

1 EXECUTIVE COMMITTEE MEETING

2 THURSDAY, MAY 14, 1992

3 U.S. Senate

4 Committee on Finance

5 Washington, D.C.

ORIGINAL

6 The meeting was convened, pursuant to notice, at 10:33
7 a.m., in Room SD-215, Dirksen Senate Office Building, the Hon.
8 Lloyd Bentsen (Chairman, Committee on Finance) presiding.

9 Also present: Senators Bradley, Pryor, Daschle, Breaux,
10 Packwood, Danforth, Chafee, Symms, Grassley and Hatch.

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

13 Also present: Bob Kyle and Debbie Lamb, Trade Counsel,
14 Majority.

15 (The prepared statement of Senator Symms appears in the
16 appendix.)

17 (The press release announcing the meeting follows:)

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1 The Chairman. Next on the agenda will be the
2 consideration of a bill to remove the former Soviet Union from
3 the list of countries ineligible for designation as
4 beneficiary countries under the generalized system of
5 preferences program.

6 Mr. Kyle, if you would proceed.

7 Mr. Kyle. Yes, Mr. Chairman.

8 Mr. Chairman, as you just indicated the amendment that is
9 before the Committee would make the former Soviet Republics
10 eligible to be designated as beneficiaries under the
11 generalized system of preferences program. Under that program
12 the President is authorized to provide duty-free treatment for
13 products from designated beneficiary developing countries.

14 Currently the Soviet Union and by extension the successor
15 States, which are the former Soviet Republics, are on a list
16 which prevents them from being designated by the President.
17 The amendment that the Committee is considering would strike
18 the U.S.S.R. from the list of ineligible countries and,
19 therefore, would make the former Soviet Republics eligible,
20 subject of the criteria in the law that is applicable to all
21 countries that are eligible for designation.

22 I should mention that this bill also moves in tandem with
23 the Soviet aid package that the President has submitted to
24 Congress, most of which is currently before the Foreign
25 Relations Committee and is being considered by them.

1 The Chairman. Yes.

2 What we are talking about, this is part of the
3 Administration's aid package for Russia and he is asked us to
4 approve this legislation it is my understanding before
5 President Yeltsin arrives for a State of the Union visit in
6 mid-June.

7 The Foreign Relations Committee held a mark-up yesterday
8 on the provisions of the legislation that fell within their
9 jurisdiction. I had asked them not to include the GSP
10 provision, since that fell squarely within the jurisdiction of
11 this Committee, and not with any intention of holding up
12 consideration of the legislation, any part of it.

13 But that is why we held this mark-up today. I assume we
14 can dispose of it very quickly.

15 I am simply proposing to strike the Soviet Union from that
16 list of ineligible countries. That will not immediately give
17 GSP benefits to any of the former Republics. It will make
18 them eligible to be designated as GSP countries, but only if
19 they meet all the terms and conditions that apply to everyone
20 else.

21 For example, the law provides that countries may not
22 receive GSP benefits if they have repudiated or nullified
23 contracts. I have had complaints from several companies who
24 were never paid for goods that were sold the former Soviet
25 Union under valid contracts. I would expect the President to

1 take such actions into account before extending GSP benefits.

2 The bottom line here is the Republics are going to need a
3 lot of help if they are going to move toward market economies.
4 Developing their export capabilities is one way to assure some
5 of that growth or generate it. The GSP program may provide
6 some incentives to do just that.

7 So I urge support of the provision. What I propose to do
8 is report out the bill, then ask that it be held at the desk
9 by the Senate after the Senate approves it. It is a revenue
10 measure and we are going to wait for an appropriate vehicle
11 from the House before the bill can be sent to conference or
12 sent to the President for signature.

13 Senator Symms, do you have any comments on it?

14 Senator Symms. Mr. Chairman, I would just ask unanimous
15 consent that I could include my entire statement in the record
16 as though stated and I think you have outlined it very well.
17 It may just be that this will be the most important part of
18 the Freedom Support Act, that will be to pave the way for more
19 trade between the United States and the former Soviet Union
20 and trade will be the only way we can generate enough wealth
21 within that former country which we welcome now as no longer
22 an adversary but as a potential ally and trading partner.

23 I think that without trade they will not be successful and
24 without this action on a GSP more trade in the future will not
25 be possible. I think we know that if we look at the history

1 of what has happened for example with Mexico liberalizing
2 trade had proven to be mutually beneficial not only to us but
3 to Mexico. And while hundreds of millions of dollars in
4 financial assistance really has not done very much to improve
5 the lot of the recipients in Mexico the trade has really been
6 helpful. I think that will be the same thing there.

7 So I urge the passage of your bill.

8 The Chairman. Thank you very much.

9 Ms. Lamb, do you have any comments?

10 Ms. Lamb. No, Senator. I think all the issues have been
11 covered.

12 The Chairman. Mr. Kyle, any further comments?

13 Mr. Kyle. No, Senator.

14 The Chairman. Do you move the passage?

15 Senator Symms. I move the passage of the bill.

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

18 (A chorus of ayes.)

19 The Chairman. Opposed, no.

20 (No response.)

21 The Chairman. We will poll the Committee concerning it.

22 I would also ask that you move the nomination of Jerome
23 Powell to be Under Secretary of the Treasury and Mr. John
24 Cunningham Dugan to be an Assistant Secretary of the Treasury.

25 Senator Symms. I so move.

1 The Chairman. Is there any objection?

2 (No response.)

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

4 (A chorus of ayes.)

5 The Chairman. Opposed?

6 (No response.)

7 The Chairman. We will also poll the members of the
8 Committee in regard to those.

9 Do you have anything further, Mr. Kyle?

10 Mr. Kyle. No, sir.

11 The Chairman. Thank you very much.

12 We will stand adjourned.

13 Mr. Symms. Thank you, Mr. Chairman.

14 (Whereupon, the meeting adjourned at 10:39 a.m.)

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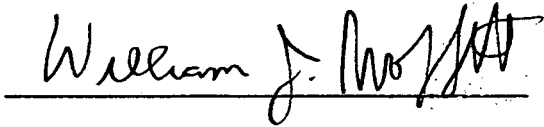
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This is to certify that the foregoing proceedings of an Executive Committee Meeting, Committee on Finance, United States Senate, held on May 14, 1992, were transcribed as herein appears and that this is the original transcript thereof.



WILLIAM J. MOFFITT
Official Court Reporter

My Commission Expires April 14, 1994.

**BACKGROUND INFORMATION ON THE ELIGIBILITY OF THE
UNION OF SOVIET SOCIALIST REPUBLICS FOR DESIGNATION
AS A BENEFICIARY COUNTRY UNDER THE
GENERALIZED SYSTEM OF PREFERENCES PROGRAM**

(Prepared by the Staff of the Senate Committee on Finance)

Thursday, May 14, 1992

This document provides background information relevant to the Committee's consideration of an original bill removing the Union of Soviet Socialist Republics (USSR or Soviet Union) from the list of countries ineligible to be designated as beneficiary countries under the U.S. Generalized System of Preferences (GSP) program.

Current law.--Under the GSP program (Title V of the Trade Act of 1974, as amended), the President is authorized to provide duty-free treatment to eligible articles imported from designated beneficiary developing countries. Section 502(b) of the Trade Act of 1974, as amended, provides that the President may not designate certain specified countries, including the USSR, as beneficiaries under the GSP program.

In addition, the President may not designate as GSP beneficiaries certain Communist countries, members of OPEC, countries that afford preferential treatment to the products of a developed country, countries that have nationalized or expropriated property owned by U.S. citizens or corporations, countries that fail to enforce arbitral awards in favor of U.S. citizens, or countries that aid or abet terrorism or fail to afford internationally recognized worker rights to their workers. Moreover, before designating a country eligible for GSP benefits the President must also take into account that country's desire to be designated a GSP beneficiary, its level of economic development and whether other countries extend preferential treatment to its products, the extent to which the country provides equitable and reasonable access to its market and adequate and effective protection of intellectual property, the extent to which it has reduced trade-distorting investment practices and barriers to services trade, and whether it is taking steps to afford to its workers internationally recognized worker rights.

Section 503 of the Trade Act of 1974 provides that the President may designate as eligible articles only those that meet certain rule of origin requirements. It also prohibits the President from designating certain import sensitive articles as eligible items.

The Chairman's proposal.--The Chairman's bill strikes the USSR from the list of countries ineligible for designation as GSP beneficiaries. Thus, the successor states to the Soviet Union would become eligible for designation as GSP beneficiaries if they meet the other statutory criteria enumerated in the law.