

Gilmour
31 pp.

1 EXECUTIVE COMMITTEE MEETING
2 THURSDAY, SEPTEMBER 29, 1994
3 U.S. Senate,
4 Committee on Finance,
5 Washington, DC.

6 The meeting was convened, pursuant to notice, at 10:00
7 a.m., in room SD-215, Dirksen Senate Office Building, Hon.
8 Daniel Patrick Moynihan, Chairman of the Committee,
9 presiding.

10 Also present: Senators Baucus, Bradley, Riegle,
11 Rockefeller, Daschle, Conrad, Packwood, Roth, Danforth,
12 Grassley, and Wallop.

13 Also present: Lawrence O'Donnell, Jr., Staff Director;
14 Lindy Paull, Chief of Staff, Minority.

15 Also present: Rufus Yerxa, Deputy U.S. Trade
16 Representative; Marcia Miller, International Trade Counsel,
17 Majority; Ira Shapiro, General Counsel, U.S. Trade
18 Representative.

19 [The press release announcing the meeting follows:]
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1 OPENING STATEMENT OF THE HON. DANIEL PATRICK MOYNIHAN, A
2 U.S. SENATOR FROM NEW YORK, CHAIRMAN OF THE COMMITTEE
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5 The Chairman. A very good morning to our distinguished
6 associates from the administration and to our guests. This
7 is the culmination of a long and, so far, hugely successful
8 effort that began some seven years ago in Uruguay when we
9 undertook another round of World Trade negotiations.

10 This is the largest in history. It took seven years to
11 negotiate. It now involves 123 countries. It extends the
12 GATT, which began in an informal way after World War II,
13 dealing with merchandise, really. It extends it to
14 intellectual property such as patents, trademarks, and such
15 like; it extends it to services such as insurance, banking.
16 It is a huge achievement. It is a huge achievement.

17 It is an achievement for which we have to thank a
18 succession of presidents, President Reagan, President Bush,
19 and now President Clinton. President Clinton yesterday
20 said, this is the biggest trade agreement in history. It
21 is the biggest worldwide tax cut in history. It will give
22 us 300,000-500,000 new high-wage jobs in the next few
23 years.

24 As the committee knows, in the manner of the
25 fast-track legislation, the bill before us was written in

1 this committee and the Committee on Ways and Means. As
2 soon as the health care legislation was reported on July
3 2nd, if I recall, we began immediately to draft this
4 legislation, and did so.

5 We went to conference with the House, a unanimous
6 Senate and a unanimous House committee. Yesterday, the
7 Committee on Ways and Means voted 35-3 for this amendment,
8 so it certainly augers well for our appearance here this
9 morning. The proposal is substantially as we submitted it
10 to the President. It is here before us to be reported out
11 to the floor.

12 I want to take this opportunity to express the greatest
13 admiration of the committee, and I think all would agree,
14 to Ambassador Yerxa, who has been so faithful through how
15 many presidents, sir? Three?

16 Ambassador Yerxa. Two.

17 The Chairman. Two presidents. And Councillor Shapiro,
18 who has been indefatigable in negotiating what has to be
19 the longest contract ever entered into, or treaty, because
20 it is a mode of executive agreement.

21 And also to our own Marcia Miller, who has been with us
22 from the beginning, invariably informed and always
23 agreeable in the face of not always agreeable news. I
24 think that's enough for me.

25 Senator Packwood?

1 Senator Packwood. As it is our last meeting, Mr.
2 Chairman, I think it might be worthy to note that six of
3 our members are leaving, which is an unusual amount. This
4 committee is so stable and people do not leave and do not
5 retire.

6 The two of them on our side are here, Senator Wallop
7 and Senator Danforth. They have labored long and hard in
8 this committee, Senator Danforth on trade from the moment
9 he came on this committee, and has been a staunch
10 supporter. We have had our differences. I do not mean
11 Senator Danforth and I.

12 We have our differences on this committee on occasion
13 on philosophies on trade and philosophies on taxation, but
14 you have said it and I will say it, I have never served on
15 a committee that, by and large, has the harmony this
16 committee does, even when we disagree. And I just want to
17 express my appreciation to those whom we have served with
18 that will be leaving us, and we will miss them.

19 The Chairman. We certainly will, which gives me the
20 opportunity to note that the committee photograph will be
21 taken on Tuesday in the President's office --

22 (Laughter)

23 The Chairman. -- following the first vote. We are
24 going to present a memorial skool on the completed contract
25 method of accounting to Senator Danforth. We are going to

1 thank Senator Wallop for bringing a taste of the old West
2 to these proceedings, which sometimes remind us that life
3 is a bit of a gamble. Senators Durenberger and Riegle are
4 leaving, and we will speak to them later on.

5 Senator Danforth. Mr. Chairman?

6 The Chairman. Sir.

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1 OPENING STATEMENT OF THE HON. JOHN C. DANFORTH, A U.S.
2 SENATOR FROM MISSOURI

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5 Senator Danforth. Well, let me thank you and Senator
6 Packwood, and say with respect to the completed contract
7 method of accounting, as Casey Stingel once said about the
8 completed contract method of accounting, it is still alive
9 until we adjourn sine die.

10 The Chairman. That is the spirit in which Senator
11 Danforth has persevered.

12 Senator Danforth. Mr. Chairman, I would like to say,
13 this has been 18 years on this committee, and this is the
14 committee on which to serve. The subject matter is very,
15 very interesting and the membership is really excellent.
16 The attendance of members, certainly at mark-ups, but at
17 hearings, is unlike any other committee.

18 The Chairman. Yes.

19 Senator Danforth. The interest that members show.
20 And, also, Senator Packwood has pointed out the long
21 history of bipartisanship in this committee. I first came
22 here when Senator Long was the Chairman, and he was, I
23 guess, for the first four years or so that I was on the
24 committee.

25 And then Senator Dole, and Senator Packwood, and

1 Senator Bentsen, and you, and all of our Chairmen have been
2 very good at working with the other side. And I think
3 that, of all the committees in the Senate, this one has the
4 best sense of bipartisan cooperation.

5 With respect to the trade agreement, this is a really
6 good trade agreement and it is clearly of great benefit to
7 our country. It clearly is a move into the future. It
8 will create jobs, it will create economic benefits for the
9 American people.

10 And I would like to express my appreciation to
11 Ambassador Yerxa, Mr. Shapiro, and Ambassador Kantor and
12 USTR, generally, for their cooperation with me and with my
13 staff, in particular, during the last year.

14 The Chairman. Thank you very much, Senator Danforth.
15 The moment to express our appreciation for one another will
16 come on the floor, of course, but it is very generous of
17 you to say what you did, and very characteristic.

18 Senator Rockefeller?

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1 OPENING STATEMENT OF THE HON. JOHN D. ROCKEFELLER, A U.S.
2 SENATOR FROM WEST VIRGINIA

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5 Senator Rockefeller. Mr. Chairman, this, perhaps, is
6 an awkward comment, but there are two words in the English
7 language which I never use, or almost never use. One, is
8 towering, and the other, is monumental. I reserve them,
9 and have always reserved them, only for the music of Johann
10 Sebastian Bach.

11 I am not saying that this achievement, which is the
12 work not only of seven years, but really of 60 years, is in
13 that category, but it comes as close, I think, as most
14 legislation that we deal with in this committee. And I
15 think it is a towering achievement and I think it will have
16 monumental consequences for not only our economy, but the
17 world's. It is interesting that Secretary Bentsen has
18 pointed out that if we were even to delay it for six months
19 it would cost 25,000 jobs, and \$70 billion, and I would
20 deem it the responsibility of this Congress, including the
21 Chairman of all of our committees and leaders of both
22 political parties to do the people's will and to get this
23 done.

24 And, if that is not to be the case, then I would
25 encourage the President to keep us in session until, in

1 fact, we do have it done because it is of enormous
2 magnitude. I remember a trip to Geneva with the Chairman
3 of this committee which was full of interest and verve, and
4 I simply want to get our work done. Thank you.

5 The Chairman. Properly so. I think Mr. Baucus is
6 next.

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1 OPENING STATEMENT OF THE HON. MAX BAUCUS, A U.S. SENATOR
2 FROM MONTANA

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5 Senator Baucus. Thank you, Mr. Chairman. I will say
6 to my good friend and colleague about towering and
7 monumental, just coincidentally, before I retired to bed
8 lasts night, I put on Bach's B Minor Mass. It is towering,
9 it is monumental.

10 Mr. Chairman, the Uruguay Round has been a long time
11 coming, and, as we all know, it has been bipartisan. It
12 has been a consensus effort that began under President
13 Reagan, completed by President Clinton, negotiated largely
14 by Carla Hills and Mickey Kantor, overseen and supported by
15 Senators of both parties.

16 When we opened the Round in the fall of 1986 we hoped
17 to bring trade, and services, and farm products under the
18 GATT, cut agricultural export subsidies, require GATT
19 members to protect intellectual property rights, continue
20 cutting tariffs and opening markets on a fair, reciprocal
21 basis, and improve dispute settlements while protecting
22 national sovereignty.

23 Ambitious goals. We did not meet them all. Our
24 negotiating objectives, for example, included as a domestic
25 objective in the area of trade, and services, and foreign

1 direct investment, "Protection of legitimate health, or
2 safety, and environmental interests."

3 While this bill does include one important trade-
4 related environmental provision, statutorily ensuring
5 environmental representation on the President's Advisory
6 Committee on Trade Policy and Negotiations, it does not
7 live up to the environmental objectives President Reagan
8 set.

9 But we do meet many of our goals. Within 10 years, the
10 Round will raise world economic production \$270 billion a
11 year. It will cut Europe's agricultural export subsidies,
12 reduce world tariffs by one-third, protect copyrights,
13 patents, and trademarks. The administration believes it
14 can add between \$100-200 billion a year for our country's
15 economy and create hundreds of thousands of new jobs.

16 The base agreement then is good. Most importantly, it
17 is a win for America's workers and America's consumers. I
18 am pleased to say this bill strengthens the base agreement
19 by including almost all proposals that Senator Danforth and
20 I made in our letter last June 24th to Ambassador Kantor.

21 First, the bill preserves our right to use Section 301
22 and laws on dumping and countervailing duties, it extends
23 Super 301 in legal form for a year, and it allows us to
24 include denying preferential trade benefits through GSP if
25 retaliation is necessary. It also includes the amendment

1 I proposed, which broadens Section 301 to help combat
2 collusive practices abroad, such as the Japanese practices
3 we are trying to persuade Minister Hashimoto to relinquish
4 today.

5 We have also made sure that America will still have
6 strong, effective antidumping laws, critical for promoting
7 both economic growth and the effectiveness of the
8 international system. The bill includes important
9 provisions on start-up, sunset, and fair comparison.

10 The Uruguay Round will not compromise our ability to
11 fight foreign dumping and protect U.S. jobs at home, and
12 the bill protects National and State sovereignty. This has
13 been an issue of great concern to Montanans, and it is of
14 great concern to me. No trade agreement--no agreement of
15 any sort--can be allowed to weaken the constitutional
16 prerogatives of Congress and the States.

17 This bill contains a provision I believe to be critical.
18 It ensures that no U.S. law will be changed by any GATT or
19 WTO body, procedure, or decision; only Congress has that
20 role. Regarding State sovereignty, the bill also includes
21 an amendment I co-sponsored to make sure States are consulted
22 and play a meaningful role in WTO dispute resolution and
23 decision making in every step of the process. As I have
24 said many times, this was essential for my support of the
25 implementing legislation.

1 Further, the bill will help make GATT decisions more
2 open, more comprehensible, and, thus, more legitimate.
3 Interested parties, such as environmental groups, will be
4 able to make their case to GATT dispute resolution panels.
5 This is a critically important reform.

6 Last July 19th when the committee began its drafting of
7 the bill, I raised three issues. I said they were of
8 critical importance to my support, and I meant it.

9 First, was fast-track. There was a bitter debate over
10 whether to include labor environmental negotiating
11 objectives in future trade agreements, as the Reagan
12 Administration did when it requested fast-track authority
13 for the Uruguay Round. Some on the committee opposed these
14 objectives. I felt that watering down the environmental
15 provisions would be a critical mistake.

16 We have chosen, I believe rightly, to wait until next
17 year to extend fast-track authority. That concern is
18 satisfied and I will be pushing hard to include
19 environmental and labor provisions in fast-track next year.

20 Second, was the so called "Economies in Transition"
21 proposal which would have exempted Russia and other post-
22 Communist economies from antidumping laws. The antidumping
23 laws were critical to our successful agreement last year to
24 cap Russian aluminum production, and weakening these laws
25 would have likely undone the agreement.

1 That would have been disastrous for Montana's Flighted
2 Valley, it would have been bad for the United States as a
3 whole, and, regardless of the bill's effects worldwide, a
4 GATT agreement which did that would have been unacceptable
5 to me. I am very pleased to say that the Economies in
6 Transition proposal is not in this bill.

7 Third, was the financing of the GATT. The most
8 detailed analysis of this agreement shows that it will
9 create a net gain of about \$17 billion to the Treasury over
10 the next five years. We have set, I believe, a bad
11 precedent by insisting on paying for something that will
12 bring in rather than cost revenue. As I said a few months
13 ago, that is secondary.

14 My greatest concern was if we were to pay for the
15 Uruguay Round, agriculture should not be singled out for
16 the brunt of it. The administration informs me that this
17 will not happen.

18 While the Export Enhancement Program does take a hit,
19 the bulk of the so called savings are shifted into other
20 agricultural programs. I have been promised that this will
21 appear in writing by this afternoon, so when that letter
22 arrives my three concerns will be satisfied.

23 On the whole, it is a good bill. It has taken time--a
24 long time--but I think the benefits are worth it.
25 Obviously, we do not know what the Commerce Committee will

1 do, or what other members of the Senate plan to do, but I
2 hope that we can work out those differences because I
3 believe that, in the long run, this is very good for our
4 country.

5 Mr. Chairman, I do not want to close without
6 congratulating you. You have worked very hard in this
7 bill. You have worked with the leadership, the Majority
8 Leader in particular, and staff. It has been
9 extraordinarily complicated and difficult, with many twists
10 and turns, and you have done a tremendous job and we all
11 compliment you for your excellent leadership.

12 The Chairman. Thank you, Senator Baucus. You are very
13 generous.

14 Senator Wallop? And, may I first say, Senator Wallop,
15 that we have your letter concerning the additional views on
16 Title 9 of the Superfund Reform Act, and, of course,
17 Senator Packwood and I would be happy to accommodate you.

18 Senator Wallop. Thank you very much.

19 The Chairman. Senator Wallop.

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1 OPENING STATEMENT OF THE HON. MALCOLM WALLOP, A U.S.
2 SENATOR FROM WYOMING

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5 Senator Wallop. Thank you, Mr. Chairman. Let me begin
6 by expressing my thanks to you and Senator Packwood for the
7 kind words about retiring members. I do not know how Jack
8 feels, but from time to time it crosses my mind that they
9 are more in the nature of eulogies than farewells.

10 I would also like to express my admiration for the
11 manner in which you have run the committee. It is not of
12 any delight to come here, but it has been effective beyond
13 my experience with the other Chairmen. And I say that with
14 the greatest respect, because I have known and had great
15 affection and respect for them all.

16 In this legislation, I agree with Senator Danforth that
17 it is a good treaty. I regret that I do not think the
18 implementing legislation lives up to the spirit of the
19 treaty. I think it walks back some of the freedoms that
20 were created and negotiated. It seems to me that we have
21 put in place a number of old-fashioned, old-time American
22 protectionisms that I would have hoped we might have not
23 done.

24 I would also say that the funding that we do do is not
25 real and we have not done it all. And I would not quarrel

1 with Senator Baucus, that we might better have taken the
2 dynamic projections of where this would take us and let it
3 go at that, but I think we chose the worst of all worlds.
4 We did not fund it all and we did not fund it well, and we
5 ignored the dynamic projection.

6 And for those of us who have spent a lot of time
7 talking about budget points of order and believing in them,
8 it puts us in a terrible spot to say that all those things
9 that we once did we believed in, but now we do not, because
10 there is a dynamic projection in the back.

11 And most of us believe that there have been dynamic
12 projections available to us on capital gains and on a
13 number of other kinds of things which Treasury and others
14 have steadfastly refused to admit.

15 So this Senator is not worried about the World Trade
16 Organization and other kinds of palaver that has gone
17 around, emotional palaver, about the treaty. But I am
18 concerned about a process, the whole process that the
19 administration has allowed itself to lapse into with a bill
20 of this magnitude, 22,000 more or less pages of treaty and
21 700 pages of bill, dropped on our desks.

22 Admittedly, some members of the Finance Committee have
23 more understanding of it than do others, but with nine days
24 to go, Mr. Chairman, it just does not seem to have been
25 very wise. I have got to tell you that I do not see where

1 votes are for a budget point of order. I know that the
2 administration is claiming they have 65, and hats off to
3 them if they do. I do not think they have counted them, I
4 think they have dreamed them.

5 And it is my concern that we are acting precipitously
6 and forcing ourselves into precipitous actions that will,
7 in the long run, if it should be, then it does not pass.
8 It is very hurtful to the United States.

9 I would have wished that a more prudent course had been
10 chosen. Perhaps if they had brought it to us earlier with
11 more time and less vulnerability -- we see the
12 vulnerability that Senator Hollings has laid on it, the
13 right percent, which is well within his right and within
14 the law.

15 It seems to me to have been one hell of a gamble, and
16 I am afraid it is not going to pay off, and it is the
17 reputation of our country that it worsened, and I frankly
18 do not know where I am going to go on the floor because I
19 believe in the budget point of order. I believe that we
20 have to pay it mind. And what are we now short, \$2
21 billion, something like that?

22 The Chairman. No, sir. I believe we are within our
23 five-year projection. Ms. Miller, would you want to
24 comment on that? The tables are before you.

25 Ms. Miller. I should ask the tax staff to comment on

1 the funding.

2 Senator Packwood. Well, are we not 2.5 short as scored
3 by CBO?

4 Senator Wallop. But that leaves us with a problem.

5 Senator Packwood. Yes. Right.

6 Senator Wallop. The whole point of fast-track was to
7 avoid super majorities and all that goes with it in terms
8 of extended debate and other kinds of things. And now the
9 administration has dropped itself right smack into the
10 middle of that vulnerability, and it seems to me to have
11 been a bit reckless. But we will see.

12 The Chairman. Fine. I think, if I may, we will leave
13 this for the floor.

14 Senator Wallop. Well, I understand, Mr. Chairman. I
15 am just trying to explain the concerns that I have.

16 The Chairman. Sure.

17 Senator Wallop. I honestly believe that the
18 legislation walks back from some of the achievements of the
19 treaty, and I do not feel good about that.

20 The Chairman. And that is a view to be taken with
21 great attention, certainly, by this Senator. May I say, we
22 do have the Joint Committee on Taxation tables here, and
23 you can satisfy yourself, or not, as the case may be.

24 And do not even talk about eulogies, think of the
25 adventures to come, which brings to mind Senator Conrad.

1 Good morning, sir.

2 Senator Conrad. Mr. Chairman, in the interest of time,
3 I will forego any statement at this point and reserve
4 statement for the floor.

5 The Chairman. Thank you very much, sir. Very
6 thoughtful of you.

7 Mr. Daschle?

8 Senator Daschle. That is my intention as well.

9 The Chairman. Mr. Riegle?

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1 OPENING STATEMENT OF THE HON. DONALD W. RIEGLE, JR., A U.S.
2 SENATOR FROM MICHIGAN

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5 Senator Riegle. Mr. Chairman, let me just say that I
6 appreciate very much your leadership on this issue. This
7 has been a complex, difficult matter for many, many
8 reasons. But I think it has been able to move forward step
9 by painful step, in large part, because of your efforts in
10 working this through.

11 I think we need to get this done. I do not say it is
12 perfect, and there are parts of it that I would like to see
13 different than it may be, but I think it is important that
14 we act and that we act affirmatively, and I will so vote.

15 The Chairman. Did I overlook Senator Grassley? That
16 is a very difficult thing to do, and a very dangerous thing
17 to do.

18 Senator Grassley. If you did, I did not notice that
19 you did.

20 (Laughter)

21 The Chairman. Thank you.

22 Senator Grassley. But I'll be on my toes next time.

23 (Laughter)

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1 OPENING STATEMENT OF THE HON. CHARLES E. GRASSLEY, A U.S.
2 SENATOR FROM IOWA

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5 Senator Grassley. Well, first of all, I want the bill
6 to move out of committee and move forward. I still have
7 the same problems that other people on this side have
8 expressed about the budget neutrality and my vote of
9 approval going out of here should not signal what I would
10 do on that particular question on the floor of the Senate.

11 I would also raise the point that, whereas I do not
12 have, maybe, the concerns of some of my constituents about
13 the World Trade Organization because I think in other
14 agreements we have had we have seen similar processes work
15 smoothly without infringing upon our sovereignty, I do,
16 though, think it is a very critical issue, and too bad that
17 we cannot take a great deal of time to have a debate on
18 that subject and satisfy everybody about the sovereignty
19 issue.

20 I would have more concerns about the sovereignty issue
21 if I did not see so often the people who espouse that point
22 of view that it might violate the sovereignty as forces, or
23 individuals, or interests who also are probably opposed to
24 GATT, and I see that sometimes as a fig leaf to cover other
25 arguments. But we should have a responsibility in this

1 body to make sure that we satisfy the people on this.

2 There is not any reason to have any questions about the
3 issue of sovereignty and I would wish that people who are
4 here who are constitutional lawyers would make a point of
5 trying to make sure that that issue is cleared up if there
6 is an intention that this pass yet this fall.

7 The Chairman. Thank you, Senator Grassley. I could
8 not more agree. Of course, there are provisions in the
9 matter. We have a five-year review. This committee is
10 ever of the view that if there is any infringement on
11 American sovereignty by this organization we will be out of
12 it by sundown.

13 And I see Senator Bradley is here. We welcome you,
14 sir.

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1 OPENING STATEMENT OF THE HON. BILL BRADLEY, A U.S. SENATOR
2 FROM NEW JERSEY

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5 Senator Bradley. Thank you very much, Mr. Chairman.
6 Mr. Chairman, it is my hope that we will pass this
7 legislation quickly and that it will pass the Senate. For
8 me, this has been a decade-long process. Back in 1984 I
9 was asked by Arthur Dunkel to serve on a panel to kind of
10 lay out a conceptual framework for the new round of trade
11 negotiations.

12 I was the only American, the only politician, so I had
13 a heavy burden, but there were seven of us and we met for
14 about a year and we published a document that gathers dust
15 on the shelves of bureaucrats around the world. But it did
16 form, I think, the basis for this round.

17 And I will tell you that the round accomplished almost
18 all of the objectives that we set out in terms of
19 identifying non-tariff barriers, making trade rules more
20 transparent in terms of dispute settlement mechanisms,
21 right down the line in terms of bringing services and
22 agriculture into the GATT.

23 The Chairman. Yes. And subsidies.

24 Senator Bradley. And, Mr. Chairman, clearly making
25 subsidies more transparent and eliminating subsidies. So,

1 Mr. Chairman, we have a document before us that means a
2 tremendous amount to the possibility for world growth. It
3 is a significant tax cut for Americans, about \$3 billion a
4 year over each of the next 10 years. People say we need to
5 delay this for six months. Well, even if we delay this it
6 means \$110 less for every American in terms of reduced
7 tariffs and less economic growth.

8 So, Mr. Chairman, it is my hope that we will move on
9 this legislation and that we will pass it, and that we will
10 resist attempts to delay it because it means too much to
11 too many people. I believe the markets have already
12 discounted a \$740 billion tax cut worldwide, and if this is
13 delayed, the markets will react and it will have an impact
14 on Main Street, as well as Wall Street. And, therefore,
15 for those who would delay, a responsibility will have to be
16 borne for that delay.

17 And I would hope, as we have on this committee on trade
18 matters since I have been on it for 16 years when I arrived
19 and we were in the Tokyo Round and I sat for the first four
20 months on the committee not understanding one word that was
21 spoken on the committee, that we will act in a bipartisan
22 manner and pass this legislation and move the world economy
23 forward and create more prosperity for our citizens, as
24 well as citizens around the world.

25 The Chairman. Very well said, indeed, and just exactly

1 the note on which to conclude our statements.

2 Senator Packwood. Mr. Chairman?

3 The Chairman. Our thanks to Senator Bradley for
4 working on that Dunkel committee which did conceptualize
5 what we have here as something never before done.

6 Senator Packwood?

7 Senator Packwood. Senator Roth has left his office and
8 he wants to make a statement before we vote. I hate to
9 keep us here, but -- is he here? Good.

10 The Chairman. Senator Roth?

11 Senator Packwood. Here he comes.

12 The Chairman. Senator Roth, while you are settling in,
13 can I make the point that it might not be instantly
14 recognizable to everyone that a tariff is a tax. Until the
15 income tax appeared under President Taft and President
16 Wilson, most of the revenues of the Federal Government came
17 out of this committee in the form of tariffs. And when you
18 cut tariffs, you cut taxes.

19 And, Senator Roth, the last word is yours, sir.

20 Senator Baucus. The last word in ties, too.

21 The Chairman. That's the last word in ties, too, says
22 Senator Baucus.

23 (Laughter)

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1 OPENING STATEMENT OF THE HON. WILLIAM V. ROTH, JR., A U.S.
2 SENATOR FROM DELAWARE

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5 Senator Roth. Well, I just think Max is jealous. I
6 can understand that as I look at his sort of dull,
7 undramatic tie.

8 Certainly that is not the case with the matter before
9 us, Mr. Chairman. I think this is an extraordinarily
10 important agreement. It is one that has been the results
11 of three different administrations and I think trade is the
12 name of the game. I think our future success as a Nation
13 depends on --

14 The Chairman. A quarter of our GDP is trade.

15 Senator Roth. -- our ability to compete, to create
16 good jobs, to have a growing, prosperous Nation depends
17 upon our being competitive in this world economy. So I
18 look forward to working with you on this important piece of
19 legislation.

20 The Chairman. Thank you, Senator Roth. I could not be
21 more grateful. And, with that, if no one else wishes to be
22 heard --

23 Senator Rockefeller. Mr. Chairman?

24 The Chairman. Senator Rockefeller.

25 Senator Rockefeller. There are four people who have

1 worked very hard on this who have not been mentioned, and
2 I would just simply like to do that. On your own staff,
3 Marcia Miller has been; Debbie Lamb and Eric Biel have not
4 been. They have done extraordinary work. On Senator
5 Packwood's staff, Brad Figel and Eric Outter have not been
6 mentioned and they should have been mentioned. As well as
7 Ira Shapiro and Ambassador Yerxa, I think Sue Esserman and
8 Paul Joffe should also be mentioned.

9 The Chairman. Exactly. Thank you for doing so.

10 On that gracious note, the clerk will call the roll.

11 The Clerk. Mr. Baucus.

12 Senator Baucus. Aye.

13 The Clerk. Mr. Boren.

14 The Chairman. Aye, by proxy.

15 The Clerk. Mr. Bradley.

16 Senator Bradley. Aye.

17 The Clerk. Mr. Mitchell.

18 The Chairman. Aye, by proxy.

19 The Clerk. Mr. Pryor.

20 The Chairman. Aye, by proxy.

21 The Clerk. Mr. Riegle.

22 Senator Riegle. Aye.

23 The Clerk. Mr. Rockefeller.

24 Senator Rockefeller. Aye.

25 The Clerk. Mr. Daschle.

1 Senator Daschle. Aye.
2 The Clerk. Mr. Breaux.
3 The Chairman. Aye, by proxy.
4 The Clerk. Mr. Conrad.
5 Senator Conrad. Aye.
6 The Clerk. Mr. Packwood.
7 Senator Packwood. Aye.
8 The Clerk. Mr. Dole.
9 Senator Dole. (No response)
10 The Clerk. Mr. Roth.
11 Senator Roth. Aye.
12 The Clerk. Mr. Danforth.
13 Senator Danforth. Aye.
14 The Clerk. Mr. Chafee.
15 Senator Packwood. Aye, by proxy.
16 The Clerk. Mr. Durenberger.
17 Senator Packwood. Aye, by proxy.
18 The Clerk. Mr. Grassley.
19 Senator Grassley. Aye.
20 Senator Packwood. Aye, by proxy.
21 The Clerk. Mr. Hatch.
22 Senator Packwood. Aye, by proxy.
23 The Clerk. Mr. Wallop.
24 Senator Wallop. Aye.
25 The Clerk. Mr. Chairman.

1 The Chairman. Aye. There are 19 yeas and no nays.

2 The Uruguay Round is on its way. Thank you all.

3 (Applause)

4 (Whereupon, at 10:36 a.m., the meeting was concluded.)

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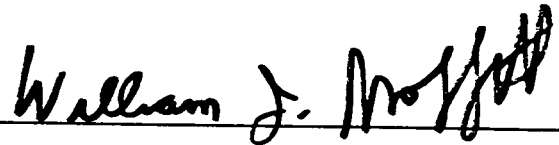
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C E R T I F I C A T E

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2 This is to certify that the foregoing proceedings of a
3 Executive Committee Meeting, Committee on Finance, United
4 States Senate, held on Thursday, September 29, 1994, were
5 transcribed as herein appears and that this is the original
6 transcript thereof.

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9 

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11 WILLIAM J. MOFFITT

12 Official Court Reporter

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17 My Commission Expires April 14, 1999

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DANIEL PATRICK MOYNIHAN, NEW YORK, CHAIRMAN

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MALCOLM WALLOP, WYOMING

United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

LAWRENCE O'DONNELL, JR., STAFF DIRECTOR
LINDY L. PAULL, MINORITY STAFF DIRECTOR AND CHIEF COUNSEL

EXECUTIVE SESSION

Thursday, September 29, 1994 -- 10:00 a.m.

Room SD-215 Dirksen Senate Office Building

A G E N D A

To consider S. 2467, a bill to approve and implement the trade agreements concluded in the Uruguay Round of Multilateral Trade Negotiations ("Uruguay Round Agreements Act").

Melba Wilby

September 29, 1994

TALKING POINTS ON GATT FOR MARKUP-ROLL CALL VOTE

MR. CHAIRMAN, IF I COULD SAY A FEW WORDS BEFORE THIS COMMITTEE REPORTS OUT THIS LEGISLATION. . .

THIS AGREEMENT IS IMPORTANT-I'M SURE WE ALL AGREE ON THAT. BUT THIS ADMINISTRATION HAS NOT TREATED GATT WITH THE SERIOUSNESS THAT GATT DESERVES.

HERE THE ADMINISTRATION IS, WITH ONE WEEK LEFT IN THE LEGISLATIVE SESSION, TRYING TO RAM THROUGH A WORLD TRADE AGREEMENT USING POLITICAL PRESSURE RATHER THAN MAKING THE STRONG INTELLECTUAL AND ECONOMIC ARGUMENTS FOR THE AGREEMENT WHICH I BELIEVE GATT COULD HAVE COMMANDED. BUT FROM THE VERY BEGINNING OF THIS PROCESS, IT HAS BEEN CLEAR THAT THE OBJECTIVE OF THE ADMINISTRATION HAS BEEN LESS TO PASS GATT THAN TO CLAIM A POLITICAL VICTORY WHILE MAINTAINING THE PROTECTIONIST BIASES IN CURRENT US TRADE LAW FOR THE BENEFIT OF THE MOST PROTECTED INDUSTRIES IN THE UNITED STATES. HAD THIS ADMINISTRATION SOUGHT TO PASS GATT QUICKLY AND EFFECTIVELY, IT WOULD NOT HAVE ADULTERATED THE AGREEMENT WITH IMPLEMENTING LEGISLATION WHICH SCALES BACK THE LANGUAGE AND FAIR TRADE SPIRIT OF THE GATT NEGOTIATED OVER THE PAST EIGHT YEARS. A CLEAN, UNBIASED GATT WOULD HAVE BEEN MUCH SIMPLER TO PASS AND MUCH SIMPLER TO DEFEND.

YET WE KNOW THAT PROTECTIONISTS WILL NEVER BE SATISFIED-SENATOR HOLLINGS' OPPOSITION TO GATT, WHICH HANGS OVER ALL OF OUR HEADS RIGHT NOW, IS CLEAR EVIDENCE OF THIS. ALONG THE SAME LINES, THE ENVIRONMENTALISTS WILL NEVER BE SATISFIED WITH ANY TRADE AGREEMENT WHICH DECREASES THE ABILITY OF GOVERNMENTS TO SHACKLE PRODUCTIVE BUSINESSES AND PRIVATE CITIZENS WITH ENVIRONMENTAL REGULATIONS. RALPH NADER WILL NEVER BE SATISFIED. PAT BUCHANAN AND ROSS PEROT HAVE NOT BEEN CHALLENGED EFFECTIVELY, AND HAVE TAKEN THEIR ARGUMENTS STRAIGHT TO THE AMERICAN PEOPLE, WHO HAVE HEARD NO REBUTTALS FROM THIS ADMINISTRATION. MR. CHAIRMAN, WE HERE ON THE FINANCE COMMITTEE ARE NOT THE ONLY ONES WHO NEED TO BE CONVINCED ABOUT THE IMPORTANCE OF THIS AGREEMENT. IT IS THE ADMINISTRATION'S JOB TO CONVINCING THE AMERICAN PEOPLE THAT GATT WILL-DESPITE THE CURRENT IMPLEMENTING LEGISLATION, ABOUT WHICH I HAVE MANY RESERVATIONS-BE A GOOD, ECONOMICALLY POSITIVE FORCE FOR THIS COUNTRY. THE ADMINISTRATION HAS NOT MADE ITS CASE THUSFAR, AND IT MAY BE TOO LATE TO DO SO.

FINALLY, BECAUSE OF THE LACK OF INTEGRITY IN THE ADMINISTRATION'S FINANCING PROPOSALS, MANY MEMBERS MAY BE PUT IN THE DIFFICULT POSITION OF HAVING TO EITHER FLAUNT THE BUDGET RULES OR VOTE AGAINST GATT. AGAIN, THE ADMINISTRATION HAS MANUFACTURED THIS PROBLEM. WE COULD HAVE BEEN HONEST AND USED DYNAMIC SCORING INSTEAD OF PUTTING FORTH A SHODDY FINANCING PACKAGE WHICH NOBODY

WOULD SERIOUSLY CONTEND PAYS FOR THE TARIFF REVENUES LOST. IT IS
BAD POLICY TO PUT TO MEMBERS THE CHOICE OF SUPPORTING FUNDING WE
KNOW IS A SHAM, OR KILLING AN AGREEMENT THAT WE BELIEVE IS
BASICALLY A GOOD THING.

IF GATT PASSES, MR. CHAIRMAN, IT WILL BE DESPITE THE EFFORTS OF
THIS ADMINISTRATION AND NOT BECAUSE OF THEM.

**SUMMARY OF S. 2467 (H.R. 5110)
THE "URUGUAY ROUND AGREEMENTS ACT"**

Thursday, September 29, 1994

**TITLE I -- APPROVAL OF, AND GENERAL PROVISIONS
RELATING TO THE URUGUAY ROUND AGREEMENTS**

Title I contains general provisions (1) on approval and entry into force of the Uruguay Round Agreements, and the relationship of the Agreements to Federal and State laws; (2) authorities to implement the results of the tariff negotiations; (3) procedures regarding implementation of dispute settlement proceedings affecting the United States and oversight of activities of the World Trade Organization (WTO); and (4) objectives regarding extended Uruguay Round negotiations and other related provisions.

Congress approves the Uruguay Round Agreements and the Statement of Administrative Action accompanying the implementing bill, submitted by the President to the Congress on September 27, 1994. Subtitle A includes conditions for the entry into force of the Agreements for the United States.

Subtitle A also sets forth the relationship of the Agreements to U.S. Federal and State laws and establishes extensive Federal-State consultation procedures regarding Agreement obligations and dispute settlement proceedings affecting State laws. Subtitle B authorizes the President to proclaim the tariff modifications necessary or appropriate to implement the U.S. Uruguay Round Schedule XX.

Subtitle C sets forth consultation, notice, and reporting requirements with Congressional Committees, private sector advisory committees, and the public throughout WTO dispute settlement proceedings affecting the United States, and detailed procedures concerning implementation of dispute settlement findings. Subtitle C also requires an annual report to Congress on WTO activities and establishes procedures for Congressional review every five years of U.S. participation in the WTO.

Subtitle D sets forth U.S. objectives for extended negotiations on financial services, basic telecommunications, and civil aircraft; a requirement to seek the establishment of, and objectives for, a working party on internationally-recognized worker rights; and various other provisions related to implementation of agreement obligations.

TITLE II -- ANTIDUMPING AND COUNTERVAILING DUTY PROVISIONS

Title II amends U.S. antidumping and countervailing duty laws to implement the Uruguay Round Antidumping and Subsidies/Countervailing Measures Agreements. In addition, it establishes mechanisms for the enforcement of U.S. rights under the Subsidies Agreement.

Antidumping provisions.--Title II amends U.S. antidumping law to:

- establish a new fair comparison methodology that deducts an amount for the importer's profit from the U.S. price and provides for level of trade adjustments in the foreign market;
- require a revocation of antidumping or countervailing duties after five years unless a determination is made (in a "sunset" review) that revocation would likely lead to a continuation or recurrence of dumping or subsidization and injury;
- require an examination of duty absorption in the context of sunset reviews, on request;
- require in general that U.S. and foreign market prices be compared on an average-to-average basis in investigations, while providing a preference for average-to-individual comparisons in reviews;
- establish a special adjustment for start-up production costs;
- establish a special provision for captive production;
- improve existing anticircumvention provisions; and
- make other technical and conforming amendments to bring U.S. antidumping law into conformity with the Agreement.

Countervailing duty/subsidies provisions.--Title II amends U.S. countervailing duty law and establishes procedures to enforce U.S. rights concerning foreign subsidies to:

- incorporate the Agreement's definitions of countervailable subsidy and specificity, which largely reflect existing U.S. law;
- establish rules for injury investigations in cases where such investigations were not previously required;

- implement the Agreement's stricter disciplines on subsidies that, by their nature, are presumed to cause harm to other countries' industries;
- implement the Agreement's three categories of non-actionable ("green light") subsidies: for research, regional development, and certain environmental improvements;
- provide for the automatic expiration after 5-1/2 years of the green light provisions of U.S. countervailing duty law, unless extended by Congress; and
- provide a specific opportunity for action under section 301 to address instances where green light subsidies are found to cause "serious adverse effects."

TITLE III -- ADDITIONAL IMPLEMENTATION OF AGREEMENTS

Title III implements in U.S. domestic law various provisions of the Uruguay Round Agreements relating to import safeguard measures; foreign trade barriers and unfair trade practices; unfair practices in import trade, textiles and apparel trade; government procurement; and technical barriers to trade (product standards).

Safeguards provisions.--Subtitle A amends the safeguards provisions of U.S. law to: (1) provide more rapid and effective relief to a U.S. industry in "critical circumstances" cases; (2) revise the period of relief available to an initial period of four years, with a possible four-year extension; (3) establish guidelines for imposition of quantitative restraints (QRs); (4) ban orderly marketing agreements; and (5) conform U.S. law to the procedural and due process requirements of the Agreement.

Foreign trade barriers and unfair trade practices.--Subtitle B amends section 301 of the Trade Act of 1974, "special 301", and "Super 301" authorities under U.S. domestic law to enforce U.S. rights against foreign violations of trade agreements and other unfair foreign trade practices to (1) conform to time limits under WTO dispute settlement procedures; and (2) clarify the scope of section 301 authority and its application to intellectual property rights protection and foreign anticompetitive practices. With respect to "Super 301," Subtitle B also codifies, through 1995, the provisions of the President's March 3, 1994 Executive Order on "Super 301" by (1) requiring initiation of section 301 on foreign practices identified by September 30, 1995 as priorities for elimination to expand U.S. exports; and (2) requiring consultations with Congressional Committees on action with respect to foreign trade barriers identified in the annual National Trade Estimates report.

Subtitle B also sets forth U.S. objectives on intellectual property and amplifies the bases for identifying priority foreign countries that lack adequate intellectual property protection.

Section 337 provisions.--Subtitle C amends section 337 of the Tariff Act of 1930, which provides remedies against imports that infringe valid and enforceable U.S. intellectual property rights, to: (1) preserve the overall efficacy of the section 337 remedy; (2) delete statutory timeframes for completion of ITC investigations, but require that ITC set a target date for completing each investigation at the earliest practicable time; (3) minimize duplication of proceedings between the ITC and Federal district courts; and (4) limit the circumstances under which general exclusion orders may be granted.

Textiles and clothing.--Subtitle D sets forth requirements regarding the process for determining the list of products to be integrated into the GATT during the transition phaseout period of the Multifiber Arrangement; extends the President's existing authority to regulate imports from countries not parties to a multilateral agreement on textile or agricultural products to cover imports from countries which are not parties to, or to whom the United States does not apply the WTO Agreement; establishes procedures regarding importation of products illegally transshipped; and requires the Secretary of the Treasury to issue regulations by July 1, 1995 establishing an "assembly" rule of origin for textile and apparel products as of July 1, 1996, with existing contracts entered into before July 20, 1994 "grandfathered" for goods imported before January 1, 1998.

Government procurement.--Subtitle E amends Title III of the Trade Agreements Act of 1979: (1) to conform to time limits and criteria for identifying, and imposing sanctions against, countries which maintain significant and persistent discrimination in their government procurement of U.S. goods or services; (2) to authorize the President to waive the prohibition on procurement of foreign products from non-signatory countries which apply transparent and competitive procurement procedures and maintain and enforce effective prohibitions on bribery and other corrupt practices in their procurement, and to waive the prohibition when supplies are unavailable; and (3) to authorize restrictions to be waived on expanded procurement coverage under the U.S.-Israel Free Trade Agreement and under the Rural Electrification Act. [NOTE: This Subtitle is in the jurisdiction of the Committee on Governmental Affairs.]

Product standards.--Subtitle F amends Title IV of the Trade Agreements Act of 1979 to clarify the ability of Federal agencies to issue standards-related measures and to determine the appropriate level of safety or protection of standards measures. [NOTE: This Subtitle is in the jurisdiction of the Committee on Commerce, Science, and Transportation.]

TITLE IV -- AGRICULTURE-RELATED PROVISIONS

Title IV, Subtitle A (Agriculture), as well as the tariff modifications under section 111 in Title I, implement the Agreement on Agriculture.

Section 111 provides the general authority for (1) the conversion of U.S. quantitative import restrictions to tariff-rate quotas; and (2) the staged reduction of tariffs on imported agricultural products.

Part I (Market Access) of Subtitle A makes changes to Federal law to (1) reflect the conversion of quantitative restrictions, authorized under section 22 of the Agricultural Adjustment Act of 1933 and the Meat Import Act of 1979, to tariff-rate quotas; (2) authorize the President to take certain actions in administering tariff-rate quotas; and (3) establish a special safeguard for agricultural imports pursuant to Article 5 of the Agreement on Agriculture and provide the President with the authority to administer this safeguard with the advice of the Secretary of Agriculture.

Part II (Exports) makes changes to export-related provisions in agricultural trade law to ensure that U.S. export programs operate consistently with U.S. commitments on export subsidies under the Agreement. [NOTE: This Part is in the jurisdiction of the Committee on Agriculture, Nutrition, and Forestry.]

Part III (Other Provisions) contains provisions that (1) provide authority for the President to establish tariff-rate quotas on certain tobacco and tobacco-product imports; (2) amend tobacco-related provisions in the Omnibus Budget Reconciliation Act (OBRA) of 1993; and (3) provide authority for the President to reduce or eliminate tariffs on cigar binder and filler, wrapper, or oriental tobacco. Part III also mandates reports on (1) the extent to which Canada is complying with its obligations under the Uruguay Round Agreements and with its related obligations under the North American Free Trade Agreement with respect to dairy and poultry products; and (2) the effects of the Uruguay Round Agreements on the Federal milk marketing order system.

Subtitle B (Sanitary and Phytosanitary Measures) amends Federal law to bring programs administered by the U.S. Department of Agriculture within the disciplines of the Agreement on the Application of Sanitary and Phytosanitary Measures. Subtitle C (Standards) provides for certain changes to Federal laws relating to agriculture products to implement the Agreement on Technical Barriers to Trade. [NOTE: This Subtitle is in the jurisdiction of the Committee on Agriculture, Nutrition, and Forestry.]

TITLE V - INTELLECTUAL PROPERTY

[NOTE: This Title is in the jurisdiction of the Committee on the Judiciary.]

Title V implements the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Title V consists of subtitles making changes in Federal law with respect to copyrights, trademarks, and patents.

Copyright provisions.--The copyright subtitle eliminates the sunset provision on rental rights in computer programs; protects against the unauthorized fixation in a sound recording or music video of a live performance or the communication to the public of the sounds of a live performance (the "antibootlegging" provision); and restores copyright protection to works already in the public domain in the United States but still under protection in a WTO Member that is the source of the work.

Trademark provisions.--The trademark subtitle amends the definition of "abandonment" to extend from two to three years the time of non-use before there is prima facie evidence of abandonment; and prohibits registration of a misleading geographic indication identifying wines or spirits.

Patent provisions.--The patent subtitle provides NAFTA-consistent treatment of inventive activity occurring in WTO Member countries for purposes of establishing the date of invention; amends the definition of infringing activity to include offers for sale and importation of a patented good; modifies the term of patent protection to 20 years from filing; and establishes a provisional patent application system and a right of internal priority for patent applications filed originally in the United States, as well as enabling a patent applicant to extend the term of patents that are delayed by interference proceedings, secrecy orders, or successful appeals to the Board of Patent Appeals or a Federal court.

Other areas of U.S. intellectual property law are unaffected by the agreement.

TITLE VI -- RELATED PROVISIONS

Title VI contains provisions extending expiring programs and amendments to certain customs laws related to the Uruguay Round Agreements, as well as conforming amendments to various laws to reflect the implementation of the Agreements.

Expiring programs.--Subtitle A extends the existing Generalized System of Preferences (GSP) program under Title V of the Trade Act of 1974, which expires on September 30, 1994, for a 10-month period, until July 31, 1995. The production incentive certificate program for watch assemblers in the U.S. insular possessions, which expires on January 1, 1995, is extended for 12 years.

Customs provisions.--Subtitle B contains a technical correction to the Customs COBRA User Fee Account allowing Customs to reimburse its salaries and expenses appropriation for the enhanced Sunday and holiday customs inspector premium pay which was authorized in the Customs Inspector Pay Reform Act last year. Subtitle B also provides for an increase in the current customs merchandise processing fee rate for formal entries to .21 percent *ad valorem* and increases the cap on the range of such rate from .19 percent to .21 percent *ad valorem*.

TITLE VII -- REVENUE PROVISIONS

Title VII contains timing and compliance provisions, outlay reduction, and other provisions to assist in offsetting the projected cost of the implementing legislation.

The outlay reductions in Title VII derive from reforming the operation of the earned income tax credit and from reducing the interest rate that the Federal Government pays with respect to large corporate tax overpayments. In addition, the Treasury Department would be allowed to set investment yields for savings bonds according to market conditions, without the present-law constraint of a minimum investment yield of four percent.

Other provisions in Title VII are designed to improve taxpayer compliance and the timing of receipts to the Federal Government. For instance, taxpayers would be given the option to request voluntary withholding on certain Federal Government benefits and unemployment compensation. Certain income from foreign corporations would be subject to estimated tax throughout the year, like other types of income. Collections of certain excise taxes would be accelerated. A tax loophole would be closed by ensuring that partnerships cannot avoid gain to their partners by distributing marketable securities instead of cash.

Title VII also contains pension reforms that would increase the variable rate Pension Benefit Guaranty Corporation (PBGC) insurance premium paid by underfunded plans. These pension reforms are also designed to improve funding in current underfunded defined benefit plans guaranteed by PBGC and to improve participant protections.

TITLE VIII -- PIONEER PREFERENCES

Title VIII amends the Communications Act to require that the three companies that have been awarded "Pioneer Preferences" by the Federal Communications Commission pay the Government for their licenses to provide personal communications services. The provision requires these companies to pay an amount equal to 85 percent of the average amount that is paid for comparable licenses in the 20 largest markets in the United States, calculated on a per capita basis. The provision also codifies the Commission's decision to designate these companies as "pioneers," and establishes a five-year schedule for the payments. [NOTE: This Title is in the jurisdiction of the Committee on Commerce, Science, and Transportation.]

**SUMMARY OF THE PROVISIONS FOR
FINANCING THE IMPLEMENTATION OF THE URUGUAY ROUND OF THE
GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)**

The following is a brief summary of certain of the financing provisions relating to the implementation of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT).¹

1. Withholding on distributions of Indian casino profits to tribal members

Under the proposal, an Indian tribe that distributes net revenues from certain gaming activities to its members would be required to withhold on such payments in accordance with a schedule of graduated withholding rates or in accordance with such tables or computational procedures as the Secretary of the Treasury may prescribe. The proposal would be effective for payments made after December 31, 1994.

2. Voluntary withholding on certain Federal payments and on unemployment compensation

The proposal would give taxpayers who receive specified Federal payments and unemployment compensation the option of requesting that the agency making the payments withhold Federal income taxes from the payments. The proposal would be effective for payments made after December 31, 1996.

3. Treatment of Subpart F and section 936 income of taxpayers using annualized method for estimated tax

The proposal generally would require estimated tax payments to be made throughout the year for subpart F inclusions and certain amounts includible under section 936 for the year,

¹ The GATT legislative language will be submitted by the President to the Congress under the current "fast track" trade legislative procedures. Once submitted by the President, the GATT legislative provisions may not be amended and are to be considered by the Congress on an expedited basis. Technical explanations of the trade and tax provisions of the GATT legislation will be included in the President's Statement of Administrative Action as well as official committee reports to be filed by the House Committee on Ways and Means and the Senate Committee on Finance.

generally effective for taxable years of shareholders beginning after December 31, 1994. To minimize administrative difficulties, certain safe harbors would be provided.

4. Time for payments and deposits of certain excise taxes

The proposal generally would accelerate to September 29 (rather than the subsequent fiscal year) the due date for deposit (or payment) of all excise taxes that must be remitted to the Federal Government on a semi-monthly basis for the period September 16 through September 26. Special rules would apply to the taxes on ozone-depleting chemicals, communications services, and air transportation. In addition, safe harbors would be provided with respect to the payment of certain excise taxes. The proposal would be effective on January 1, 1995, for taxes other than the taxes on air transportation, and on January 1, 1997, for the air transportation excise taxes.

5. Reduction in rate of interest paid on certain corporate overpayments of tax

The rate of interest paid on overpayments of tax would be reduced to the sum of the Federal short-term rate plus one-half percentage point for any portion of an overpayment of any Federal tax by a corporation for a taxable period that exceeds \$10,000. The proposal would apply for purposes of determining interest for periods after December 31, 1994.

6. Extension of the earned income tax credit to military personnel stationed outside the United States

The proposal would require that members of the Armed Forces receive annual reports from the Department of Defense of earned income (which includes nontaxable earned income such as amounts received as basic allowances for housing and subsistence). This proposal would be effective for remuneration paid after December 31, 1994.

The proposal would permit members of the Armed Forces stationed outside the United States on extended active duty to claim the earned income tax credit. This proposal would be effective for taxable years beginning after December 31, 1994.

7. Certain nonresident aliens ineligible for earned income tax credit

The proposal would make individuals who are nonresident aliens for any portion of the taxable year ineligible to claim the earned income tax credit unless an election under Code section 6013(g) or (h) is in effect for the taxable year. The proposal would be effective for taxable years beginning after December 31, 1994.

8. Income of prisoners disregarded in determining earned income tax credit

For purposes of computing the earned income tax credit, the proposal would remove from the definition of earned income any amount received for services provided while an individual is an inmate in a penal institution. The proposal would be effective for taxable years beginning after December 31, 1993.

9. Treatment of excess pension assets used for retiree health benefits

The proposal generally would extend for 5 years, for 1996 through 2000, the present-law provision permitting excess defined benefit pension plan assets to be used to provide retiree health benefits under a section 401(h) account, with a modification to the maintenance of effort requirement and a clarification of the allocation rule for amounts previously set aside for retiree health benefits.

10. Rounding rules for cost-of-living adjustments

The proposal would provide that the dollar limits on contributions and benefits under qualified pension plans are indexed in \$5,000 increments, the dollar limit on elective deferrals is indexed in \$500 increments, and the dollar limit on compensation taken into account for simplified employee pensions is indexed in \$50 increments, effective for years beginning after December 31, 1994. However, under the proposal, no dollar limit would be reduced below the limit in effect for years beginning in 1994.

11. Increase in inclusion of Social Security benefits paid to nonresidents

The proposal would increase from 50 percent to 85 percent the amount of Social Security or Railroad Retirement Tier 1 benefits included in the gross income of a nonresident alien individual that is subject to withholding tax, effective for benefits paid after December 31, 1994. The effect of the proposal is to more nearly conform the maximum effective rate of U.S. tax on these benefits to the corresponding rate applicable to similar benefits paid to U.S. citizens and residents. The proposal would not impose tax contrary to any treaty obligation of the United States. Thus, if taxation of such a benefit would conflict with an existing treaty, the treaty would continue to prevail.

12. Partnership distributions of marketable securities

The proposal would treat the distribution by a partnership of marketable securities like a distribution of cash for purposes

of measuring gain. A partner would recognize gain to the extent the fair market value of the marketable securities exceeds the partner's adjusted basis in its partnership interest.

Exceptions would be provided: (1) if the distributed security was contributed by the distributee partner; (2) to the extent provided in regulations, if the distributed security was not a marketable security when acquired by the partnership; (3) if the partnership is an investment partnership and the distributee partner did not contribute any property to the partnership other than money or securities or certain similar property; or (4) to the extent of the distributee partner's share of the partnership's built-in gain (if any) with respect to the type (class and issuer) of securities distributed (e.g., pro-rata distributions).

The proposal generally would apply to partnership distributions of marketable securities after the date of enactment, except that the proposal would not apply to a distribution of a marketable security before January 1, 1995, by the partnership that held the security on July 27, 1994. Additional transition rules would be provided.

13. Taxpayer identification numbers (TINs) required at birth

Taxpayers claiming dependents would be required to provide a TIN for each dependent, regardless of the dependent's age. A parallel requirement would apply to taxpayers with qualifying children claiming the earned income tax credit. The proposal would be phased in for tax years 1995 and 1996 and would be fully effective for taxable year 1997.

14. Extension of Internal Revenue Service (IRS) user fees

The IRS user fee program would be extended for five years, applicable to requests made after September 30, 1995, and before October 1, 2000.

15. Modification of substantial understatement penalty for corporations participating in tax shelters

Under the proposal, if a corporate taxpayer has a substantial understatement that is attributable to a tax shelter item, the substantial understatement penalty would apply with respect to the understatement, unless the "reasonable cause exception" applies. The proposal would apply to transactions occurring after the date of enactment.

16. Modification of authority to set terms and conditions for savings bonds

The proposal would repeal the present-law requirement that

savings bonds have a minimum investment yield of four percent per year. Thus, the proposal would permit the Treasury to set investment yields for savings bonds according to market conditions, without the constraint of a statutory minimum. This repeal would be effective only for bonds issued prospectively.

17. Pension Benefit Guaranty Corporation (PBGC) reform

The proposal generally would adopt the Retirement Protection Act of 1993, with modifications to better target underfunded plans and provide more gradual transition rules. The proposal would require greater contributions to underfunded plans, modify certain rules relating to participant protections, phase out the cap on the variable rate PBGC premium, and make related changes to the Internal Revenue Code and ERISA provisions relating to the PBGC. The proposal would not include the language in the House Ways and Means Committee report of July 29, 1994, relating to cross testing under defined contribution plans. The modifications to the minimum funding rules generally would be effective for years beginning after December 31, 1994. The phaseout of the cap on the variable rate premium generally would be effective for plan years beginning on or after July 1, 1994. Other provisions in the proposal would have various effective dates.

18. Modification of customs merchandise processing fee

The proposal would modify the current customs merchandise processing fee by setting the current rate at 0.21 percent of value for formally-entered merchandise and by increasing the upper end of the range of the fee to that level. The proposal also would raise the minimum fee to \$25 and the maximum fee to \$485. Flat rates for informal entries also would be adjusted from \$5 to \$6 for those not prepared by Customs and from \$8 to \$9 for those prepared by Customs. The proposal would be effective January 1, 1995.

FINANCING PROVISIONS FOR THE
URUGUAY ROUND AGREEMENT OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)

Fiscal Years 1995-1999

[Millions of Dollars]

Provision	Effective	1995	1996	1997	1998	1999	1995-99
I. Compliance and Timing							
1. Voluntary withholding on Federal government benefits.....	1/1/97	---	---	183	18	20	221
2. Withholding on distributions of tribal casino profits.....	da 12/31/94	15	11	14	15	16	71
3. For Social Security benefits paid to nonresident aliens withhold on 85% of payment rather than 50%.....	1/1/95	41	61	64	67	70	303
4. SSNs required in year of birth (change in receipts).....	1/1/95	---	8	9	9	9	35
5. Prohibit nonresident aliens from receiving EITC and modify EITC for military personnel outside the United States (change in receipts).....	1/1/95	---	---	13	14	14	53
6. Voluntary withholding on unemployment compensation.....	1/1/97	---	---	149	2	5	156
7. Treat partnership distributions of marketable securities like cash.....	[1]	11	33	48	56	63	211
8. Estimated tax treatment of section 936 and subpart F income; 115% safe harbor for CFCs and section 936 companies.....	tyba 12/31/94	999	153	76	79	84	1,391
9. Accelerate certain excise tax payments.....	1/1/95 & 1/1/97	944	8	205	23	25	1,207
10. Substantial understatement penalty for corporate tax shelters.....	ta/DoE	15	20	20	20	20	95
II. Outlay Reduction							
1. SSNs required in year of birth (outlay portion).....	1/1/95	---	13	16	15	15	59
2. Prohibit nonresident aliens from receiving EITC and modify EITC for military personnel outside the United States (outlay portion).....	1/1/95	2	57	62	62	62	246
3. Deny EITC for income of prisoners (outlay portion).....	1/1/94	2	3	3	3	3	14
4. Interest rate for portion of corporate tax overpayments over \$10,000 set at AFR + 0.5% [2].....	iaa 12/31/94	17	104	174	225	280	800
5. Savings bonds - allow market-based investment yields (eliminate 4% floor) [2].....	bsa 10/31/94	31	25	24	24	18	122

Provision	Effective	1995	1996	1997	1998	1999	1995-99
III. Other							
1. IRS user fees extended for five years [2].....	10/1/95	---	31	31	31	31	124
2. Rounding rules for pension cost-of-living adjustments.....	1/1/95	103	38	111	29	114	395
3. Extend section 420 through year 2000 with modifications.....	1/1/96	---	42	120	119	118	399
4. PBGC reform [3].....	1/1/95	80	201	395	163	124	963
5. Customs merchandise processing fee [2].....	1/1/95	64	87	89	89	86	415
IV. Provisions not Within the Jurisdiction of W&M or SFC							
1. Post-1993 PAYGO balances available to avoid a sequester [4] [5].....	---	158	435	458	1,107	---	1,708
2. DAA outlay reduction [2].....	---	10	23	56	330	379	798
3. Other committees (projected) [2] [6].....	---	28	290	385	535	959	2,197
TOTAL		2,520	1,655	2,705	3,035	2,515	11,983
Offsets Required:							
1. Uruguay Round.....	---	-909	-1,657	-2,319	-2,973	-3,658	-11,517
2. GSP.....	---	-375	---	---	---	---	-375
TOTAL (Offsets)		-1,284	-1,657	-2,319	-2,973	-3,658	-11,892
NET TOTAL		1,236	-2	386	62	-1,143	91
Joint Committee on Taxation							

NOTE: Details may not add to totals due to rounding.							
Legend for "Effective" column: tyba = taxable years beginning after da = distributions after iaa = interest accruing after bsa = bonds sold after ta/DoE = transactions after date of enactment DoE = date of enactment							

Footnotes for JCX-22-94:

- [1] Generally effective for all securities distributed by a partnership after date of enactment, except for securities acquired on or before 7/27/94, and distributed before 1/1/95.
- [2] Estimates provided by the Congressional Budget Office (CBO).
- [3] The estimate includes a Congressional Budget Office (CBO) outlay estimate of a proposal to eliminate the cap on the variable rate premium. The estimate does not include the effects of the pension rounding provision, which is separately stated.
- [4] Total for 1995 - 1999 includes an outlay increase of \$450 million attributable to Fiscal Year 1994.
- [5] Estimates provided by Office of Management and Budget (OMB).
- [6] If the Crop Insurance Act of 1994 is cleared before the Uruguay Round Agreement Act, then this bill will be charged with additional outlays in 1995, depending upon the savings generated by the Crop Insurance Act.