that we have to contribute to
14 the world trading system.

15 What strikes me as remarkable in all of this is we vote
16 up or down on issues that relate to our economic security
17 from an external basis, but we consistently fail to deal
18 realistically with what it is economically that we have got
19 to do in our own country that can make us more able to
20 compete in a world trading system.

21 So we are up or down on GATT, we are up or down on the
22 American-Mexican Free Trade Zone. But I think we have to
23 press ahead, and I think we also have to start looking much
24 more seriously--as I know you agree, Mr. Chairman--about
25 what it is that we are doing in this country to secure our

1 economic future. At this point, I think it is precious
2 little. I thank the Chairman.

3 The Chairman. Thank you. Senator Boren.

4 Senator Boren. Mr. Chairman, I will be very, very
5 brief. I will vote against the resolution of disapproval
6 today, but I want to make it clear that in doing so, I do
7 not intend to give a blank check to our negotiators.

8 My attitude on the final agreement will certainly be
9 based upon how some very serious issues for me are dealt
10 with, particularly agriculture, which I think still has
11 many questions to be resolved. And I am not exactly clear
12 as to whether or not the Administration has a unified
13 position on some of the issues of agricultural policy that
14 will have to be negotiated.

15 And I also have a lot of concern about environmental
16 policy. I have introduced a bill that would give the
17 United States the right, under certain conditions, to
18 impose countervailing duties, the proceeds of which could
19 then be used to help lesser developed countries obtain our
20 environmental protection equipment.

21 And I think we have to think globally, and setting
22 environmental standards in our country will do no good in
23 terms of solving the world-wide problem, unless other
24 countries follow suit. In fact, if it resulted in
25 companies moving into areas of the world with no

1 environmental standards in order to produce more
2 inexpensively, we could ironically by setting high
3 standards in this country, actually cause a degradation of
4 the environment on a world-wide basis, unless we use some
5 leverage to encourage others to follow suit.

6 So, I hope that the agreements we are into will take
7 into full account the need to seek in an international way,
8 and a reciprocal way about environmental standards and
9 costs, as well.

10 I want to join the other members of the committee in
11 commending your leadership. This is an issue of such
12 importance to us, and I think we are fortunate, indeed, to
13 have this committee led by a person with such depth of
14 understanding of the issue at this time.

15 I think it is a process that we should not give up on
16 at this point, and therefore, I will vote today to let the
17 process go forward in the hope that the negotiations will
18 be successful, and in the hope that an agreement will be
19 brought back that I can support in the final analysis.

20 But I will be watching the process very closely, and
21 would urge our negotiators to forcefully represent the
22 interests of our country, and to not misread the votes
23 which are being given today for fast-track authority as a
24 blank check in the negotiations. Thank you very much.

25 The Chairman. Thank you. Thank you, Senator. Senator

1 Durenberger.

2 Senator Durenberger. Mr. Chairman, thank you. I will
3 cast my vote in favor of your motion of disapproval today
4 as well, and a lot of the reasons stated by my colleagues
5 do not need to be re-stated. I will ask unanimous consent
6 that a long statement be made part of the record.

7 I would just say two things. One, I said in a hearing
8 last week that when Bill Frenzel left the Congress, the
9 last of the 100 percent free traders--at least representing
10 my state--left.

11 The nature of this committee is that we are all
12 somewhere between 75 and 95, I think, and a lot of people
13 in my State would like me to take my five minutes to talk
14 about the tariffication of sugar, or about Section 22 on
15 dairy and issues like that.

16 And I intend to do that at greater length during this
17 process, because the wonderful thing about the process that
18 I have enjoyed on this committee is the degree to which we
19 are involved as representatives of our State in the process
20 of negotiating these treaties.

21 I thought I knew a lot about Canada when we went into
22 that process, but I learned a great deal from the members
23 of this committee; and I learned a great deal from our
24 negotiators; and I learned a great deal from the Canadians.
25 And I think my people in Minnesota and the people of this

1 country, and the people of Canada are much the better off
2 for the way this process operated. I believe the same
3 thing with regard to Mexico; I believe the same thing with
4 regard to the general agreement on trade and tariff, and
5 the Uruguay Round. It is absolutely essential for the
6 dairy farmers of Minnesota; it is absolutely essential to
7 the sugar beet farmers, as it is to 3-M and all the rest of
8 the people that the world play by the same rules.

9 I particularly look forward to the process of what I
10 have come to think of as the Bush-Bentsen process, because
11 when it is all said and done, moving the United States to a
12 process of economic relationships with the rest of this
13 hemisphere will be your work, Mr. Chairman, and that of the
14 President.

15 You know better than most the value of our economic
16 relations with our southern neighbors, and that may be good
17 in Mexico, but it does not end there; it is the Caribbean;
18 it is Central America; it is all of South America.

19 We have had the blessing of millions of Spanish-
20 speaking people coming to this country to prepare us for
21 their not having to come to this country.

22 And I think the wonderful thing that I have learned in
23 20 years of corporate life of working in that part of the
24 world is something you have known a lifetime living in
25 Texas, and that is it is about time the United States found

1 the kind of playing field on which we can help to improve
2 the standard of living; social standing; political
3 standing; economic standing of the people south of our
4 border. We have gotten all of the benefits of the
5 relationships to date, and it is about time we share some
6 of that.

7 I think it will be exciting for all of us to follow
8 with our negotiators not only the GATT process where Europe
9 and some of those people are major competitors, but the
10 real excitement is going to be in Mexico Free Trade/Fair
11 Trade, and the expansion of that throughout the rest of
12 this hemisphere. And that is your gift to us, and that of
13 the President, to make it possible for us. So I intend to
14 support you on that.

15 The Chairman. Thank you, Senator, for your generous
16 comments. Senator Daschle.

17 Senator Daschle. Mr. Chairman, I, too, would like to
18 commend you for the tremendous effort you have made to
19 involve each of us in this very deliberative process. It
20 has been an ongoing process; one that has accorded each one
21 of us an opportunity to be heard, and an opportunity to
22 express ourselves, both privately and publicly.

23 I have had a number of concerns about this particular
24 effort, and I will indicate those and elaborate upon them
25 on the floor. At this time I choose not to elaborate with

1 any great length, but I would simply associate myself with
2 many of the remarks made by Senator Durenberger. You
3 certainly have moved this process along, and while I may
4 not share identical views, I commend you for your
5 leadership.

6 The Chairman. Thank you. Senator Roth.

7 Senator Roth. Thank you, Mr. Chairman. There should
8 be no question about extending fast-track authority for two
9 more years. It is a procedure that has served us well
10 since its inception in 1974, and this extension is
11 essential, I believe, in several critical respects.

12 Above all, it gives the President and our trade
13 negotiators the credibility and backing they need to
14 conclude agreements for the purpose of achieving one of our
15 most--if not the most--important trade objective. The
16 reduction and elimination of trade and other barriers to
17 U.S. exports of goods, services, and agriculture.

18 Nowhere is this goal more attainable than through a
19 successful conclusion to the Uruguay Round. It is the most
20 ambitious, complex set of multilateral trade negotiations
21 ever launched. And frankly, I think we were somewhat
22 optimistic in expecting to conclude the Round within a four
23 year timeframe.

24 We should remember that the Tokyo Round-- which was
25 much less far reaching in scope--took a full six years to

1 bring to full fruition. Congress clearly recognized that
2 additional time might be required to conclude the Uruguay
3 Round when it provided for two more possible years of fast-
4 track authority in the 1988 Omnibus Trade Act.

5 Leaving aside the overall critical importance of
6 reaching a successful conclusion to the Round, the
7 disapproval before us is incorrect in stating that
8 sufficient tangible progress has not been made in trade
9 negotiations.

10 The required March 1st report submitted by both the
11 President and our top private sector advisory committees on
12 trade negotiations provide ample evidence of the strides
13 that have been accomplished to date in the Uruguay Round.

14 Now that we have broken the deadlock reached at the
15 Brussels' Ministerial and resumed trade talks, the last
16 thing we should do is fail to extend fast-track. Such
17 action would be the death knell to the round, because we
18 have proved time and time again that our capacity to lead
19 is the key ingredient to promote a stable and expanding
20 multilateral trade system.

21 And with the onus now on our trading partners to
22 demonstrate the political will necessary to conclude the
23 Round, the worst thing to do would be to provide a
24 convenient excuse for no action on their part by allowing
25 them to shift the total blame for failure onto the U.S.

1 Our Executive Branch has worked closely with Congress
2 through ongoing consultations; through their ceaseless
3 efforts in pursuit of meeting our nation's trade
4 negotiations objectives -- objectives which the Congress
5 and Executive Branch share together.

6 A great deal of tough negotiations remains ahead in the
7 Uruguay Round in our free trade talks with Mexico. Many
8 key concerns and issues will have to be addressed
9 adequately and effectively in order to garner Congressional
10 support for the final agreements that are ultimately
11 reached.

12 I, for one, intend to continue to closely gauge the
13 progress being made throughout these negotiations, and
14 will carefully examine the entire contents of both the
15 Uruguay Round agreement, and a trilateral North American
16 Free Trade Agreement prior to deciding whether to give my
17 support to them when they are finally submitted to Congress
18 for approval.

19 By extending fast-track, we will provide the President
20 the backing that he needs to forge ahead in seeking the
21 type of trade agreements that Congress expects, and that
22 are ultimately in our nation's best economic interests.

23 I would ask, Mr. Chairman, that my full statement be
24 included as it read, and I, too, want to congratulate you
25 for your leadership in this most important matter.

1 The Chairman. Thank you, Senator Roth, and it will be
2 included without objection. Gentlemen, we have had
3 repeated hearings on this subject. We discussed it at
4 length. We have had a great number and quite a variety of
5 witnesses. We have had a chance to speak our piece this
6 morning. I am going to ask for a recorded vote, and I now
7 move to report out S.R. 78 unfavorably from this committee.

8 Senator Packwood. Second.

9 The Chairman. Now, if the Clerk would call the roll,
10 please.

11 The Clerk. Mr. Moynihan.

12 The Chairman. Aye by proxy.

13 The Clerk. Mr. Baucus.

14 Senator Baucus. Aye.

15 The Clerk. Mr. Boren.

16 Senator Boren. Aye.

17 The Clerk. Mr. Bradley.

18 Senator Bradley. Aye.

19 The Clerk. Mr. Mitchell.

20 The Chairman. Aye by proxy.

21 The Clerk. Mr. Pryor.

22 (No response)

23 The Clerk. Mr. Riegle.

24 Senator Riegle. Nay.

25 The Clerk. Mr. Rockefeller.

1 Senator Rockefeller. Aye.
2 The Clerk. Mr. Daschle.
3 Senator Daschle. Nay.
4 The Clerk. Mr. Breaux.
5 The Chairman. Aye by proxy.
6 The Clerk. Mr. Packwood.
7 Senator Packwood. Aye.
8 The Clerk. Mr. Dole.
9 Senator Dole. Aye.
10 The Clerk. Mr. Roth.
11 Senator Roth. Aye.
12 The Clerk. Mr. Danforth.
13 Senator Packwood. Aye by proxy.
14 The Clerk. Mr. Chafee.
15 Senator Chafee. Aye.
16 The Clerk. Mr. Durenberger.
17 Senator Durenberger. Aye.
18 The Clerk. Mr. Symms.
19 Senator Symms. Aye.
20 The Clerk. Mr. Grassley.
21 Senator Grassley. Aye.
22 The Clerk. Mr. Chairman.
23 The Chairman. Aye. Senator Moynihan has asked to vote
24 no by proxy.
25 The Clerk. There are 15 Senators in favor, 3 opposed.

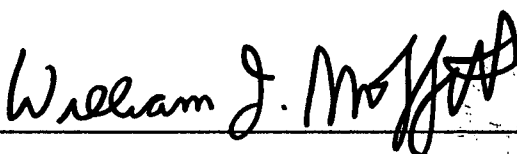
1 The Chairman. The resolution carries. We are
2 adjourned.

3 (Whereupon, the meeting was adjourned at 10:27 a.m.)
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C E R T I F I C A T E

This is to certify that the foregoing proceedings of an Executive Committee Meeting, Committee on Finance, United States Senate, held on May 14, 1991, were transcribed as herein appears and that this is the original transcript thereof.



WILLIAM J. MOFFITT

Official Court Reporter

My Commission Expires April 24, 1994.

Mr. Chairman; Mr. Packwood; Mr. Holloman; Mr. Chafee
Mr. Dole; Mr. Bradley; Mr. Grassley; Mr. Riegle; Mr.
Mitchell; Mr. Roddehoffer; Mr. Boren; Mr. Durenberger
Mr. Daschle; Mr. Roth

**UNITED STATES SENATE
COMMITTEE ON FINANCE**

EXECUTIVE SESSION

Tuesday, May 14, 1991 -- 9:15 a.m.

Room SD-215 Dirksen Senate Office Building

A G E N D A

Senate Resolution 78, a resolution to disapprove the request of the President for extension of the fast track procedures under the Omnibus Trade and Competitiveness Act of 1988 and the Trade Act of 1974

**RESOLUTION DISAPPROVING EXTENSION OF THE FAST-TRACK
(Prepared by the Staff of the Committee on Finance)**

Tuesday, May 14, 1991

The Committee will consider Senate Resolution 78 (copy attached) disapproving the request of the President for extension of fast-track procedures under the Omnibus Trade and Competitiveness Act of 1988 ("the 1988 Trade Act") and the Trade Act of 1974.

Background.--The 1988 Trade Act authorizes the President to enter into bilateral and multilateral trade agreements with foreign countries before June 1, 1991 for the purpose of reducing trade barriers. Subject to the consultation and other requirements of that Act, the President may submit such agreements to the Congress, together with implementing legislation, for approval under the expedited legislative procedures set forth in section 151 of the Trade Act of 1974, commonly known as the "fast-track." The 1988 Act further provides that the fast-track may be extended to trade agreements entered into after May 31, 1991, and before June 1, 1993, if (1) the President submits to the Congress by March 1, 1991, a report and supporting materials requesting the two-year extension; (2) the Advisory Committee for Trade Policy and Negotiations ("ACTPN"), the senior private sector advisory committee established under the Trade Act of 1974, submits to the Congress by March 1, 1991, a report regarding its views on the negotiations and whether the extension should be disapproved; and (3) neither House of Congress adopts a resolution disapproving the extension before June 1, 1991.

On March 1, 1991, pursuant to the 1988 Act, the President submitted to Congress a request for an extension of the fast-track. The ACTPN also submitted its report on March 1, 1991. The ACTPN, with the exception of its labor representatives, strongly recommends that the Congress grant the President's request for the extension.

The fast-track was first adopted by the Congress as part of the Trade Act of 1974. It has been renewed twice. It was extended for eight years in the Trade Agreements Act of 1979 and, after a lapse of eight months, reauthorized in the 1988 Trade Act. The fast-track has been used to approve and implement three trade agreements: the Tokyo Round Trade Agreements in 1979, the U.S.-Israel Free Trade Area Agreement in 1985, and the U.S.-Canada Free-Trade Agreement in 1988.

Procedure for disapproving the extension.--The 1988 Trade Act provides specific statutory procedures for Congress to disapprove the President's March 1 request. Consistent with the terms of the Act, Senator Hollings introduced S. Res. 78 (which currently has 16 cosponsors) on March 13, 1991. The resolution states that the Senate disapproves the request of the President for the extension of fast-track legislative procedures with respect to any trade agreement because sufficient tangible progress has not been made in trade negotiations. For the resolution to be considered by the Senate, it must be reported by the Finance Committee by May 15. The resolution is not amendable. If neither House of Congress approves the extension disapproval resolution before June 1, then the extension is granted.

To disapprove the request of the President for extension of the fast track procedures under the Omnibus Trade and Competitiveness Act of 1988 and the Trade Act of 1974.

IN THE SENATE OF THE UNITED STATES

MARCH 13 (legislative day, FEBRUARY 6), 1991

Mr. HOLLINGS (for himself, Mr. BYRD, Mr. FORD, Mr. CONRAD, Mr. HELMS, Mr. THURMOND, Mr. INOUE, Mr. HEFLIN, Mr. SANFORD, Mr. AKAKA, Mr. WELLSTONE, Mr. SHELBY, Mr. SASSER, Mr. JOHNSTON, and Mr. BURDICK) submitted the following resolution; which was referred to the Committee on Finance

RESOLUTION

To disapprove the request of the President for extension of the fast track procedures under the Omnibus Trade and Competitiveness Act of 1988 and the Trade Act of 1974.

1 *Resolved*, That the Senate disapproved the request of
2 the President for the extension, under section
3 1103(b)(1)(B)(i) of the Omnibus Trade and Competitive-
4 ness Act of 1988, of the provisions of section 151 of the
5 Trade Act of 1974 to any implementing bill submitted
6 with respect to any trade agreement entered into under
7 section 1102 (b) or (c) of such Act after May 31, 1991,
8 because sufficient tangible progress has not been made in
9 trade negotiations.

Statement of the Honorable Lloyd Bentsen
Finance Committee Consideration of S. Res. 78
(Fast Track Disapproval Resolution)

Tuesday, May 14, 1991

This Committee meets this morning to consider one of the most important -- if not the most important -- economic issues Congress will consider this year.

We have before us Senate Resolution 78, a resolution that would disapprove the President's request for an extension of fast track legislative procedures.

This resolution is part of the process that we built into the 1988 Trade Act to hold the Administration's feet to the fire. We wanted to ensure that there would be close and continuing consultations between Congress and the Executive Branch on trade negotiations, and we wanted to make sure that the negotiating objectives that we wrote into the law were being met.

So, instead of giving the Administration the permanent fast track authority that it wanted, we gave the President until June of this year. But we also provided that the President could have two more years of fast-track if he requested it, unless either House of Congress disapproved that request because sufficient tangible progress had not been made in trade negotiations. I believe that sufficient progress has been made, and that the President's request should be granted.

The law does not require this Committee to report this resolution. We have the option of doing nothing -- and frankly, that option has some appeal because it would have the effect of killing this disapproval resolution.

But this is an important matter, and I feel strongly that the full Senate should have its say.

Let's be clear what's at stake: This resolution would have the effect of denying fast track procedures to all trade agreements, including the Uruguay Round of multilateral negotiations, the negotiations with Mexico and Canada, and any negotiations with our Latin American trading partners under the Enterprise for the Americas Initiative.

And although we are not voting directly on those negotiations, it is clear to me that a vote to deny the fast track authority is in fact a vote to kill those negotiations. I feel strongly that this would be the wrong thing to do.

It is inconceivable to me that the United States would deny itself the ability to negotiate the elimination of unfair foreign trade barriers. In my judgment, it would be a dramatic step backwards in our effort to crack open foreign markets and meet our international competition head on.

Today trade has assumed a new importance in our economic future. We are in a recession -- and, more so than at any time in the past, America will have to export its way back to prosperity. One key element of that challenge must be to eliminate foreign barriers, including through trade negotiations.

We can either move confidently to meet that challenge -- or we can refuse to negotiate with our trading partners. The choice is that simple and that important.

This Committee has looked carefully -- and exhaustively -- at the President's extension request itself and at all of the negotiations covered by that request. Doing so has convinced me that it is in our best economic interest to pursue both the Uruguay Round and the negotiations with Mexico and Canada.

There's a lot of work to be done in the Uruguay Round. Over one-third of world trade isn't even covered by GATT rules. In ten weeks a Taiwanese patent pirate can steal a semiconductor design it took an American semiconductor company ten years to develop -- all with GATT immunity. The EC spends \$12 billion on farm export subsidies each year. We spend about \$280 million. Barriers like those are the reason the Uruguay Round must continue.

I'm not willing to let those negotiations fail. There's too much at stake.

The Mexican talks need to go forward too. There's been a lot of talk about what we could lose in these negotiations. But let's look at what we can gain.

Mexico's tariffs are twice as high as ours. They require 36 percent Mexican content in all the cars we make down there. They won't let us ship a car into their country, until ~~we~~^{they} ship 2-1/2 cars out. The problem is so bad that they have special facilities to hold U.S.-made cars on the border until that requirement is met. Those are the kind of restrictions we want to eliminate in these negotiations.

We have a window of opportunity with Mexico. For years, I've watched Mexican leaders rail against the Yankee to the North. Now we have a leader in Salinas who is committed to closer ties to the United States. That's an opportunity we must seize. If we don't, we'll regret it well into the next century.

I know many of my colleagues are concerned about the effect a Mexican agreement will have on American jobs. If I felt that this agreement would lose U.S. jobs, I'd be against it. But I believe it will create jobs.

Many Senators are concerned that U.S. companies will invest in Mexico. But they can do that now. Mexico can open its doors to foreign investment any time -- without a free trade agreement. The only question is whether they will open their doors to our products as well. That's the issue we need to address in these negotiations.

And we now have the President's commitment to make progress on a number of issues that are not typical trade issues -- issues like the environment and health and safety standards and worker rights. Most important, the President has agreed to work with us to make sure that a worker adjustment program is in place by the time any agreement goes into effect -- a program that is adequately funded and designed to provide effective assistance to workers that might be adversely affected by an agreement with Mexico.

To be sure, I expect the President to fulfill his commitments. But I think it would be a serious mistake not to move ahead with the North America Free Trade Agreement negotiations and with the Uruguay Round -- and see what we can gain.

By letting these negotiations go forward, we are not giving up our right -- indeed our duty -- to scrutinize these agreements, both while they are under negotiation and when they come back to us for approval. We will have to examine every agreement closely -- to make sure that it achieves significant net benefits for us.

But we should not deny ourselves those potential benefits -- particularly now when our economy needs as much help as it can get. For that reason, I oppose this resolution.

As a procedural matter, I want to note that the resolution we have before us is unamendable. I intend at the appropriate time to move that this Committee order Senate Resolution 78 reported unfavorably.

Statement of Senator Roth
Finance Committee Consideration of S. Res. 78 - May 14, 1991

There should be no question about extending fast-track authority for two more years. It is a procedure that has served us extremely well since its inception in 1974, and its extension is essential in several critical respects. Above all, it gives the President and our trade negotiators the credibility and backing they need to conclude agreements for the purpose of achieving one of our most, if not the most, important trade objectives -- the reduction and elimination of trade and other barriers to U.S. exports of goods, services and agriculture.

No where is this goal more attainable than through a successful conclusion to the Uruguay Round. It is the most ambitious and complex set of multilateral trade negotiations ever launched. Frankly, I think we were somewhat optimistic in expecting to conclude the Round within a four-year time-frame -- we should remember that the Tokyo Round, which was much less far-reaching in scope, took a full six years to bring to fruition. Congress clearly recognized that additional time might be required to conclude the Uruguay Round when it provided for two more possible years of fast-track authority in the 1988 omnibus trade act.

Leaving aside the overall critical importance of reaching a successful conclusion to the Round, the disapproval before us is incorrect in stating that "sufficient tangible progress has not been made in trade negotiations." The required March 1 reports submitted by both the President and our top private sector advisory committee on trade negotiations provide ample evidence of the strides that have been accomplished to date in the Uruguay Round.

Now that we have broken the deadlock reached at the Brussels Ministerial and have resumed the trade talks, the last thing we should do is fail to extend fast-track. Such action would be the death knell to the Round because we have proved time and time again that our capacity to lead is the key ingredient to promoting a stable and expanding multilateral trade system. With the onus now on our trading partners to demonstrate the political will necessary to conclude the Round, the worst thing to do would be to provide a convenient excuse for no action on their part by allowing them to shift the total blame for failure onto the United States.

Our Executive Branch has worked closely with Congress through ongoing consultations and through its ceaseless efforts in pursuit of meeting our nation's trade negotiating objectives, objectives which the Congress and the Executive Branch share together. One reason why we are now in the process of extending fast-track authority is because our negotiators refused to accept anything less than a comprehensive and substantial Uruguay Round package at the Brussels Ministerial last December.

A great deal of tough negotiating remains ahead in the Uruguay Round and in our free trade talks with Mexico. Many key concerns and issues will have to be addressed adequately and effectively in order to garner congressional support for the final agreements that are ultimately reached. I, for one, intend to continue to closely gage the progress being made throughout these negotiations, and will carefully examine the entire contents of both a Uruguay Round agreement and a trilateral North American Free Trade Agreement prior to deciding whether to give my full support to them when they are finally submitted to Congress for approval.

By extending fast-track we will provide the President the backing he needs to forge forward in seeking the type of trade agreements that Congress expects, and that are ultimately in our nation's best economic interest. Based on past experience, as underscored by the overwhelming margins of congressional approval of previously-negotiated trade agreements, including the Tokyo Round and the U.S.-Canada Free Trade Agreement, I am confident that the President, in partnership with the Congress, will deliver such agreements.

STATEMENT OF SENATOR MAX BAUCUS

Chairman, International Trade Subcommittee, Senate Finance
Committee

THE FAST TRACK DISAPPROVAL RESOLUTION

May 14, 1991

The U.S. Constitution carefully divides power between the President and the Congress. This division complicates international trade negotiations. The Congress is explicitly granted authority to "regulate foreign commerce" and levy duties. But the President is charged with conducting foreign policy and negotiating with foreign nations.

Obviously, 535 Members of Congress cannot conduct international trade negotiations. But the President does not have authority -- independent of Congress -- to negotiate changes in U.S. duties or trade laws. A bargain had to be struck between the President and Congress to allow the U.S. to enter international trade negotiations. That bargain is known as fast track negotiating authority.

Simply put, the fast track allows the President to negotiate trade agreements with the assurance that Congress will vote on the agreement without offering amendments. In return, the President is required to consult with Congress throughout the negotiations.

The bargain retains Congress' authority to make the final decisions on trade policy. But it grants the President's negotiators the credibility they need to enter into trade negotiations with our trading partners.

In 1988, we expanded the fast track bargain. We granted the President fast track authority for two years to negotiate a new GATT agreement and bilateral free trade agreements. In return, the Congress set certain objectives for the negotiations and required increased consultations. The Congress also required that the Administration pursue a vigorous bilateral effort to remove specific trade barriers using Section 301.

Now the President is seeking to extend this bargain for an additional two years. Does the bargain still make sense? I believe that it does.

THE PRESIDENT'S SIDE OF THE BARGAIN

Though it was not always true in the past, the Administration and the Congress have been partners in recent trade negotiations. Ambassador Hills has been very willing to

consult with Congress. Some have said she actually consults too much. And the consultations have been meaningful; the Administration has changed the U.S. negotiating position in response to congressional concerns.

In Congress, there is solid support for U.S. objectives in the Uruguay Round regarding trade in agriculture products, trade in services, and protection of intellectual property. But largely at Congress' suggestion, the Administration increased the priority assigned to eliminating agricultural export subsidies and lowering tariffs in the GATT negotiations.

More importantly, the Administration responded to congressional concerns recently and established a plan to address worker adjustment, worker's rights, and environmental concerns in the negotiations with Mexico.

In addition, the Administration has employed the Section 301 provisions in the 1988 Trade Act. Though I would have like to have seen Section 301 used more aggressively, the Administration has used Super 301 to open markets and has begun to use Special 301 to protect U.S. intellectual property. The Administration also has negotiated bilaterally to open markets for U.S. exports of semiconductors, telecommunication products, airplanes, and other products.

Don't get me wrong. I expect the Administration to do more in each of these areas. I further expect the Administration to work with us to improve Section 301 by adding the Trade Agreements Compliance Act to Section 301 and extending Super 301. But thus far, the Administration has held up its end of the bargain.

CONGRESS' SIDE OF THE BARGAIN

Now, it is time for the Congress to do its part and extend the fast track.

With an additional two years to negotiate, the Administration should be able to conclude the current round of GATT negotiations and complete a North American Free Trade Agreement. A successful Uruguay Round could increase exports of U.S. agricultural products, services, intellectual property, and many other products. Over ten years, U.S. exports could increase by \$200 billion and the U.S. economy could grow by \$1.1 trillion. That means hundreds of thousands of new American jobs and higher living standards for most Americans.

And the benefits of extending fast track don't stop there. A successful North American Free Trade Agreement would grant U.S. business unfettered access to a \$6 billion market of 360 million consumers -- the largest in the world. This would provide a tremendous economy of scale advantage to U.S. businesses vis-a-vis their Japanese and European competitors.

But those agreements won't be concluded unless the Congress extends the fast track. History has demonstrated that

other nations won't seriously negotiate with the U.S. without the fast track.

CONCLUSION

Of course, the benefits of free trade won't be held out to us on a silver platter. We will have to compete in international markets to win the benefits.

But if our trade negotiators do their job, U.S. business will be able to compete on a level playing field. And I believe U.S. workers, farmers, and businesses can prosper on a level playing field.

The competitive challenges we will face in international markets are significant. But we cannot bury our head in the sand and ignore them. If the U.S. is to remain a great country with a strong economy, we must compete, not retreat.

We must reject protectionism, and strive to open markets around the world. Toward that end it is critical that we vote to extend fast track negotiating authority.

STATEMENT OF GEORGE J. MITCHELL
NORTH AMERICAN FREE TRADE AGREEMENT

I intend to vote today in support of Chairman Bentsen and against the resolution disapproving fast track procedures.

I want to make clear, however, ^{among others} that I am doing this to accommodate the Chairman and to permit full debate on the issue by all Senators ^{and to permit Sen. Bentsen to present and debate his proposal.} This is not meant to be an indication of how I intend to vote on the Senate floor on the question of fast track negotiations. Nor does it indicate how I ultimately may vote on ^{any} proposals to amend the process for considering a trade agreement with Mexico, or on a final agreement itself.

Like many Members of Congress, I have concerns about what will be included in a GATT agreement but I am supportive of the process and the hoped for trade liberalizations it will bring. While considerable progress has been made in the Uruguay Round of trade negotiations, a number of major issues remain to be resolved and I am hopeful they will be resolved on a basis that will permit Congress to support the agreement.

**STATEMENT BY
SENATOR JOHN H. CHAFEE
IN THE SENATE FINANCE COMMITTEE
EXECUTIVE SESSION ON SENATE RESOLUTION 78
May 14, 1991**

Mr. Chairman, I am pleased to speak in support of the President's request to extend the "fast-track" authority to negotiate trade agreements. I believe this authority is vitally important to the future of U.S. trade policy and to our position in the global economy.

The title of this authority is somewhat misleading in my opinion. Some people seem to believe that if we extend this authority the President will be able to negotiate the GATT agreement or the North American Free Trade Agreement, send it to the Congress, and that Congress won't be able to stop it. That is simply not true.

The Fast-Track Authority is neither fast nor is it a track to approval. This authority provides rules for cooperation between the Administration and the Congress to implement the powers given to each branch by the Constitution. The consultation required by this authority between the Administration and the Congress will allow each Member of Congress to express his or her concerns to the Administration during the actual negotiation, when those concerns can best be addressed.

One of the reasons we have heard for opposing this ~~agreement~~^{extension} is that ~~Many different groups have expressed opposition to the extension of the fast track authority for two more years.~~ Some groups believe ~~that~~ Congress and the private sector will not have the opportunity to contribute in a meaningful way to the negotiations. ~~Other groups are concerned about the impact the Uruguay Round may have on agriculture, textiles, and many other areas. While other groups are concerned about the impact the North American Free Trade Agreement may have on U.S. jobs and on the environment.~~

~~One of the~~^{is} I believe the ~~concern about consultation between the Administration and the Congress~~ is unfounded for three reasons:

First, Congress initially designed the fast-track legislation to ensure that Congress and the private sector were involved at each step of the way in

the negotiation of trade agreements. In 1974, at the time the fast-track legislation was first enacted, Congress recognized the pressing need for fast-track procedures by noting that the purpose of the legislation was:

"to expedite and reduce the uncertainties of the legislative process for approval and implementation of [trade agreements concerning non-tariff barriers], thereby encouraging and facilitating negotiations with foreign governments; and . . . to increase and formalize the role of Congress during the negotiating process and in the development of implementing legislation."

In 1988, when we extended the fast-track authority, we confirmed its importance by stating:

"The purpose of the approval process is to preserve the constitutional role and fulfill the legislative responsibility of the Congress with respect to agreements which often involve substantial changes in domestic laws. The consultation and notification requirements . . . ensure that Congressional views and recommendations . . . are fully taken into account and any problems resolved in advance of formal Congressional action. At the same time, the [fast-track] procedure ensures certain and expeditious action on the results of the negotiation and on the implementing bill with no amendments."

In my opinion, these purposes have not changed during the last two years. In fact, the reasons supporting the fast-track procedure are more compelling today. Without the fast-track procedure, such an agreement is subject to multiple amendments which could cause the agreement to fall apart. With the fast-track procedure, our negotiating partners will make valuable concessions to us, knowing that the final agreement is subject to an up or down vote without amendment.

When a trade agreement is negotiated, the accomplishments in one area are interconnected to those in another area. This is particularly relevant to the outcome of the complex GATT Uruguay Round negotiations which maintains 15 working groups focusing on several interrelated topics. Why would our trading partners negotiate seriously with us if there is the possibility that they would have to renegotiate the details of the agreements following amendment by Congress?

Second, the fast-track procedure itself offers several opportunities for Congress and the private sector to provide input. For example, Congress is given advance notification prior to negotiation of a trade agreement. Specifically, the President is required to give Congress advance notice of proposed negotiations for bilateral trade agreements. During the 60 legislative days following this notification, either the Senate Finance Committee or the House Ways and Means Committee can vote to deny fast-track treatment with respect to that agreement.

In addition, with respect to any trade agreement, the President must notify Congress 90 days before signature; during this time, private sector advisory committees must report their views concerning the agreement to Congress and the President. Finally, Congress and the President consult closely to develop the implementing legislation. If, by this time, the agreement is still not acceptable, it can be rejected by majority vote of either House.

Third, I believe the President recognizes the importance of cooperation among the Administration, Congress, and the private sector in the trade agreements area. In its fast-track extension request, the Administration noted that the "fast-track procedures are designed to ensure congressional and private sector input. At each step of the way . . . Congress is a full partner."

In the past, we have worked successfully with the President using the fast-track procedure to adopt the free trade agreements with Canada and Israel, and to implement the agreements resulting from the Tokyo Round of the GATT. This experience with the fast-track procedure should reassure us of our significant, cooperative role in the development of trade agreements.

I have also heard arguments that the fast-track was not used prior to a few years ago. However, since the enactment of the Reciprocal Trade Agreements Act of 1934, there has been essentially a fast-track procedure for the President to negotiate and implement by proclamation trade agreements covering only tariff reduction. The fast-track procedure for trade agreements covering non-tariff trade barriers was created in 1974 only after countries began to rely more on such barriers and the scope of trade negotiations expanded to include non-tariff issues.

The Kennedy Round, in the 1960s, was the first GATT Round to address certain non-tariff barriers to trade. The absence of a fast-track procedure to negotiate and implement an agreement on non-tariff trade barriers was an immediate problem for U.S. negotiators. This led to development of the fast-track authority at the same time that the Tokyo Round began in 1973. Therefore, the fast-track procedure has been necessary since the expansion of trade negotiations into the area of non-tariff trade barriers in the 1960s.

Since its enactment in 1974, the United States has used the fast-track procedure in 1979 to implement the agreements reached in the Tokyo Round, and, more recently, to negotiate the Free Trade Agreements with Israel and Canada. The complex range of tariff and non-tariff issues in each of these agreements necessitated the use of the fast-track procedure.

I would now like to spend a few minutes talking about the ~~environmental~~ concerns that have been expressed ^{by several} ~~many~~ environmental groups. ~~had some~~ reservations about a Mexico Free Trade Agreement because of the environmental problems that exist in Mexico. While a few groups expressed opposition to such an agreement because of what they saw as a lack of adequate environmental protection in Mexico and the potential for U.S. companies to avoid strict U.S. environmental laws.

As the Ranking Member on the Environment and Public Works Committee, I would have some reservations about the proposed agreement, if I believed it could weaken the environmental standards that I, and many others on this Committee, have worked years to enact. In addition, I would not want to see the environmental problems that already exist in Mexico exacerbated by the proposed agreement.

While I understand the concerns that have been expressed by the various Environmental groups, I do not believe they should be the basis for a vote against the Fast-Track Authority. In my opinion, these concerns can and will be addressed by the Administration in parallel with the actual negotiation of a Free Trade Agreement.

The proposed agreement will not weaken U.S. standards. In testimony last week, EPA Administrator Reilly assured this Committee that the Administration

would not agree to weaken existing U.S. pesticide, energy conservation, toxic waste, or health and safety standards in the proposed Free Trade Agreement (FTA) with Mexico.

In regards to Mexico's environmental standards, it has been my experience that the worst environmental problems arise in poor countries that do not have the resources to upgrade their environmental protection standards. The economic prosperity Mexico should experience under a free trade agreement will enable Mexico strengthen its existing environmental programs to achieve the rising levels of environmental quality it needs.

The Administration's Action Plan makes the central point that "Mexico has established a good basis for progress on environmental protection and conservation of natural resources" and that Mexico's 1988 General Law for Ecological Equilibrium and Environmental Protection provides "an adequate legal basis for protecting the environment."

The 1988 General Law is a comprehensive environmental law based in large part on U.S. law and experience. It addresses most of the major U.S. concerns such as air, water, and hazardous waste, and incorporates many U.S. standards in these areas. Mexico was also the first country to ratify the Montreal Protocol in an ambitious effort to phase-out ozone-depleting substances on the same level as developed countries.

Under the 1988 law, all new public and private business projects must complete a thorough environmental impact analysis pursuant to Mexico's 1988 environmental law. This will screen out any U.S. businesses trying to evade U.S. environmental laws.

Mexico's record on enforcement of its environmental laws has dramatically improved within the last 2 years. Since 1989, Mexico has ordered more than 980 temporary and 82 permanent shut-downs of industrial facilities for environmental violations. Further, SEDUE (the Mexican EPA) has received an eight-fold increase in its budget and therefore will be able to commit more money to enforcement.

One example of Mexico's desire to meet U.S. standards was the enactment of a requirement that all 1992 Model Year cars produced for use in Mexico have

catalytic converters. This is a dramatic and expensive step taken by a government that continues to have one of the highest levels of foreign debt. In addition, the European Community, that is looked at by many as a symbol of environmental protection, has not yet adopted a catalytic converters^{requirement} for cars used within the Community. I think this is an excellent example of the commitment the Mexican government has made to cleaning up the environment.

In addition, I do not believe the FTA will exacerbate the poor environmental conditions at the U.S.-Mexico border, but will actually facilitate improvement of the environment. Under the President's Action Plan:

1. The U.S. and Mexico will conduct parallel, but separate negotiations to design and implement a border environmental plan addressing air and water pollution, hazardous waste, chemical spills, pesticides, and enforcement. There will be public comment and hearing phases while the plan is being developed, and there will be frequent reviews of the plan following implementation.^{in addition,} The U.S. is committed to expanding participation in its private sector advisory committees.
2. The U.S. and Mexico will cooperate their enforcement activities. An example of this would be coordinated targeting of potential environmental violators. Mexico has started recruiting 50 additional environmental inspectors for the border area, and has closed 20 border-area enterprises in the last month.

I believe the Administration's Action Plan and the commitment made by Mexico to clean up the environment are proof that the proposed Free Trade Agreement with Mexico will ~~not~~ be a ~~plus~~^{plus} for the environment. ~~fact,~~ The proposed agreement and the parallel negotiations on the environment will ~~improve~~ improve environmental protection standards in the Western Hemisphere, ^{thereby} ~~improving~~ ^{ing} the environment for everyone in North America.

In summary, I strongly support the extension of the fast-track authority, and believe Congress and the private sector play an important role in the development of trade agreements. Congress initially designed the fast-track legislation by balancing the need for significant input from Congress and the private sector, with the President's need to assure its foreign negotiating partners of the finality of trade agreements.

The fast-track legislation, through notification and consultation procedures, offers several opportunities for congressional and private sector involvement in creation of trade agreements. I believe that past experience indicates that the President will consider us a "full partner" in the creation of trade agreements in the future.

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STATEMENT OF SENATOR DANIEL PATRICK MOYNIHAN ON HIS VOTE
IN THE COMMITTEE ON FINANCE
ON THE FAST TRACK EXTENSION RESOLUTION
MAY 14, 1991

For some months now, I have made the point to the Administration that Mexico doesn't have an independent judiciary. This is not a marginal or esoteric concern. We are for the first time being asked to consider a free trade agreement with a country that is not free. And the Administration wants to negotiate with the broadest possible delegation of Congress' constitutional authority, under Article I, Section 8.

In our considerations, we ought not overlook the stability that the PRI may have brought Mexico after the civil turmoil that preceded it in the second decade of the twentieth century, or the positive intentions of President Salinas.

Neither, however, should we pretend that civil and political rights are fully respected in Mexico. They are not. In its 1990-1991 edition of Freedom in the World, Freedom House reports that fully two-thirds the nations of the Caribbean and Latin America are now "free". Encouraging, indeed. Only one-third,

including Mexico, remain just "partly free". One, Cuba, is "not free".

The problems in Mexico then can't simply be explained as a condition of developing countries or the condition of Latin America. More, if this was simply an issue of U.S. trade benefits to help development in Latin America different considerations would apply. I have always supported our GSP and CBI programs. Indeed, I am the only Democrat who is an original co-sponsor of the President's Andean trade initiative.

But a free trade agreement is a different and more intimate level of reciprocal responsibilities than GSP or CBI. How then are we to consider in our calculations the June 1990 Americas Watch report titled "Human Rights in Mexico: A Policy of Impunity." What is involved here is not something trivial. Mexico is reported to be a country in which "torture is endemic."

What permits such conditions in Mexico is the lack of an independent judiciary. Other causes also, to be sure. But we ought listen when Freedom House tells us of Mexico: "Although it

is nominally independent...the judicial system is weak and riddled with corruption. In many rural areas, respect for laws by official agencies is nonexistent."

Due process under law is not assured in Mexico. To think this is not relevant to a free trade agreement, in my mind, denies an elemental problem. So far, the Administration seems to have chosen denial.

STATEMENT OF
SENATOR BOB DOLE

SENATE FINANCE COMMITTEE
FAST TRACK MARK-UP
MAY 14, 1991, (9:15 A.M.)

Thank you Mr. Chairman.

I want to take a moment this morning to first commend you and Senator Packwood for the efforts you have taken in supporting this very important issue. Once again, this Committee has the opportunity to express its views on the importance of open world markets.

Certain members have expressed reservations over the fast track process itself and more open concerns over the prospects of a Free Trade Agreement with Mexico. In the case of the fast track process, I believe the concerns are unfounded.

Approving fast track does not mean that this Committee, or Congress, will be deprived of their constitutional responsibility. In fact, the procedures within fast track ensure that Congress is involved every step of the way. Fast track requires extensive notification and consultation. The procedures preserve our role during the negotiation, approval and implementation of any agreement. Moreover, President Bush, in no uncertain terms has committed to a coordinated effort. And we are witness to that effort.

In fact, members of this Committee recently complained to the President that we've seen enough of Ambassador Hills and her staff. Chairman Bentsen is ready to start charging the Administration for rent.

And let's not forget -- we have the last word. If an agreement is not acceptable, it can be rejected by a simple majority. This alone assures that the Administration will work closely with us. Any agreement, whether the Uruguay Round or NAFTA, must stand or fall on its own merits.

And for my colleagues who will oppose fast track over the concerns of an agreement with Mexico...I believe their actions are premature. At this time we are simply voting on whether or not to pursue opportunities.

The issues my colleagues raise are legitimate concerns. But a vote for the extension of fast track is not a vote in favor of NAFTA -- negotiations haven't even started. Accepting the fact

that there are valid issues of concern, revoking fast track authority is not the solution. The legitimate concerns of environmentalists, labor unions and others can and will be address during the negotiation process.

So, what's at stake? If we vote down fast track, we will lose the ability to deal with the environment, worker rights and labor standards. And we won't lose that opportunity because we've voted down fast track. We'll lose that opportunity because we often criticize Mexico's inability to deal with these problems -- yet, we will have denied Mexico a chance at strengthening their economy. A stronger economy will enable them to deal with these problems.

And let's not forget that NAFTA is not a substitute for a world-wide multilateral trading system. Fast track is also needed to complete the Uruguay Round. These negotiations were stalled for a time -- but they will be lost forever without fast track.

In 1974, when we created fast track, we stared down the path toward market freedom. Let's not give up now.

International trade is more important than ever. We should not hesitate in our efforts to open world markets and pursue economic growth and prosperity.

Thank you Mr. Chairman.

Statement of Senator Dave Durenberger

Senate Finance Committee

May 14, 1991

Mr. Chairman, I intend to support the President's request for a two-year extension of fast track authority. My support for the fast track is based on my belief that our entire economy, especially agriculture, high-technology, and the service sector, will benefit from a GATT agreement that lowers barriers to markets, protects intellectual property, and brings real discipline and rules to trade in services and agriculture.

It is not just the fact that our nation as a whole will benefit from a new GATT agreement. But I believe that a strengthened GATT will be in the best interest of my state of Minnesota--the agriculture sector that needs to have unfettered access to all world markets, and reduced competition from government subsidized competitors; the computer and high-technology companies in my state, 3M, Cray Research, Honeywell, to name just a few, that are always looking to foreign markets for more of their sales; the service industries--banking, finance and insurance--that need a set of established uniform rules to deal in the international marketplace. All of these industries stand to benefit if we can successfully complete the GATT Round.

Mr. Chairman, I hope this Committee will unfavorably report the disapproval resolution (S. Res. 78) before us. This resolution is, in effect, a GAG RULE. It tells our negotiators in Geneva to pack their bags and return home because the Congress does not want the United States to sit at the negotiating table with all the worlds's major trading partners and hammer out a fair and balanced trade agreement.

This resolution tells farmers in rural America that our Government negotiators cannot even sit at the table with their European counterparts and try to find a way to eliminate unfair EC

subsidized competition. It tells our high-technology and pharmaceutical industry that they will just have to continue to accept losses of 60 billion dollars a year from intellectual property piracy because Congress has no confidence in our trade negotiators.

Mr. Chairman, we all know that our EC will enter into serious trade negotiations with us only if we employ the "fast track" procedure. They will not negotiate if, at the end of the day, Congress retains the ability to amend, delete, and change the agreement. We either accept the agreement or we reject it.

Mr. Chairman, several of my constituents have expressed serious concerns and reservations about the U.S. negotiating stance at the GATT. In particular, I am referring to sugar beat and dairy farmers in Minnesota who are afraid that the GATT negotiations will undermine our domestic agriculture programs and put our farmers at a competitive disadvantage in the world market.

I believe these fears are unfounded. This Administration is committed to real and meaningful trade reform as the critical "linchpin" of the Uruguay Round. That was amply demonstrated last December when our negotiators walked out of the talks because the EC, the Japanese and the Koreans refused to commit to substantive reform of their agricultural policies.

We scuttled the entire GATT Round because of agriculture! And because we would not take "No" for an answer on agriculture reform, the EC has now backed down and agreed to negotiate "specific binding commitments" in three primary areas: domestic support mechanisms, market access, and export subsidies.

Mr. Chairman, one of the biggest problems our farmers face in world trade is the distorting agriculture subsidy policies of the European Community. Look at what the EC subsidy policy has done to the sugar industry. In 1975, the EC was a net importer of more than 8 million tons of sugar. In less than fifteen years, the EC's sugar program has turned its subsidized farmers into next

exporters of more than 5 million metric tons. That's about 20 percent of world trade in sugar. No wonder American sugar beet and cane farmers want the EC to end its ruinous subsidy policy.

I am convinced that if we can negotiate an end to those policies, our farmers will be able to effectively compete in any open market in any part of the globe. But there will be no hope that the EC will make any significant changes in its agriculture policies unless we sit at the table and can negotiate. And that will only be possible if our negotiators retain fast track authority.

Finally, Mr. Chairman, I want to say a few words about the proposed North American Free Trade negotiations which would also be authorized under the fast track. I was an early supporter of the Free-Trade agreement with Canada. I thought it made sense to integrate our two economies because there is a large degree of economic, labor, and environmental parity between our two countries.

I have serious reservations about a similar economic integration with our neighbor to the south, Mexico, because of the huge disparity between our economies. In wages, in environmental enforcement, in labor conditions, Mexico is decades behind the United States. Like many of its Third World neighbors in the hemisphere, Mexico has been struggling under the weight of more than \$100 billion in commercial debt while trying to cope with an exploding population and environmental degradation.

But as we have learned from the economic transformation in the Pacific Rim, it is only in raising economic productivity and economic wealth that a nation can reduce its social and environmental degradation.

Legitimate concerns about Mexico's commitment to cleaning up its environment have also been raised. I was pleased that the Administration recently indicated that it will include environmental issues in the free trade negotiations and will expand cooperative environmental programs between our two countries.

Mr. Chairman, free-trade negotiations with Mexico will provide the United States with real leverage to get a commitment from Mexico that it will be serious about cleaning up its rivers and its air pollution. The economic benefits that could flow to Mexico if we reach an acceptable agreement will surely convince the government of Mexico that labor conditions and environmental conditions must be changed.

If recent history is a guide, a free-trade agreement could benefit both the United States and the people of Mexico. Since Mexico embarked on its economic reform program in the mid-1980s, our exports to Mexico have jumped by nearly 130 percent, from \$12.4 billion to \$28.4 billion. In just two years, from 1987 to 1989, Minnesota's share of exports to Mexico went up 80 percent--from \$90 million to \$162 million. And while the United States has reduced its trade deficit with Mexico from \$4.9 billion to \$1.8, if you exclude trade in petroleum products, our trade balance moved from a deficit of \$1.5 billion in 1986 to a surplus of \$2.7 billion in 1990.

Legitimate concerns have been raised as to whether a free trade agreement would invite an exodus of American companies to move across the border into Mexico. The fact is that because of intensive global competition, many companies already have had to move low-wage assembly operations in the United States to Mexico. In some instances, these moves preserved jobs in the United States because the alternative for some companies was simply to move their entire production and assembly operations to the Far East.

Mr. Chairman, our national security, and our economic security, are in large measure based on improving economic and social conditions in our hemisphere. A free trade agreement encompassing Mexico and, one day, expanded to other countries in the hemisphere and in the Caribbean could serve to shore up the economies in this hemisphere that have been mired in debt and poverty for decades. Such agreements could bring political stability to a region that has only recently begun to experiment with democracy. And in many cases, they will either trade goods and

services with us or they will export their unemployment to California, Texas and the rest of the country.

Recently, economist Robert Samuelson recently wrote about the possibilities for both the United States and Mexico if an agreement is reached. Samuelson wrote: "When Mexican plants earn dollars from exports, they often use those dollars to buy foreign machinery and components. Or they change the dollars into pesos--to pay for local labor and materials--and someone else buys the dollars to spend abroad. This includes Mexican workers, who shop across the border. The burgeoning trade is more than an exchange of jobs. The more Mexico's economy expands, the bigger the market for everyone."

Mr. Chairman, before I came to the Senate, I was counsel to the H.B. Fuller Company. That company long ago recognized the need to do business in Latin America, in Asia, in Europe. Today, it serves as a model for many other businesses seeking to sell their goods and services throughout the globe. An expansion of trade links throughout the hemisphere, and paralleled at the GATT Round will ensure continued vitality and prosperity for this country. It is for that reason that we must not look inward and fall back on protectionist instincts. The talks we are authorizing look forward to the global marketplace of the 21st century.

Mr. Chairman, we do not have a North American Free Trade Agreement before us today to vote on. We do not have a GATT agreement before us today to vote on. What we are voting on is simply to allow this government to talk to other governments about improving trade conditions. Will we allow our negotiators to sit down and begin talking? I believe we should participate in these talks and therefore I will vote against the resolution that is before the Committee.