

SECTOR NEGOTIATIONS

EXECUTIVE HEARING

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

NINETY-THIRD CONGRESS

SECOND SESSION

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EXECUTIVE SESSION

THURSDAY, SEPTEMBER 26, 1974

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Talmadge, Hartke, Fulbright, Byrd, Jr., of Virginia, Nelson, Mondale, Gravel, Bentsen, Bennett, Curtis, Hansen, Fannin, and Roth, Jr.

The CHAIRMAN. This meeting will come to order.

Hopefully other Senators will appear as the meeting goes along.

This meeting was called at the request of two members of the committee, one of whom wanted to be heard against sector negotiation, and the other wanted to be heard in favor of sector negotiations.

I am frank to say as one member of this committee, through these long hearings and sessions I have been trying to discern just exactly what it is we are trying to achieve with this bill and how we hope to go about doing it, and it appears to me that what we want to discuss today is very much relevant to what I have been trying to find out and what I hope we will be able to advise the Senate on by the time we get through and that is, in this bill we succeed in divesting a great deal of Americans of good jobs, are we going to be able to put them back to work at any jobs or at the bad jobs?

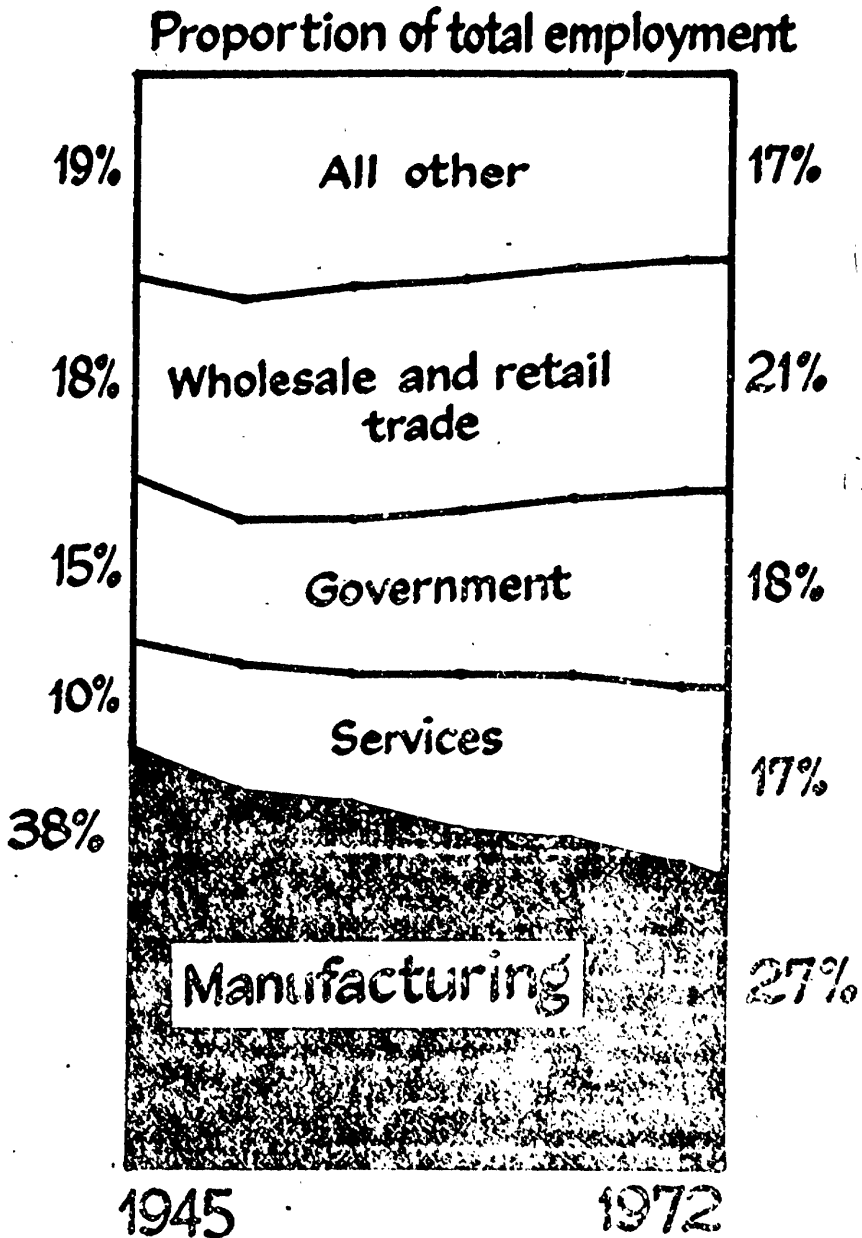
Now, the chart before us shows what the trend has been in our Nation's economy from 1945 to 1972, our trade policies being one of the major implementors of that trend.* The percentage of our work force employed in manufacturing has declined from 38 percent down to 27 percent. The percentage of our work force in services has increased from 10 percent to 17 percent.

If our purpose is to trade manufacturing jobs for jobs as yardmen, lavatory attendants, valets, laundry workers, then I must say that that policy has been very successful. The increase in Government employment has gone up from 15 percent to 18 percent. You now are confronted with a proposal to put another WPA into effect, to help provide jobs for those who cannot find them elsewhere.

The employment in retail and wholesale trades has increased 18 percent to 21 percent, and all others have declined from 19 percent to 17 percent.

*See following page.

Nonagricultural Employment in the U.S.



Now, generally speaking, the burden of our trade policies under this bill, as in the past, will be to trade agricultural products for an expanded increase of manufactured products.

Now, here is how we have made out in our trend in agriculture, and going back to the Revolution in 1776, 90 percent of our population was employed in agriculture. In 1860 that declined, and the time of the Civil War that declined to 58 percent. By 1930 that had declined to 21 percent, just to skip a few. The trend is consistent. By 1960 that

had declined to 8 percent. By 1965 it declined to 6 percent, by 1970 to 4½ percent, and the estimate for this year is 4 percent.

Now, my latest figures are in terms of production that crop production per acre has almost doubled during the last 50 years, so what that means is that we are producing, and during that same period, the percentage of our work force in that area has declined from 27 percent to 4 percent, so what that means is that we are succeeding in producing more and more agricultural produce with less and less workers, and one would think that with the research programs and the technology that is moving forward in this area, we could expect that happy result to continue.

So if things continue as they are going, we will have a lot of agricultural products for sale. Now, the question is, how many manufacturing jobs at \$7 an hour should we give away to be replaced by agricultural jobs at \$2 an hour, if we have the good fortune of putting them to work in agriculture at all, because the trend in agriculture is not to produce more but less.

Now, just as one Senator, I would like for somebody to explain to me why we should trade away a \$7 job for no job at all, if we have the potential of trading a \$7 job for a \$7 job, meaning a \$7 an hour job for a \$7 an hour job.

Now, the people in chemicals, the people manufacturing heavy turbines and generating equipment, items of that sort, contend that they can produce efficiently as their competitors, and that if we trade on a sector-by-sector basis, we can get good jobs in trade for good jobs, and this Senator for one would like to know why it is so essential that in order to sell some agricultural products, that we have to trade good jobs for no jobs.

Now, I assume that if we trade the good jobs for no jobs, we will put them on the Government payroll, in WPA work, or else find them, put more incentives for housewives to hire maids or something of that sort, or maybe get some of the Japanese to hire American valets. But in some respect, I would think that the hope of getting some of those jobs back in some respect, either by taking our workers over there, to be cooks, valets, and yardmen for the Japanese, Chinese, and others, or else in the hope of getting them to come over here so that we can be caddies, yardmen, and service providers, washwomen for them.

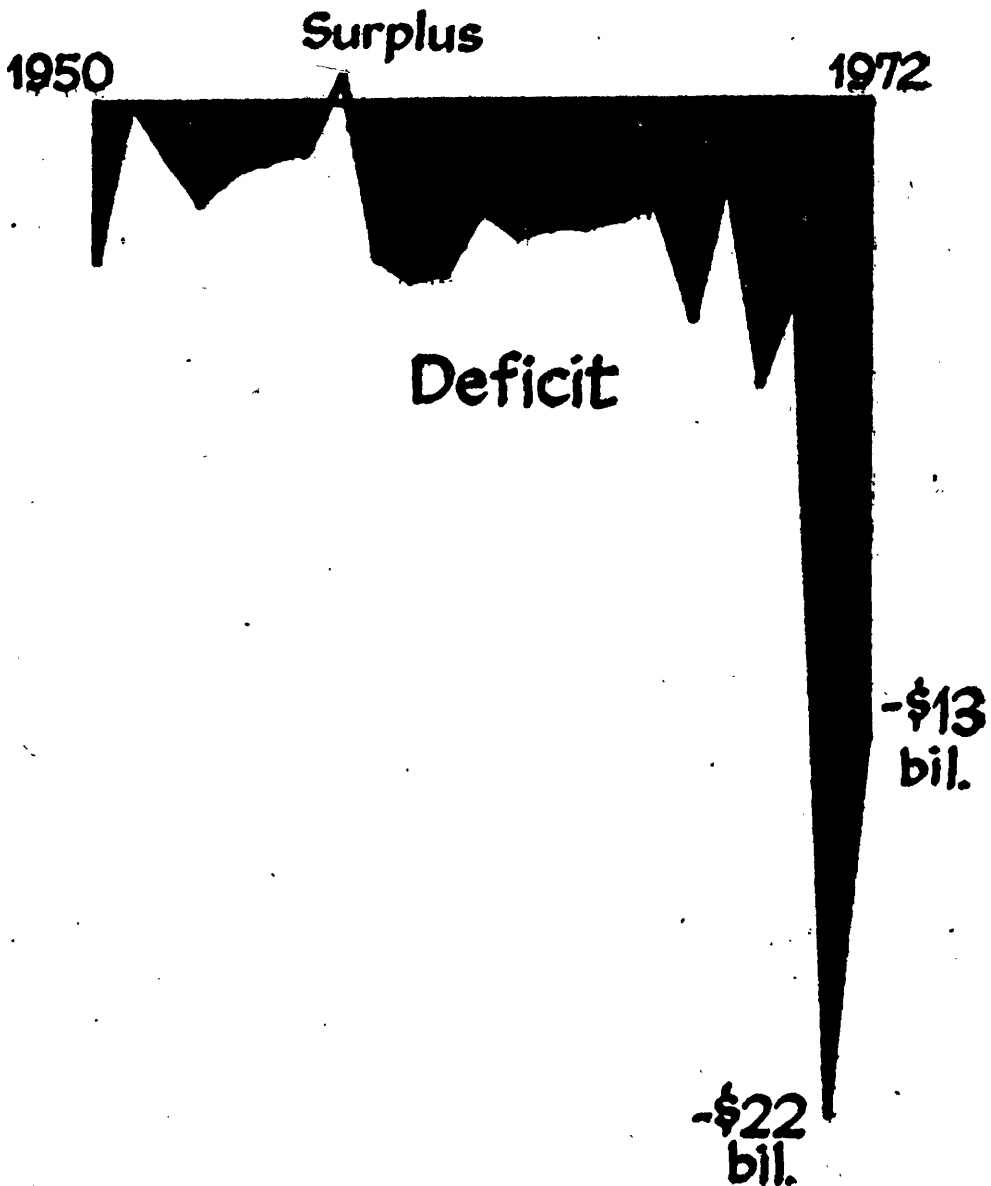
Now here it is just a paragraph in the letter sent to me by one interested in the chemical industry. He says, the sector idea is losing favor primarily because of concern of the agriculture sector for attaining market access for U.S. agricultural exports. This is a logical argument from the perspective of the past, but not logical from the perspective of the future.

The fact for the future is that food calories are a worldwide scarce commodity. Increasingly, availability will be the problem rather than access to markets. We have in U.S. agricultural products a tremendous resource, much needed throughout the world.

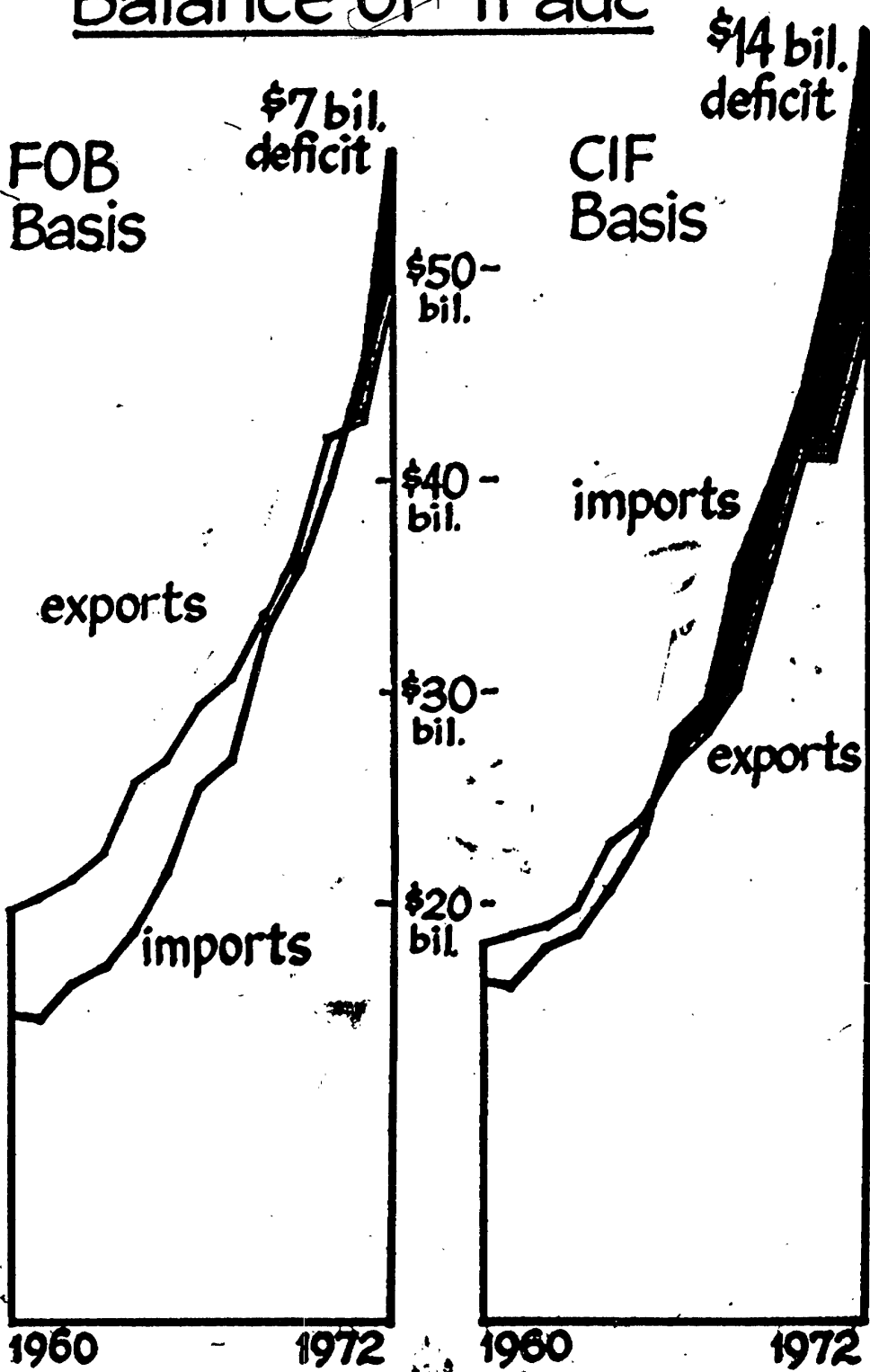
Now, in an economic sense it is rather similar to Middle East oil, for the future need will not be for concessions on access to markets for agricultural products, it will be for supply. To grant U.S. concessions on chemicals, that is his business, or other products for overseas concessions on agriculture would be a disservice to both industries.

Therefore, he proposes that you provide for sector negotiations in both section 101 on Tariff Authority and section 102 on non-Tariff Authority, and would require the ranking of tariff reductions to non-tariff negotiations to achieve the equivalency in trading concessions in consideration of all barriers of trade.

Balance of Payments (Liquidity Basis)



Balance of Trade



Now, let us take a look at the other chart that we have over there to show what our deficit is, to show how some of us, including this chairman, construe our deficits. That is what the trend has been in our balance of payments. Now, that is not the official good news announcements of the Department of Commerce. Those official good news announcements take the Public Law 480 giveaway program and put that down as our being paid for that food. So if you take that calculation out and take the other giveaways off the picture, and then you do what everybody else does and include the freight in your computation, that is what you wind up with. That is the overall, the balance of payments, and half of that deficit is trade.

Now, if someone can explain to this Senator why we should trade good jobs for bad jobs, I would like to have that explained, and then if they can explain further why failing that, why trade good jobs for no jobs, I would like to have that explained. If that can be adequately explained, I think I could be persuaded to support the theory that we should not have sector negotiations where the objective is to trade good jobs for good jobs, to trade jobs where we sell generating turbines and chemicals in which the manpower components is a small item, for jobs which have similar desirability around the world, why we should not trade that way but trade instead those kind of jobs for no jobs at all, or those kind of jobs for service jobs, where we would then try to find—how do we get our people into their countries to provide the services to them, or how we get them over here so we can provide them the services.

Now, after the hearing was called, negotiations occurred. I understand, and frantic efforts were made to call the hearing off. Well, I must say as one member of the committee, my curiosity was excited. I would like to hear the argument for both sides.

And the first witness that we will call will be for the Department of Agriculture. I was hoping we would have the Secretary, but Mr. Richard Bell, I believe, is here.

We would be pleased to have your explanation, Mr. Bell, as to why we should not use the sector approach.

Senator CURTIS. Mr. Chairman, may I be recognized?

The CHAIRMAN. Yes.

Senator CURTIS. Mr. Chairman, several days ago I made a request that Assistant Secretary Richard E. Bell come before the committee. I had in mind the same channel of information as we have obtained from the Tariff Commission and the State Department, and the Special Trade Office, that we might know clearly what their position was on this question of sector-by-sector, across-the-board negotiations. I will not take very much time, but I do want to state my position.

I believe that across-the-board negotiations are to the advantage and to the benefit of our entire economy. If it had not been for our agricultural exports, our trade balance and our balance of payments would have been so much worse than they are now.

Here is what I would like to see our negotiators be able to do. Many of our agricultural products are, for all practical purposes, barred from the European Economic Community. I think that our negotiators should say here, we have authority to increase tariffs. If our agricultural products will be barred from the European Economic Community, we propose to do something about the import of

Volkswagens into this country, or some other European-made car. That will result to the advantage of industry, and it will still be of help to the one segment of our economy which has proven its efficiency. We are able to export a great amount of agricultural products because of the efficiency of American agriculture.

This efficiency is going to go on. It is not a question in my opinion of trading jobs for no jobs, but it is the correct approach in order to get more jobs into this country and to have negotiations that serve all facets of our economy.

I for one do appreciate Mr. Bell being here.

The CHAIRMAN. Well, I appreciate the Senator's statement, but I think you would get a lot more leverage than that if you just say, we have a few surplus machines over here that can be used to manufacture the same size automobiles. We will just make a deal with India. She needs food. We have been giving it to her for nothing for years. We will just build some plants. If General Motors can teach the Brazilians how to produce automobiles, at least the Argentines and the Brazilians how to produce automobiles, I should think they can teach the Pakistanis and the Indians, and so we will just produce those small automobiles over there in India and we will trade them food for automobiles if they want us to ship them food.

At that point, I think you will find everybody on Earth breaking the door down to seek the same deal, and I think with the agricultural surplus we have, one reason the Russians are so anxious to make a deal with us for our food surpluses right now, this thought occurs to me, that one of these days the Chinese might want to get in on that deal. The Chinese could just use all we could produce, that they could manufacture and ship to us all of the manufactured commodities we think we could absorb.

I do not see any problems in getting rid of our good jobs. We have the know-how to show them how to do the same thing, but I am willing to hear all of the arguments, and then I hope we could arrive at the right conclusion.

Yes, Senator Mondale.

Senator MONDALE. Yes, Mr. Chairman. If I might, the sector amendment appearing in the House-adopted bill, section 104, was proposed by my colleague from St. Paul, Joseph Karth. It was successfully adopted, and it is a part of the House bill.

In the considerations of the Senate measure, I have developed an amendment which directs to the maximum extent feasible consistent with the goal of maximizing the overall economic benefit to the United States that the negotiators shall seek to obtain equivalent competitive opportunities within each of the applied sectors of manufacturing.

Now, what this amendment would seek to do is to strengthen the hand of the negotiators, but also to make it clear that we expect the negotiators to clearly concentrate upon the effect of any agreement within a particular sector. The idea is to try to make certain that our negotiators adequately focus impact that any of their agreements might have on a particular sector.

A suggestion has been made by Senator Curtis and others that we make certain that these negotiations are conducted in a way for the overall benefit of this country and with adequate concern for the essen-

tial elements, including agriculture, and then the committee began a negotiating process which has been going on for several weeks. I know Senator Curtis and I, the Department of Agriculture, representatives from industry—I do not know if we had them all there, but several of them participated in it, and I think that we are close to something that would achieve what the chairman is talking about, and yet we could do it in a way that would permit a sophisticated approach to the other problems as well. I do not know. That is the purpose of the hearing, I gather, but I would hope that there would be some way of achieving what the chairman is talking about, a legitimate concern of protection of the U.S. jobs, highly skilled jobs in industries and the skilled trades, proper emphasis by our negotiators against barriers such as Government purchases and other things. As I understand it, it is possible for German and other generator producers to bid on U.S. public generators, but we cannot bid on theirs. That sort of thing certainly has to be sorted out.

But I would hope it would not just end up on the question of whether we are going to sacrifice U.S. manufacturing jobs on the one hand, or whether we are going to sacrifice American agriculture on the other. That is what we have been kind of fighting, to come up with something that achieves what the chairman is talking about, and yet do it in a way that is not harmful to the other sectors of the American economy.

The CHAIRMAN. Well, I went along with the State Department and the previous administration with that Canadian auto parts deal. Anybody who is knowledgeable about that could see that the United States had to wind up with less jobs than you had before, and that is just exactly the way it has worked out. But I came from a State that did not produce any automobiles or any automobile parts, and so as far as this Senator was concerned, if the people who come from those areas that produce that think that it is a good thing for the overall economy to do that and for the world, and for international friendship, Louisiana could certainly stand it if their States did.

And frankly, if we are going to have a trade policy where we sacrifice the best industrial jobs in the country for the benefit in an effort to sell some agricultural products, Louisiana can stand that if anybody can. I guess if anybody would benefit from it, we probably would. We do not have many good jobs down there in Louisiana to lose anyway. So the chances are that program would be fine as far as Louisiana is concerned.

But at some point we had better wonder whether Uncle Sam can continue all of that. Look at that deficit up there on that chart. And it is getting worse. So that if the whole country is going to go down the drain, I do not see where it is going to help much just to get a low-paid job in Louisiana or any other State, for that matter.

Now, let us just see if we can sort this thing out and see whether we are justified in sacrificing good, high-paid, skilled jobs for no jobs in order to sell a few agricultural products, or whether it is fairly clear that we can sell the agricultural products anyway, and if that is the case, we have done too much of this, you know, giving something for nothing. I think it is time we start getting at least equal value returned and start winning for a change. That is too much to hope for, but at least it would be worth thinking at least we might break even on one of these deals.

So suppose you explain to us why we ought to abandon the idea of sector negotiations on the idea that if the Europeans, for example, let our agricultural products flow into Europe, that we have to let them make it back by displacing some of our best industrial jobs in this country.

**STATEMENT OF RICHARD E. BELL, DEPUTY ASSISTANT SECRETARY
OF AGRICULTURE FOR INTERNATIONAL AFFAIRS**

Mr. BELL. Thank you, Mr. Chairman. I appreciate the opportunity to come before the committee this morning to explain our view. It is something that we in the Department of Agriculture and the agricultural community in general have been quite concerned with for the past several months, and we have spent a lot of time working on this section of the bill.

We feel that in the case of international trade, that the agriculture community has one of the greatest comparative advantages in terms of trade. We think that this advantage comes about because we have an industry, if you want to call it an industry, which is very efficient. We have a very highly technologically developed agriculture. Our jobs are not low-paying jobs. We are talking about a modern industry which is probably the most efficient in the world.

Because of our productivity in American agriculture, and the nature of the demand for our products, we have no choice but to export the extra amount of products in order to make full use of our resources, and due to the increase in productivity, we have increased our agricultural exports. This past year we exported something like \$20 billion worth of agricultural products. In fact, the chart would look a lot worse in terms of international balance of payments if it were not for the agricultural trade surplus.

The CHAIRMAN. It would look a lot better if you were selling some of the stuff you were giving away, too, would it not?

Mr. BELL. I was going to mention that, Senator.

Last year we exported \$20 billion worth of agricultural products. We imported \$10 billion. Those that were exported under the food aid program was less than 5 percent of the total exports. Of the \$20 billion worth of agricultural products that we exported, less than \$1 billion of that was under the Public Law 40 program.

The CHAIRMAN. Now, would you mind giving me for the record a chart of how much we have given away, I mean, just how much we have given on all of these soft sales, and how much we actually got in terms of dollars back for all of that stuff from 1950 to 1972, just so we can see what component the grant and the gift program and the soft loan sales contributed to our deficit.

You can provide that for the record. That is all right.

Mr. BELL. Well, in 1972 and 1973 our proportion of concessional, or export sales in agriculture were very small.

The CHAIRMAN. Well, look, I say for the record provide us that chart.

Mr. BELL. All right, I will.

The CHAIRMAN. A total for that period.

[The information referred to follows:]

TABLE 1.—U.S. AGRICULTURAL EXPORTS: VALUE: SPECIFIED GOVERNMENT-FINANCED PROGRAMS, COMMERCIAL, AND TOTAL, FISCAL YEARS 1955-73

[In thousands of dollars]

Year ending June 30—	Local currency	Dollar credit	Government-government	voluntary relief	Barter	AID	Total Government	Commercial	Total ¹
1955	72,980		52,090	134,751	124,604	450,646	835,071	2,309,147	3,144,218
1956	438,848		62,608	185,059	298,388	354,470	1,339,373	2,156,288	3,495,661
1957	907,797		51,592	165,187	400,486	394,320	1,919,392	2,808,860	4,728,242
1958	657,463		50,991	172,750	99,829	227,404	1,208,437	2,794,535	4,002,972
1959	724,146		30,287	130,597	132,256	209,838	1,227,124	2,492,231	3,719,355
1960	823,911		37,658	105,104	149,193	157,157	1,283,023	3,235,951	4,518,974
1961	951,499		74,577	146,340	143,950	186,633	1,502,399	3,443,918	4,946,317
1962	1,029,490	18,910	88,255	160,475	198,368	73,664	1,569,162	3,572,874	5,142,036
1963	1,088,135	57,223	89,482	173,982	47,447	13,419	1,469,688	3,607,931	5,077,619
1964	1,056,138	48,447	81,437	188,513	43,458	23,455	1,441,448	4,626,132	6,067,580
1965	1,142,129	157,684	55,269	183,479	31,926	25,689	1,596,176	4,500,658	6,096,834
1966	866,076	181,207	86,657	179,865	32,074	42,654	1,388,533	5,287,891	6,676,424
1967	803,003	177,970	110,000	157,368	22,477	37,331	1,308,149	5,463,182	6,771,331
1968	723,042	299,945	99,675	150,463	6,339	17,447	1,296,911	5,014,560	6,311,471
1969	345,439	427,009	110,434	154,303	1,405	11,481	1,050,071	4,691,287	5,741,358
1970	308,791	506,430	112,821	127,773		12,424	1,068,239	5,653,128	6,721,367
1971	203,794	539,224	137,840	142,105		55,632	1,078,595	6,678,979	7,757,574
1972 preliminary	142,537	534,911	227,863	151,695		66,523	1,123,529	6,923,023	8,046,552
1973 preliminary	5,888	652,600	159,498	128,422		83,782	1,030,190	11,863,822	12,894,012
Total	12,291,106	3,601,560	1,719,034	2,938,231	1,732,200	2,453,369	24,735,500	87,124,397	111,859,897

¹ Data not revised to include furskins and bulk tobacco and exclude citric acid, fatty acids, glues, and adhesives nec., 1966-71.

Mr. BELL. Over the history, you will find that 4, 5, 6, 7 years ago that the Public Law 40 export shipments did make up about a quarter, but there has been growth in the commercial sector of the agricultural exports, and that is no longer the case.

Now, you may say that because of our increase in agricultural exports, why are you worried about the trade negotiations? We feel that we are presently in a temporary situation due to the weather factors around the world, and we see in 4 to 5 years from now we may well need to have the market access that we are concerned about in the European Community and the Japanese market.

And this leads us to the reason why we have concern about the sector-by-sector negotiations. If you look at our trade barriers on agricultural commodities coming into the United States, you see they are very low. Our duties are only in the vicinity of 5 to 10 percent on most of the agricultural imports, and we have very few nontariff trade barriers. In fact, about the only one that we have left today is the import quotas on dairy products, which is used to support the price support system for milk.

On the other hand, we are faced with our major trading partners in Western Europe and Japan which have very high trade barriers to U.S. agricultural products. For example, in the case of grains coming in here from overseas, the duty would only be around 10 percent.

Senator HANSEN. On what?

Mr. BELL. On grains.

Whereas we had in the case of the European Community, during the past several years we have faced variable import levies of over 100 percent, and if you go to the Japanese market you have a lot of similar circumstances. Something like well over half of the agricultural imports into Japan have duties of over 10 percent.

If we are going to be put into a position of having to negotiate only on a sector-by-sector basis, we feel that there can be very little to come out of any trade negotiation for agriculture because we have very little to give.

The CHAIRMAN. Let me ask you this. How much do you think you can sell the Russians and the Chinese if you put them in our trade program, agricultural products, the Russians and the Red Chinese?

Mr. BELL. Well, during the past 2 to 3 years we have been selling agricultural products to both the U.S.S.R. and the People's Republic of China. Last year we sold them about \$700 million or \$800 million. The year before that it was about \$1 billion. We see that coming down in fiscal 1975. We are not sure there will be any sales. They had a good crop of grain in the Soviet Union last year. They have another fairly good crop in prospect this year. We have no reported export sales of agricultural products to the U.S.S.R. beyond the end of this month. In the case of China, last year we sold them about \$1 billion worth of agricultural products. In the coming year it is going to be down. They have been able to buy supplies from other sources.

We do see in the longer term context market prospects for our agricultural products in both the U.S.S.R. and the People's Republic of China. From a personal standpoint, I see more of a prospect in

the Soviet Union than I do in the People's Republic of China because of the interest in the U.S.S.R. in the development of their livestock industry.

We cannot, though, Senator, depend upon the growth that may come in those markets in order to take care of the increase in productivity that we expect in American agriculture. All of the studies that we have completed show that we must maintain the base export markets in Western Europe and Japan, and we are still confronted with the trade barriers in those markets, particularly in the European market, that we had for the past 10 to 15 years, and we feel that we must be given an opportunity to eliminate or reduce those barriers. And we think that this can only be done in the context of a broad trade negotiation.

Now, that is not saying that we expect the United States to give away concessions in the industrial sector, just to get things in agriculture. We will do the best we can in terms of the agricultural sector, but we are saying there is not enough for us to give to get any meaningful concessions. And as Senator Mondale had said earlier, during the past several days we have had intensive discussions with members of the staffs of the Senators. We think that we have come to a place where we both can agree on some language and that we can end up with a position to go into the negotiations which we both can accept.

The CHAIRMAN. Thank you.

Now, we had tentatively agreed we would try to divide the time equally between the witnesses, so I am not going to ask any more questions, Mr. Bell. I think I made my position clear.

You made a good statement for your position.

Any questions, gentlemen?

Senator CURTIS. What is the situation now? Are we able to ship our meat products, such as beef, into Japan?

Mr. BELL. In the case of Japan, there is a small quota which is still available to us in the form of meat for the hotel trade. If my memory is correct, it is about 1,000 tons. Other than that, the markets in Western Europe and in Japan are basically closed to imported meat.

In the case of grains, since the supply of grain around the world is not in surplus, the trade barriers have been taken down. But since we have a large supply of beef which is trying to move to the market in a number of places, the barriers have gone up to increase the level of protection in that area.

Senator CURTIS. In what way are we practically closed as far as—Europe is practically closed to our export needs?

Mr. BELL. In the case of Europe, Senator, they are closed. They have an embargo on all imports of beef from countries outside of the European Community through the end of this month, and the agricultural officials within the Common Market are now considering whether or not that import embargo will continue for several months. We are urging them to take it off.

Senator CURTIS. I think it is most important that we give to our negotiators every weapon and every power necessary in order to take care of this problem. I happen to represent in part a State that feeds more cattle than any other State in the Union. Not too many months ago, Choice and Prime steers were selling at around \$57 a hundred. They dropped down to in the \$30's. Sometimes they would go up near

\$10. but many people have gone broke. Others have had to borrow. Some have had to sell their land to pay their debts.

This year it is backing up and reaching the rancher, the producer of cattle. I think Senator Hansen will bear me out that yearlings or calves that probably are 15 months old reached a point where they were between \$70 and \$80 a hundred. Now they are selling for \$23 and \$22. We are faced with a very, very severe situation in the livestock industry, and one of the big problems is that these trade barriers, where there is a potential market for protein, meat is the best in the world, and you cannot get to them. That is why I have no desire to hurt any segment of industry, but to narrow negotiations down by a law to a particular sector will not produce jobs in this country. It is not good for our overall economy, and will cause jobs to diminish. As well, it will do great damage to our trade balance and to our agricultural growth.

Thank you. That is all.

The CHAIRMAN. Further questions, gentlemen?

Senator HANSEN. I have no questions, Mr. Chairman.

The CHAIRMAN. Any further questions?

Senator BENNETT. I would like to ask one, Mr. Chairman.

We have heard reference to a proposed solution to this problem which apparently has been discussed by representatives of the various areas involved.

Are we going to have this information given to us during the hearings, or will this be available to us afterward?

The CHAIRMAN. I am in favor of getting all the information we can, but I believe we have a witness here to testify for the other side of the argument.

Mr. BELL. We have some language which we have worked out with the offices of the Senators, that we could submit, Senator Bennett, if that is what you are asking.

Senator ROTH. Mr. Chairman?

Senator BENNETT. Why do you not read it to us?

Mr. BELL. What we would propose to do, Senator Bennett, is to make an addition to the 104 language. It would be 104(a). The overall U.S. negotiating objective, under sections 101 and 102, shall be to obtain more open and equitable market access, and the elimination and reduction of devices which distort trade.

(b) As a means of achieving the negotiating objectives set forth in paragraph (a) to the maximum extent feasible, the negotiations shall include the elimination and reduction of agricultural trade barriers and distortions in conjunction with the elimination and reduction of industrial trade barriers and distortions.

And after that would follow as 105(a) the language which had been submitted earlier.

[The language in full follows:]

OVERALL NEGOTIATING OBJECTIVE

104(a) The overall United States negotiating objective under sections 101 and 102 shall be to obtain more open and equitable market access and the elimination and reduction of devices which distort trade.

(b) As a means of achieving the negotiating objective set forth in paragraph (a), to the maximum extent feasible, negotiations shall be conducted on a basis which leads to an integrated elimination and reduction of agricultural and industrial trade barriers and distortions.

105(a) A principal United States negotiating objective under sections 101 and 102 shall be to obtain, to the maximum extent feasible, with respect to each product sector of manufacturing, and with respect to agriculture, competitive opportunities for United States exports to the developed countries of the world equivalent to the competitive opportunities afforded in the United States markets to the importation of like or similar products, taking into account all barriers (including tariffs) to and other distortions of international trade affecting that sector.

(b) As a means of achieving the negotiating objective set forth in paragraph (a), to the extent consistent with the objective of maximizing overall economic benefit to the United States (through maintaining and enlarging foreign markets for products of U.S. agriculture, industry, mining and commerce, through the development of fair and equitable market opportunities, and through open and nondiscriminatory world trade), negotiations under section 102 shall, to the extent feasible, be conducted on the basis of each product sector of manufacturing.

(c) For purposes of this section and of section 135, the Special Representative for Trade Negotiations together with the Secretary of Commerce, Agriculture, or Labor, as appropriate, shall, after consultation with the Advisory Committee for Trade Negotiations established by section 135 and after consultation with interested private organizations, identify appropriate product sectors of manufacturing.

(d) Whenever the President determines that competitive opportunities in one or more product sectors will be significantly affected by a trade agreement concluded under sections 101 and 102 he shall submit to the Congress with each such agreement an analysis of the extent to which the negotiating objective set forth in paragraph (a) is achieved by such agreement in each such product sector or product sectors.

Senator BENNETT. Thank you. I am glad to have this as part of the record because since the—

Mr. BELL. Senator Bennett, I perhaps should make clear that that would be an additional section. We would end up with two sections.

Senator BENNETT. I understood that from your earlier statement.

Mr. BELL. Thank you, sir.

The CHAIRMAN. I just want to put agriculture on that chart that we have been looking at up here. In 1950, on that same chart, of our total employment, we had about 12 percent of our employment in agriculture. Now we have got 4 and no matter what you do about these markets, you are going to have less than that next year and the year after.

Now, can you just get a ruler and draft that on there now?

Now, we do all we can for agriculture, and I do not know anything that has been done for them that I have not voted for.

How are we going to displace them? How are we going to replace all of these manufacturing jobs that we lose if we keep trading off the jobs in agriculture from agricultural exports? We keep trading off our industrial jobs or manufacturing jobs.

Now, those manufacturing jobs are that without which a community can become a ghost town. People cannot stay alive in a community taking in each other's washing. They have got to have something to bring in some cash.

Now, if we are going to continue that trend, where are we going to get the jobs back? That is the problem that bothers me.

Now, here are some of the things that we did for agriculture. I think I voted for every bit of it. We voted for price supports to encourage production. I voted for it. Export subsidies to encourage exports; import protection under section 22. We have quotas on dairy products and some want to tighten that up. We have meat quotas, and I voted for that. We had wheat quotas, we had quotas on other products.

Now, agriculture is very competitive, and I want to help agriculture. But frankly it seems to me as though it would be a better deal for a taxpayer in this country just to buy some of the products needed to feed the shrimp out in the Gulf of Mexico to increase the shrimp yield, if you could not do any better, rather than to trade off your best manufacturing jobs to try to maintain a market for those products when it is easy enough to develop other markets for those products.

Mr. BELL. Senator, we are not trying to advocate that we are going to trade off jobs in order to sell more agricultural products. Our point is that trade negotiations should take into account the ability of various sectors to compete and to develop their skills, and in that context, we feel that the agricultural sector has a distinct advantage. We can never meet the full potential of American agriculture without the export markets, and that we must be given an opportunity in conjunction with industry to attempt to reduce the trade barriers which we are confronted with.

The reason that we have a decline in the employment sector and in the agricultural sector is because of the increase in productivity which has taken place. That is part of the reason why we have to have the export markets.

The CHAIRMAN. Well, do you favor a 30-hour week for agriculture, 20-hour week so it could put more people to work in agriculture?

How are we going to put more people to work? That is what I want to know. I would like to see the answer to the \$64 question.

Senator BENNETT. Mr. Chairman, there is a statistic in the back of my mind that has always intrigued me. The percentage of the population employed in agriculture began to decline in George Washington's time, and has declined on a steady rate ever since, as our ability to produce more per acre and per man has increased, and the way to put more people to work in agriculture is to require them to go back to the horse-drawn plow and eliminate the—

Senator HANSEN. Harvesters?

Senator BENNETT. No, I am thinking about—

Senator HANSEN. Fertilizer?

Senator BENNETT. Yes, fertilizer. Eliminate the fertilizer.

Senator HANSEN. Well, we have got the help of the EPA in that. They are doing all they can.

The CHAIRMAN. Does agriculture advocate that program? I just wonder, how do you plan to put the people to work that we are displacing out of manufacturing? We had 38 percent of our work force in there. Now they are down to 27, and those are good jobs that we are losing.

Now, how are we going to—if that trend continues, is that what agriculture would like to do, go back to the horse instead of the tractor?

Mr. BELL. Certainly not, Senator. You mentioned that the farmers were working only 30 hours a week. I think that most of them would dispute that. They put in a lot more hours than 40 a week.

The CHAIRMAN. No, I asked you the question, do you want to go to a 30-hour week? I asked you that as a question.

Mr. BELL. Well, that is my point, Senator. If we are unable to develop the export markets, we are going to have such surplus capacity, we are going to have to reduce back to a 30-hour week. We want to

have access to foreign markets so that we can develop the full potential and we can use the productivity that is in American agriculture. We do not want to go back to a 30-hour week.

The CHAIRMAN. Well, you know, we will find other ways to dispose of surplus food.

Senator HANSEN. Mr. Chairman, would you yield for an observation?

The CHAIRMAN. Yes.

Senator HANSEN. Well, you know, I happen to be in the cattle business, or was. I have not checked with my banker lately. I may be out of it for all I know. But what Senator Curtis says is eminently true. People who are afflicted with inflation and some with unemployment problems, find allies, philosophical allies among farmers and ranchers and among cattle ranchers particularly these days because of what has been happening in the cattle business.

I can tell you that the sheepman is practically out of business on account of predators, and we are not far behind him, because of a different problem. But the fact is that we do have an import quota law on beef. We are not talking about trying to export American beef around the world. We would be satisfied if every other country in the world would stop importing beef into this country. That is our problem.

As you said, Japan, for all practical purposes, might just as well not have any imports. We can, I think you said, export to that country 1,000 tons a year. That does not mean very many cattle, maybe 4,000 head of cattle, or fewer, even. I would not know.

But in any event, you cannot sell any to the European communities. These countries have reflected their growing concern over the imbalance of payments which has been triggered primarily because the oil-exporting countries of the world, which did not appreciate our foreign policies, imposed an embargo last winter and now have increased the price of oil worldwide. Every industrialized country and those developing ones have had to take steps to do everything they possibly could to stop the outflow of cash, since they have recognized that they are all in an energy intensive activity. They know they have got to have energy, so they have said, do not ship any meat here. And as a consequence, Australia, New Zealand, Ireland, and Denmark, all of the countries around the world that normally have been finding markets in other parts of the world, now are heading their shipments to the United States.

And I can say one thing. We are going to lose some more jobs in manufacturing because if the trend continues as we now see it, Mr. Chairman, there really will not be much sale for agricultural machinery. We might have the demand, but we will not have any money with which to buy machines. That is just about the way it is.

Senator CURTIS. Mr. Chairman, I would like to point out that the export of agricultural products is a very big boost to domestic employment. Agriculture buys tremendous amounts of iron and steel, tractors, plows, cornpickers, drills, every kind of machine you can imagine is made with steel, fencing and posts, and I could go on and on. One of the biggest purchasers of iron and steel is the agriculture industry.

Now, if we go back to having up to 20 million acres lie idle, it is that many acres that are not using machines, and it is not only iron

and steel, but the tires that are on the big trucks and heavy tractors and other machines. Agriculture is one of the biggest purchasers of rubber products. So far as the chemical industry is concerned, I do not know what the figures are, but I am inclined to believe that perhaps agriculture is the biggest purchaser of chemicals. We use them for fertilizer. We use them for pesticides. We use them in all of these activities.

Now, if we cannot export those items, our land is not going to be used. is not going to be fertilized.

I will not take up any more time.

Senator TALMADGE. Would the Senator yield?

Senator CURTIS. Yes.

Senator TALMADGE. If my memory serves me correctly, about 25 percent of all jobs in the United States are related to agriculture.

Senator CURTIS. I think that is correct.

And if agriculture cuts back by a fourth, they would have to cut back that much if they were content merely with the local market, it would cut back a fourth of the jobs.

Now, I have no ill will or hostility toward any segment of the American economy. I want them all to have jobs. I think they are to be commended for entering into this compromise language. We tried for a long time—

Senator MONDALE. Would the Senator yield?

Senator CURTIS. May I just finish this sentence?

One of the big stumbling blocks in this language was the question of whether the negotiations shall be in conjunction with or integrated, and for a long time agriculture insisted on integration. It would be preferable, but in the interests of harmony, and because they have an interest in the entire economy of the country, this last version, they are agreeing to the term "in conjunction with." I think it is a very reasonable settlement, and I believe that all the parties are to be commended for it.

I yield to you.

The CHAIRMAN. I would like to call on Senator Roth because he has had his hand up for some time, and then I will call on Mr. Mondale.

Senator ROTH. Mr. Secretary, did I understand you at the end of your remarks to say that you thought that you and the other interested parties would be able to come to some kind of agreement on language?

Mr. BELL. Yes, sir.

Senator ROTH. How soon do you think that would be possible?

Senator BENNETT. The language is before us.

Senator CURTIS. Last night.

Senator ROTH. Has this language been agreed to by industry as well as agriculture?

Mr. BELL. I cannot really speak for industry. It is my understanding that they have, Senator.

Senator ROTH. Let me ask you this question if I may, and I might point out that in my State the two principal industries, if you want to call it that, are agriculture and chemicals.

I was a little bit concerned when you spoke of going back in farming to the horse and buggy days and selling no fertilizer. That hits both. But I really cannot understand the inability of the two groups

to get together. In talking to the people in Delaware, both in agriculture and industry, there seemed to be some understanding of the problem. I think it is time that you people sit down and come back with some agreement.

Let me ask you this: the Delaware dairy people have come to me expressing some of the same concerns as industry. Is there anything wrong with putting language in to say that the negotiators should at least consider sector by sector as he approaches negotiations, in the permissive sense, and not mandatory?

What is wrong with that?

Let me ask you, in the agricultural area, would you not want us to consider in negotiations the impact it would have on the dairy industry?

Mr. BELL. I would be quite willing, Senator, to sit down and talk with the European Community in terms of grain on grain or cotton on cotton or something like that. My point is that due to the imbalance which exists between the trade barriers in Europe and Japan on the products we export and those that come in here, there is very little that we can offer in order to get their barriers down. Just in the agricultural area—

Senator ROTH. I am agreeing with you. I think it is most important that we promote the sale of agricultural products, but I think in doing so that it is also important that our negotiators consider sector by sector the impact to each industry. I just do not see where—I don't see why the problems.

Mr. BELL. We are willing, Senator, to consider it. We do not want to be restricted to it. And I think that that is what you are saying.

Senator ROTH. But what we are suggesting is that the language provide the negotiator, when he begins to negotiate, ought to look at the whole impact on the economy, agriculture, including the dairy products and others, but he also ought to look at the impact industry by industry. That is all the language that I have seen proposed. It has not been mandatory, it has only been permissive. Isn't that correct?

Mr. BELL. In the original language which we saw we did not feel that that was the case. In the discussions we have had during the past several days with the other groups, we feel that we have language which we all agree says, Senator, what you are saying.

Senator ROTH. Just one final question. Are you willing to have any language in there that in the permissive sense says that they ought to look at the problem sector by sector, not mandatory, but permissive. Do you have any objection to that?

Mr. BELL. No, sir.

Senator ROTH. Thank you, Mr. Secretary.

The CHAIRMAN. Mr. Mondale.

Senator MONDALE. Well I think Senator Roth pretty well developed the point I wanted to make. As I said earlier, Congressman Karth from St. Paul, Minn., proposed what is now section 104 of the House bill which is sector by sector, and in the committee I proposed an alternative which required the STR to focus on sector-by-sector matter, but also to give him discretion to do what is necessary in the overall bargaining, and I think in the light of the realities of the bargaining.

And then there were long periods of negotiation with Congressman Karth, with the Department of Agriculture, with farm groups, with the whole range of industry groups trying to come up with something that meets the concerns of the industrial sector that also meets the legitimate concerns of agriculture, and I think we are pretty close. One of the problems was the Department of Agriculture was so slow that we would have had this done 3 weeks ago. No criticism, however.

The CHAIRMAN. Any further questions? I believe that concludes the time we had for this witness.

Mr. BELL. Senator, I would like to submit for the record the entire text of this wording that we worked on. We did do some changing in the lower levels.*

The CHAIRMAN. Any additional thought that occurs to you, submit that too, and if I have given you a hard time I want to express my profound apology. All I am trying to do is to get the truth. I think you have come near to giving me the information that I want. You know what I want to find out, if I left any doubt.

Thank you very much.

The CHAIRMAN. Now I would like to call Mr. David Dawson. Is he here?

Mr. DAWSON. Yes, sir.

The CHAIRMAN. Well suppose you just identify yourself, Mr. Dawson.

STATEMENT OF DAVID DAWSON, OFFICE OF THE CHEMICALS INDUSTRY TRADE ADVISER

Mr. DAWSON. Yes, indeed, I am Mr. David Dawson. I am director of the Du Pont Co. I retired a year ago as an active employee, and I have since been working with five trade associations in the chemical industry.

The CHAIRMAN. I would like for you to explain the case for sector negotiations.

Mr. DAWSON. I will attempt to do so. It can be introduced by noting the reasons why we in the chemical industry are deeply concerned that there be an attempt to negotiate on the sector basis. The balance of trade of the chemical industry in 7 months of this year was \$3 billion on an f.o.b. basis, and on the more significant CIF basis it was \$2.86 billion. That annualizes to be \$5 billion per year, and that represents an estimated—

The CHAIRMAN. Hold on just a minute. We are having a few commentaries up here. As soon as we get through conferring among ourselves, we will hear you out. I just want to be sure you are heard.

All right. Go ahead, sir.

Mr. DAWSON. The \$5 billion a year favorable trade balance in 1974—

The CHAIRMAN. In your industry?

Mr. DAWSON. It is abnormally large. It represents something in excess of 100,000 jobs. One cannot determine a detailed figure for it without knowing the makeup.

*See p. 13.

The CHAIRMAN. Do you think just your surplus represents 100,000?

Mr. DAWSON. This represents a surplus-of-trade balance, exports minus imports, running for the first 7 months at a rate of \$5 billion and that represents more than 100,000 jobs in the chemical industry. Now obviously \$5 billion is very tempting to negotiators on the other side of the table, and they are going to go for it.

The second reason of course is the so-called nontariff barrier, the American selling price. As we mention in our testimony, we are perfectly willing to see it traded. We feel it should be traded only for what it is worth, and that a large part of what it is traded for should be in the chemical industry and certainly not in apples or bananas or whiskey or tobacco. And we think that the temptation will be strong to settle the negotiation by pushing the balance, the trading value, over into the agriculture area. We think it should be resisted.

Much of the industry felt that the Congress should require not only sectoral negotiations, but even sectoral reciprocity, and in our original testimony in March we so recommended.

We have, however, become, I think, convinced, at least much of the industry has, that this would place restrictions on negotiators of such magnitude that perhaps negotiations would effectively be a failure. We still urge, however, most strongly that the law require the negotiations be on a sectoral basis, even though reciprocity is not required, to the maximum extent feasible, and that the negotiators report to the Congress on a sectoral basis what balances they have achieved. This is provided in the House wording, and we frankly would prefer the House version in this area with the further addition that both tariff and nontariff barriers be included and that it not be restricted to nontariff barriers.

However, we have been having extended discussions with the office of the STR and with some of the staff of your committee. We have been attempting to arrive at satisfactory language. We thought we had such, but it did not appear to be satisfactory to the agricultural interests. Further negotiations apparently proceeded last night, with which I am not familiar.

Regardless of the debates and the negotiations on exact wording, we would say that you can't expect negotiators to have sectoral reciprocity. You can tell them, and should tell them, that they should negotiate on a sectoral basis and that they should report the result of their final deals on a sectoral basis. That is the meaning of a language which has been discussed by the industrial group and which we thought was satisfactory and could be adopted.

The CHAIRMAN. I yield my place to Senator Hartke.

Senator HARTKE. Let me ask you, in this field have you come to an understanding on this conflict which exists between the so-called agricultural group and your group? Is there an understanding now or is there not an understanding or is there the threads?

Mr. DAWSON. Apparently there were negotiations conducted last night into the early hours of the morning. I was in Wilmington. I came down on the train this morning. I am not privy to those. I do not know whether anything approaching a satisfactory compromise has been reached. I was given to understand that it was not satisfactory,

that agriculture is still apparently not willing to say that negotiations should be conducted on a sectoral basis, and a report should be made on a sectoral basis. And that is the guts of what we are arguing for.

Senator HARTKE. Isn't it true that within the agricultural groups themselves that there is a desire to further sectorialize the sector for the trade negotiations?

Mr. DAWSON. As I read their language as it existed several days ago, it seemed to me that it was placing on the negotiators many more restrictions than the language which we proposed because it came close to saying that they must make trades of industry for agriculture.

Senator HARTKE. That is right. Now in the Common Market countries, under their common agricultural policy, haven't they had almost a complete failure to come to any type of accommodation with the United States?

Mr. DAWSON. That is my understanding. I am no expert in the agricultural market, but I gather they still disagree. Even as of this morning, Germany is apparently taking a strong position.

Senator HARTKE. That is right. They are having difficulty, but Ireland and Britain came in and, quite honestly, there were special arrangements made again but most of these were to benefit the agricultural community and had no benefit to the manufacturing sector; isn't that true?

Mr. DAWSON. That is my understanding.

Senator HARTKE. I think all of us are interested in getting a trade bill, and I think what the chairman has eloquently expressed is our great concern for a trade bill as well as helping the agricultural sector, but not at the expense of the manufacturing sector. Isn't that the essence of your problem?

Mr. DAWSON. It is indeed. And we feel that the structure is such that if the negotiators do not understand the desire of the Congress, there will be a great temptation to achieve a settlement that trades industry concessions for those of agriculture.

Senator HARTKE. You understand that you cannot maintain an inflexible position?

Mr. DAWSON. That is true indeed.

Senator HARTKE. You think that the negotiators should have some flexibility but in order to prevent the destruction of the manufacturing base of America, it is necessary to report back to Congress so that Congress can pass upon the ultimate decisions which are suggested by the negotiators.

Mr. DAWSON. That is a good summary of our position, or of my position.

Senator HARTKE. I see nothing wrong with it, Mr. Chairman, and I would hope that the committee can understand that if we are going to have people who are going to buy the goods of America, we are also going to have to have people who have some jobs, and we have to have some industry in America to provide those jobs.

The CHAIRMAN. Does the gentleman have a question?

Senator BENNETT. Yes. What proportion of the total percentage of the American chemical industry is being exported? How big is this problem in terms of the total gross output of the industry?

Mr. DAWSON. The exports are running at a rate of about \$8 billion, and I am only estimating. For the record I would have to give you a reliable figure, but I would guess that it is under 10 percent.

[Mr. Dawson subsequently submitted the following statement:]

1973 chemical exports of \$5.75 billion amounted to 10.1% of total U.S. shipments.

Senator BENNETT. All right. Now, what proportion of the products of your industry are sold to American agriculture?

Mr. DAWSON. I do not have that figure in mind.

Senator BENNETT. Somebody has suggested 25 percent?

Mr. DAWSON. I think that is very high. Obviously almost all fertilizer industry products go into agriculture and one can add to that pesticide industry products. But together they are much less than 25 percent, I am confident. Again, those figures can be developed and supplied.

[Mr. Dawson subsequently submitted the following statement:]

According to Department of Commerce figures, sales of agricultural chemicals to American agriculture was about 5.9% in 1973. Commerce includes fertilizers and pesticides, the predominant agricultural chemicals, in this category. Other chemicals (such as additives in rubber tires and gasoline) are important to agricultural progress, but there is no means to estimate their volume.

Senator BENNETT. The reason I raise the question is that I think you should be thinking about what proportion about the trade-off between these two factors and whether it is worthwhile for the chemical industry to risk a reduction of the consumption by American agriculture in order to preserve what you have said earlier was an unusually high volume of exports. It seems to me as you first began to testify, you said that the average lately has been about \$3 billion trade surplus, but it got up to \$5 billion last year. Did I hear that wrong?

Mr. DAWSON. That is not correct, Senator. It is running at an annual rate in the first 7 months of this year at \$5 billion. It had been running last year as I recall at something around \$3.3 billion.

Senator BENNETT. All right. It's running unusually high.

Mr. DAWSON. Yes; and part of it is price, of course.

Senator BENNETT. I think we should try and get these figures into focus. There is another figure that I think should be put into the record, and I am quoting it from memory only, and maybe the Special Trade Representative can correct me. What proportion of our gross national product is involved in our total foreign trade? It's about 4 percent as I remember.

Mr. EBERLE. Approaching 6 percent now.

Senator BENNETT. All right. It's 6 percent, so we are talking about a small fraction of our total GNP and we mustn't get carried away with the idea that we are talking about a major part of our economy.

Senator HARTKE. Would the Senator yield on that point?

Senator BENNETT. Yes.

Senator HARTKE. And if the Special Trade Representative wants to give us a figure, I'd be glad to do it. You are talking about the gross national product but when you deal with the trade in the figures of actual manufactured goods, you are dealing with closer to 25 percent. Isn't that correct?

Mr. EBERLE. It is about 14 percent on the manufacturers and it is over 20 percent of agricultural production.

Senator HARTKE. Yes. In other words, when you talk about the gross national product of the country, you are dealing with a different figure; and when you are talking about trade you are dealing with something that is closer to 20 percent. So I do not think it is insignificant.

Senator BENNETT. The reason I wanted to get it in the record is that earlier in the discussion there was an inference that we are going to create a recession by destroying many, many, many jobs in the American economy. But we are talking about an economy that has an employment of something around 85 million people and 100,000 jobs. That as it is, is not going to throw the American economy into a recession.

The CHAIRMAN. If I might just put one oar in at this point; isn't it par for the course that as soon as you lose your export market, your domestic market is lost in short order after that too?

Mr. DAWSON. You are certainly threatened with that.

The CHAIRMAN. If you lose 100,000 under a free trade deal, doesn't it usually mean that then that is not the end of it. You are then trying to save yourself in your own market?

Mr. DAWSON. Senator Bennett, I would like to debate with you how much it takes to throw you into a recession. If we go from 4.5 percent unemployment to 6, we think we are in a recession, don't we?

Senator BENNETT. How many is 1 percent? How many jobs do we have to lose to go from 4.5 to 6?

Mr. DAWSON. 850,000, roughly.

The CHAIRMAN. Well, we have some other representatives here to tell you about the electrical industry and the iron and steel industry too.

Senator CURTIS. Just a question or two. Mr. Dawson, do you represent the association or are you associated with some chemical company?

Mr. DAWSON. I am speaking for the five chemical trade associations: the Manufacturing Chemist's Association, the Society of Plastics Industry—

Senator CURTIS. I understand. Are you yourself associated with any chemical manufacturer?

Mr. DAWSON. Yes, I am a director of the Du Pont Co.

Senator CURTIS. What are the principal chemical products that you manufacture in sizable volume?

Mr. DAWSON. In Du Pont?

Senator CURTIS. Yes.

Mr. DAWSON. Textile fibers are the largest single product line we have. There are a variety of those: nylon, dacron, lycra, et cetera. Plastics are probably the second largest, pigments, paints, rubber chemicals, photo products, photographic film, X-ray film, I cannot name them all, but there are a dozen of them.

Senator CURTIS. Do you manufacture fertilizer?

Mr. DAWSON. We do not manufacture fertilizer.

Senator CURTIS. But the chemical industry generally does.

Mr. DAWSON. Oh yes.

Senator CURTIS. And how about pesticides?

Mr. DAWSON, Yes, we manufacture pesticides, herbicides, insecticides, fungicides.

Senator CURTIS. In fact, that is a sizable item in the overall chemical industry.

Mr. DAWSON. It is indeed, both here and abroad.

Senator CURTIS. Yes. Now have you OK'd any compromise language at all that would be acceptable to your group?

Mr. DAWSON. Senator, I apologize again. I am not privy to what proceeded last night. I am told by my assistant that a compromise satisfactory to us was not achieved, but I have not seen the language. I cannot answer. Prior to that time when these hearings were called. I thought the situation was that we had before the committee two sets of language. One which the Agriculture Department would agree to and to which the industrial sector would not agree, and another to which the industrial sector would agree and the Agriculture Department would not agree.

Senator CURTIS. Well it is my understanding, and I have looked at the language some myself, that the Agriculture Department substantially agrees with the last thing that was submitted. But I was puzzled about your testimony this morning, because I gathered from it that you were standing pat on the House bill language.

Mr. DAWSON. I did not say that, sir. I said that we still feel that the House bill language is the best answer to this problem, but that in an effort to get the thing moving we have had extensive discussions with your staff and with STR, and we have effectively compromised our position and we came up with something that we thought was imminently satisfactory, but which did not appear to be satisfactory to the Agriculture Department.

The CHAIRMAN. I just want to make it clear about all these deals. I am against combine I ain't in on, and I think that is how this Senator feels about this—and I wasn't consulted about all of these negotiations—as far as this Senator is concerned. And I want to decide for myself what I think is right. I think that is what most Senators are going to want to do. I'd like to hear both sides of the arguments.

Senator MONDALE. Would the Senator yield?

The CHAIRMAN. Yes.

Senator MONDALE. I believe that the chairman is quite correct, and I don't blame him. But in fairness to what was going on under your leadership you asked us to see if we could work something out, and of course anything we do work out has to be approved by the full committee. But what was being undertaken I think was being undertaken at the suggestion of the committee.

The CHAIRMAN. Well, I came here expecting to see a good fight, and I hope I see it before—I'd like to hear both sides of the argument. By the time we have heard both sides, I think we can—well, go on, Senator.

Senator CURTIS. No; I am through.

Senator ROTH. Mr. Chairman, I would just like to ask Mr. Dawson the same question that I asked the agricultural representative. As I understand your position, you are not asking that the language be mandatory. What you are asking is that the negotiators as they approach negotiation, be required to consider sector by sector. You also said that you wanted a report afterward.

Mr. DAWSON. Yes.

Senator ROTH. So if I understand what you are saying, and if the prior witness reflects the agricultural community, it doesn't seem to me, Mr. Chairman, they are that far apart. It seems to me that—

Mr. DAWSON. I did not think we were. I think there may be some disagreement. I don't hear them saying they are willing to contemplate a mandatory sector balance report.

Senator ROTH. That point was not raised.

Mr. DAWSON. And that I think should be mandatory.

Senator BENNETT. Would the Senator yield?

Senator ROTH. Yes.

Senator BENNETT. Is it the position of the witness that the trade representatives must approach negotiations and conduct them on a sectoral basis and then must report to us before he can shift from that to a more general basis?

Mr. DAWSON. I don't think either the House language or the language which we proposed as a modification of it would require that.

Senator BENNETT. What position does the report have in the process?

Mr. DAWSON. It simply forces the negotiators to realize that it is the sense of Congress that they wish to maintain a reasonable degree of sectoral balance. The negotiators will have to justify to the Congress the final conclusions which they reached with the other parties by reporting the degree of balance which they have achieved.

Senator ROTH. If I might step again. Fundamentally, you are agreeing to the language being permissive.

Mr. DAWSON. Oh, entirely, except for the reporting part.

Senator ROTH. Except for the reporting; yes.

Senator MONDALE. Would I be out of place?

The CHAIRMAN. Let us let Senator—all right, go ahead.

Senator HANSEN. I want to hear from my leader because I have not been informed of these meetings, and I am quite interested.

Senator MONDALE. I was not in on it either, but I think we asked, in fairness to those who are participating, I think they were doing so at least in the thought that they were trying to help the committee, and of course we would review what they came up with. What they were trying to do is to compromise to achieve your objective, and I think what you are saying this morning is pretty much the basis of the compromise. In other words, it puts the pressure on the STR to the fullest extent possible to pursue a sector-by-sector analysis and then with the report language and with the President required to report, and the language says:

As a means of achieving the negotiation objectives of our country to the extent consistent with the objective of maximizing the overall economic benefit to the United States negotiations shall to the extent feasible be conducted on the basis on each product sector of manufacture.

And then it goes on to say that the STR must meet with the trade group, the advisory committees and that whenever the President determines the competitive opportunities of one or more product sectors would be significantly affected by the trade agreement he shall submit to the Congress or reach an agreement that acknowledges the extent to which each of these objectives set forth has been achieved.

The idea is to put the heat on the STR to make certain that he considers and negotiates with an idea toward what the chairman is con-

cerned about, that no product line be sold out, but that he have authority to pursue what he thinks is in the best interest overall. It seems to me that there is no way on Earth that we can prejudge in every respect what the Special Trade Representative is going to do in these long negotiations without undermining his ability to do the best job.

In my opinion, what we should ask the Special Trade Representative is to get the best cards he has got and play them the best he can because if we don't let him get all of his best cards at once, he is going to lose bargaining power in the overall, but to be mindful that we do not want American jobs sold out or we don't want particular industries ignored, and we want them to consult fully with the industries affected and the unions affected, the employees affected, and to do it in the best way to come out with the best bargain we have. I don't know any other way of doing it. I think the more we try to specify A, B, C, D, E, F, we may undermine his ability to have all of the cards that he needs.

Mr. DAWSON. I do not disagree with you at all, Senator, and I think it ought to be possible to get language which reflects that.

Senator MONDALE. Thank you.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. Mr. Dawson, you mentioned I believe that the Du Pont Co. produces textile fibers, plastics, pigments, paints, rubber products, photographic film, as well as other things. What has been your situation with respect to raw materials from which these derivatives are made? Are you having trouble? Is natural gas an important source?

Mr. DAWSON. Yes; the answer to your question is we are having a lot of trouble. We are having trouble in volume, and of course, we are having even more trouble in price.

Senator HANSEN. Do you use any imported LNG or so far have you been using it?

Mr. DAWSON. No; we have been using entirely locally produced natural gas.

Senator HANSEN. Now in plastics, is natural gas your major raw material in the manufacture of plastics?

Mr. DAWSON. The ethane-propane fraction of natural gas is an important material for a number of plastics.

Senator HANSEN. And that is becoming increasingly difficult to obtain?

Mr. DAWSON. It is indeed.

Senator HANSEN. Do you have any feelings about the future for your industry? Do you anticipate an even more severe crunch in the availability of raw materials, or would you care to speculate on it?

Mr. DAWSON. It is pure speculation. I think one can be quite fearful that the situation will intensify and get more serious.

Senator HANSEN. Of the raw materials you use, is natural gas the single most important one, would you say? Or how would you classify it?

Mr. DAWSON. I would have to look at figures—data which I do not have in mind. It is certainly one of the most important.

Senator HANSEN. Do you have any feelings about natural gas deregulation?

Mr. DAWSON. I do not feel that I can speak for the Du Pont Co.

Senator HANSEN. Just speak for yourself—and I think you have a considerable background and understanding.

Mr. DAWSON. My own feeling is that we regulated too long and we ought to start changing that quickly.

Senator HANSEN. Do you mean by that that personally you would favor a move toward deregulation. Is that what you are saying?

Mr. DAWSON. I certainly would. Now, do not ask me just how you are going to accomplish deregulation and how you guard yourself against all the other impacts that it has. But I, personally, feel that the excessive Government regulation has acted to lower the amount of gas exploration, and consequently gas production.

Senator HANSEN. Does the Du Pont Co. have an interest in overseas operations of any chemical companies?

Mr. DAWSON. We have operations of our own, for the most part. We have not gone into—

Senator HANSEN. They are wholly owned foreign subsidiaries?

Mr. DAWSON. All of our foreign companies, effectively, are wholly owned. We have a 70-odd percent interest in a Canadian company and a similar interest in an Argentine company. But for the most part, they are wholly owned.

Senator HANSEN. Do you import from those foreign subsidiaries products into the United States?

Mr. DAWSON. Not on a routine basis; none on a regular, routine basis that is—only in the case of shortages here and surpluses there have we done it.

Senator HANSEN. Well, when you say "shortages here," you mean the inability in the United States of your company to—

Mr. DAWSON. Let's say we are building a new plant and it has not come in; meanwhile, market demand goes up. There have been cases where for a period of 6 months to a year we have imported quantities to meet the market demands over here until the new facilities are in. But we have not built plants abroad to supply the U.S. market.

Senator HANSEN. Is price a major factor in determining shortages and that sort of thing?

Mr. DAWSON. It is very often that, yes.

Senator HANSEN. I have no further questions, Mr. Chairman.

The CHAIRMAN. I would hope, gentlemen, that—if we could limit the examination of this witness for another 5 minutes, because we have two other witnesses to be heard this morning.

Senator Roth.

Senator ROTH. Mr. Chairman, I just had one observation, and that is—I do not know about the other witnesses, maybe they are industry, too; but I wonder if it would not be wise at some stage to consider urging the industry and agricultural representatives and the trade negotiators to come up with language and give them a time limit on that we can consider that. It seems to me they are closer than some people would lead us to believe.

The CHAIRMAN. Well, I am told by our staff that, based on what little our staff knows about this thing, is they are not as close as some people might think.

Senator ROTH. Maybe we ought to give them a deadline to get together; then we will go ahead.

The CHAIRMAN. I do not know what transpired in the conversations last night, but then I would suggest we call the next witness. And if I may—thank you very much; I will excuse you now.

Mr. DAWSON. Thank you.

The CHAIRMAN. And if we may, I would like to call them both together and hear their statements in chief. I think it is more important that the Senators hear the witnesses than the witnesses hear the Senators. So, to give them the best opportunity to be heard—

Senator MONDALE. When did we start that?

The CHAIRMAN. I would like to ask that both Mr. William Kennedy—is he here?

Mr. KENNEDY. Yes, right here.

The CHAIRMAN. Yes; Mr. William Kennedy take the stand; and also, Mr. James Collins. Is he here? Mr. Collins?

All right; I would like for both of you to make your statement in chief, and then the members can ask whichever witness they want to any questions they would like to ask.

First, I would suggest, Mr. Kennedy, that you identify yourself for the record and explain your thoughts on the subject. And then I would like to ask Mr. Collins to do the same thing.

STATEMENT OF WILLIAM F. KENNEDY, COUNSEL, GENERAL ELECTRIC CO., REPRESENTING THE NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION AND THE ELECTRONIC INDUSTRIES ASSOCIATION; ACCOMPANIED BY V. J. ADDUCI, PRESIDENT, ELECTRONIC INDUSTRIES ASSOCIATION

Mr. KENNEDY. Thank you, Mr. Chairman.

My name is William F. Kennedy. I am counsel for General Electric Co., appearing here today on behalf of the National Electrical Manufacturers Association and the Electronic Industries Association.

With me, also, is Mr. Adduci, who is the president of the Electronic Industries Association. He has a formal statement on behalf of the association which we would appreciate being included in the record if that is agreeable, Mr. Chairman.*

I should also note that we have representatives here of the Rubber Manufacturers Association and of the National Electrical Manufacturers Association.

The CHAIRMAN. Do they generally agree with your statement that you are planning to make?

Mr. KENNEDY. Yes.

The CHAIRMAN. All right.

Suppose you proceed in the same way. If you want to put the statement in the record, you may.

Mr. KENNEDY. I do not have a formal statement, Mr. Chairman. I thought I would talk informally with the committee about three subjects.

First, the nature of the industry concerned, and what we perceive to be the case for sector bargaining—not mandated sector bargaining, but sector bargaining—as a technique which we think will be more effective in promoting the overall U.S. economic interest in negotiations.

*See p. 32.

I would also like to talk about the status of the compromise, because there were discussions late last evening, and I think it has been clear now to the committee that it was not feasible for all of the people on the industry side of the table to consult last night and this morning and come to an agreement on this. I think, however, I would subscribe to the view expressed earlier, that we are very close, and I think it can be worked out.

Now, there were observations made earlier by Mr. Bell on behalf of the Agriculture Department about the outstanding—and it is most outstanding—performance of U.S. agriculture in the world market. Broadly, I guess what the economists say is that the strength of the United States in world trade depends on where it has a comparative advantage. And it has comparative advantage in two areas: first, in agriculture; and second, in high technology manufacture.

Now, I do not have the figures available for all of the electronics industry overall, or all of the electrical manufacturing industry, but I can speak for the performance of one company, for which I am counsel; namely, the General Electric Co. We exported last year \$1.2 billion of manufactures. These are exports out of the United States. That number has doubled over the last 5 years. We have doubled our exports of manufactured goods. Last year we accounted, I think, for roughly 2.5 percent of total U.S. exported manufactures. Our exports have grown at a rate three times faster than our domestic sales. We identify in terms of concern about U.S. employment and U.S. balance of payments.

The opportunities in world markets that may be opened up by the trade bill—and thanks again to the favorable action of the Senate on the Eximbank bill—we identify these as major assets and opportunities for the U.S. economy.

The chairman very properly talked about the role of employment in the U.S. trade and the importance of employment on the manufacturing side. We have made some studies, and we think our international activities in the net—now, this is a net number—account for about 25,000 General Electric jobs and that beyond that, in supporting activities—suppliers, service organizations, government, so on; all of these supporting activities for our export activities—that that accounts for another 25,000 jobs. We think that the international activities of just one company account for about 50,000 U.S. jobs.

Now, where are we able to sell abroad? We are able to sell abroad in those areas where the United States still has a technical and cost lead. The key to success there is technical leadership and cost leadership. But even in some of our lines where we have such leadership—as in large steam turbines, where we think we make the highest performance, most reliable, and lowest cost machines in the world—we are shut out of many markets, and shut out of those markets by reason not so much of tariffs as of so-called nontariff barriers. These are Government procurement ground rules; there are standards, requirements, certification for compliance with standards, import licensing requirements, quotas, and the like.

Now, one other important factor in this area that is a part of your record, when we appeared formally before the committee in your regular hearings on the bill, Senator Mondale, who was then presiding,

asked us questions as to the nature of these barriers, and your record includes an analysis by 11 product sectors—these are the sectors in which we are located—as to the character. And the thing that comes through—there are charts attached to the letters which are part of your record—is that the barriers differ from sector to sector. In one case, for example, the thing that is keeping us out is Government procurement ground rules. And in another case, the thing that is keeping us out are licensing requirements or standards problems. In other cases, we think we are at a competitive disadvantage because of export subsidies of various kinds.

As we see it, one of the critical points about the sectoral approach is that if the U.S. negotiators are going to be effective in expanding the U.S. trade and U.S. exports, they have to have a differentiated approach, based on the different character of the problem in each of the sectors. That we thoroughly agree with a number of the papers and analyses that have come from the Office of the Special Trade Representative, and they are very thoughtful and articulate pieces of work, that there is a good deal to be said for a generic approach on some of the issues. And we believe that the generic approach should be tried, but we would also say that when you come to the crunch, it may be necessary to look at these things, and will be necessary, we believe, in many cases, to look at these things sector by sector. Because for one thing, if we are going to get concessions, we may not be able to get concessions in a generic code across the board. The French or the Canadians or someone may say, we cannot do this across the board because it will unfairly or adversely affect this particular sector. So, we think, in sum, that if the United States is to maximize its interest in trade in the manufacturing area and maximize its interest in protecting U.S. employment—a concern that the chairman very properly identified—that the most effective, the efficient approach that the U.S. negotiators can take will be in many areas a sectoral approach.

Now that, as we understand it, is the philosophy of the amendment which Congressman Karth and others—Congressman Waggonner—many of the leaders in the House Ways and Means Committee—were motivated by when they offered this amendment, and we think that that is the theory of the amendment in the House bill.

Now, one other thing about the amendment in the House bill is that—and I think it has been subject to a great deal of misconception—but one of the elementary rules about a statute or a bill is to go back to the language. And the language in the House bill is very clear. It does not mandate sectoral bargaining. It does not tie the hands of the Special Trade Representative. It has a preference for sectoral bargaining, but not a mandate. And he is entitled to make that judgment.

The House bill does two fundamental things. It states the negotiating objective for the Special Trade Representative and it gives him and the President, the administration, an accountability obligation to the Congress. Where they have not obtained equivalent competitive opportunities, they have to come back and account to you as to what they did and where they failed, and why they failed. It is an accountability provision. And we have said earlier, and I repeat, that it is to the Congress that the Constitution of the United States gives the responsibility for regulating domestic and foreign commerce, and this is, it seems to us, a minimal congressional oversight role.

Now, on the amendment itself.

There were concerns earlier about did this unduly tie the hands of the Special Trade Representative in terms of maybe too strong a leaning toward sector bargaining, and this led to a request on the part of the committee and its staff that maybe some effort be made to work out language on this. And efforts were made and at least seemed to have succeeded to accommodate that concern of the Special Trade Representative. And the version now before you—I do not think the House bill tied the Special Trade Representative's hands—but the version now before you certainly does not tie his hands in this matter. He has got flexibility and discretion, which he should have.

Then there were concerns on the agricultural side that somehow the intent of the product sector amendment as adopted in the House was to unfairly treat agriculture, cordon them off. Well, let me say first, on the basis of that, that I do not think that is a fair reading of the Karth amendment. There is nothing that I know of in the language of that amendment or in its legislative history that suggests that. And the Karth amendment, it seems to us, is an effort to deal with the problem which we have on the manufacturing side without prejudice to agricultural interests.

Next, let me say—and I cannot speak for all industry, obviously—but I think it would be extremely unfortunate if there was any serious division on the part of agriculture and industry in our approach to the trade negotiations. It would be a most unhappy thing if a bill came out of the Congress that was unsatisfactory in its broad purposes to either agriculture or industry. And it would be an impossible situation, as we see it, for our U.S. negotiators if they went into the negotiations with major divisions between agricultural and industrial interests. I do not think the United States can afford that and it would hurt everybody. It would hurt agriculture and it would hurt industry. So, it is clearly to our interests to work out a compromise. And those of us on the industrial side of the table, I think, have agreed, the evidence is, to several compromises which somehow have not been able to be effectuated.

Now, Mr. Bell in his testimony referred to language that the Agriculture Department is prepared to accept. This information was given to us late last evening. There was not an opportunity on the part of those of us who received it to caucus adequately with all of the associations and their representatives and spokesmen who have followed this on behalf of the many segments of industry that are in support of the Karth amendment. I will say personally that I think we are extremely close to an agreement. I think it is a matter of clarifying the intent of the position that Mr. Bell is prepared to accept, to make it clear that there is nothing in that language which precludes sectoral negotiations on the industrial side; nor is there anything that detracts from the accountability provision that Mr. Dawson referred to. I think we are very close. I think it can be worked out. I think it will take a little more time on the part of the industry representatives to review this and to perhaps have some more discussions, but we are nearly there, and I think, just speaking for myself, that we have indicated that the important point to us is a clarification by the committee in the committee report of the intent not to detract from the availability of the sectoral approach and the accountability obligations that we think are keys to the Karth amendment.

That is all I have, Mr. Chairman.

The CHAIRMAN. Let us hear now from—oh, did Mr. Adduci want to read this statement?

Mr. ADDUCI. No, Mr. Chairman. I believe we had had a discussion—if you will make it a part of the record, I will be very happy with that.

The CHAIRMAN. That will be fine. I promise you I am going to read it and I hope the others do.

[Mr. Adduci's statement follows:]

STATEMENT OF V. J. ADDUCI, PRESIDENT, ELECTRONIC INDUSTRIES ASSOCIATION

Mr. Chairman and Members of the Committee, I am V. J. Adduci, President of the Electronic Industries Association or "EIA." With me today is Mr. W. H. Moore, Vice President of EIA and Director of our International Business Council. We welcome this opportunity to testify again as to the views of our industry on H.R. 10710 and in particular on the Section dealing with product sectors.

The electronic industries of the United States have an annual sales volume of over \$31 billion. We directly employ about one and a quarter million people, not to mention the large number of persons indirectly employed through subcontractors and suppliers and through thousands of distributors and dealers.

Our membership comprises over 200 small, medium and large companies which produce all types of electronic systems, equipment and parts—from the simplest to the most complex. Despite the diversity of their products, and the differing sizes and characteristics of their businesses, EIA's members are agreed in their broad views on world trade and investment.

EIA believes that the expansion of our international trade is the only approach which offers any hope of economic progress for the United States, its companies and its workers—and so we support the concept of sectorial bargaining, which we are convinced is the best way to obtain the access we need to the electronics markets of the other nations of the world.

The electronic industries are considered so important by other nations that they have made special efforts to build up their own indigenous electronic industries. To that end, they have imposed many restrictions on the imports of electronic equipment and components into their countries. As a result, we are confronted by unusually numerous, onerous and effective non-tariff barriers which greatly diminish the ability of our American electronic manufacturers to sell their products abroad.

In fact, we would probably be unable to continue our significant sales of U.S. electronic products to other countries were it not for our ability to invent and perfect new products not available elsewhere in the world. However, our technological advantage is being diminished by the many subsidies and the substantial financial assistance which foreign governments give their electronic manufacturers. Since the time of the Kennedy Round, we have seen a steady deterioration of what used to be a large, favorable balance of payments on U.S. electronic items.

Because of the situation I have just described, we anticipate that the electronic industries may well ask the Special Negotiator for the United States to adopt the objective of securing for our electronic products as much access to foreign markets as foreign electronic manufacturers have to our U.S. markets. Of course, we would very much prefer that foreign markets be opened to our products; however, if this is not forthcoming, we will probably urge our Government to move, at least for negotiating purposes, to impose as many barriers to foreign electronic products as competing nations impose to ours.

I want to emphasize that we are in a situation where our U.S. negotiators have ample negotiating flexibility. If that were not the case, we could understand why our friends in agriculture might be concerned about the Sector Amendment—even with the carefully circumscribed language of the proposed new Section 104. However, as I have indicated, the possibility exists for the United States to adopt all the duties, non-tariff barriers and adverse practices of other nations; consequently, our negotiators have plenty of ammunition with which to defend the interests of both U.S. Agriculture and U.S. Industry.

We are not seeking an Agriculture/Industry confrontation. On the contrary, Industry's spokesmen have worked hard to find a mutually acceptable compromise. In doing so, we are not at all fighting any legitimate interests of Agriculture, as I have tried to indicate above.

To promote sales of U.S. products and thereby to maximize employment for U.S. workers, we must be able to sell our products in foreign markets. The only way to gain this ability to sell our products abroad is by patient negotiations, sector-by-sector. We believe the Trade Reform Act should recognize that fact, and we believe the proposed Section 104, or some close approximation of it, is the best way to do so. This proposed Section 104 (copy attached) has been worked out with spokesmen for U.S. Agriculture, and we believe it is much more even-handed as between Agriculture and Industry than other language which is being proposed.

Accordingly, we specifically endorse, in its entirety, the proposed new Section 104 of the bill.

The scope of the electronics sector is very broad indeed. It contains consumer goods like TV and radio, industrial goods like communications and air traffic control systems, business products like computers and data processing equipment, military goods like radar and guidance systems, and parts like transistors and capacitors. In advocating sector bargaining, we fully realize that "give and take" will be the name of the negotiating game. We are prepared to "give" on one type of electronic product so long as we "take" in another—so long, that is, as the swapping is within our sector. However, we believe that our industry and our workers should not unexpectedly be confronted with the giving of concessions in our sector in order that the United States gain concessions for some other industrial or agricultural sector from countries which are our competitors.

As an absolute minimum, we believe that we are entitled to prior notice, through the Congress, as to any proposal of this sort. The sector approach would guard us, and our many workers, from such an outcome. We believe that language of the sort we recommend would in no way hurt U.S. Agriculture, and we believe it is essential that such language appear in this bill.

We strongly urge you help us to achieve this fair and even-handed result.

SEPTEMBER 11, 1974.

H.R. 10710: TRADE REFORM ACT

PRODUCT SECTOR AMENDMENT (DELETE SECTION 102(C) OF H.R. 10710 AND ADD A NEW SECTION 104)

Sec. 104(a) A principal United States negotiating objective under sections 101 and 102 shall be to obtain, to the maximum extent feasible, with respect to each product sector of manufacturing, and with respect to the agricultural sector, competitive opportunities for United States exports to the developed countries of the world equivalent to the competitive opportunities afforded in the United States markets to the importation of like or similar products, taking into account all barriers (including tariffs) to and other distortions of international trade affecting that sector.

(b) As a means of achieving the negotiating objective set forth in paragraph (a), to the extent consistent with the objective of maximizing overall economic benefit to the United States (through maintaining and enlarging foreign markets for products of U.S. agriculture, industry, mining and commerce, through the development of fair and equitable market opportunities, and through open and nondiscriminatory world trade), negotiations shall, to the extent feasible, be conducted on the basis of each product sector of manufacturing.

(c) For purposes of this section and of section 135, the Special Representative for Trade Negotiations together with the Secretary of Commerce, Agriculture, or Labor, as appropriate, shall, after consultation with the Advisory Committee for Trade Negotiations established by section 135 and after consultation with interested private organizations, identify appropriate product sectors of manufacturing.

(d) Whenever the President determines that competitive opportunities in one or more product sectors will be significantly affected by a trade agreement concluded under sections 101 and 102 he shall submit to the Congress with each such agreement an analysis of the extent to which the negotiating objective set forth in paragraph (a) is achieved by such agreement in each such product sector or product sectors.

(e) As a means of achieving the negotiating objectives set forth in paragraph (a), negotiations under section 102 which affect agricultural products shall be directed at obtaining more open and equitable market access for agricultural products and eliminating or reducing the use of devices which distort trade in such products.

(f) The use of the sector negotiating technique shall not prevent the coordinated reduction or elimination of barriers to trade in agriculture and in industry.

The CHAIRMAN. Now, let us hear from the representative of the American Iron & Steel Institute, Mr. James Collins, I believe.

**STATEMENT OF JAMES COLLINS, SENIOR VICE PRESIDENT,
AMERICAN IRON & STEEL INSTITUTE**

Mr. COLLINS. Mr. Chairman, my name is James Collins. I am a senior vice president of the American Iron & Steel Institute. I had been a Deputy Assistant Secretary of Commerce during the course of the Kennedy round negotiations, and worked with Ambassador Malmgren when he was involved in those negotiations and therefore have some background in trade policy matters.

I would agree with my associate, Mr. Kennedy, that we would be foolish to get into a confrontation with agriculture on the question of the sectoral aspects of impending trade negotiations. The major problem facing all industrial economies today is the question of the impact of oil payments on trade balances and payments balances. The United States certainly needs access to agricultural markets of the world, and we hope that U.S. agriculture will be able to export all it can and that the negotiation in the agricultural sector will be successful. As a matter of fact, we regret that the sector issue has evolved to the point of controversy. But nevertheless, we are fearful of what this may portend for the negotiations.

We have two principal points.

First, we believe the House language could be amended somewhat. We have not felt however that the sector language in section 102(c) of H.R. 10710, as passed by the House, justifies the fears expressed that it would create an inflexible negotiating posture and would tie the hands of U.S. negotiating officials. That language, in our view, permits cross-sectoral negotiations, does not mandate or require initiation of sector negotiations for each industry sector. And further, does permit separate negotiations on nontariff issues, such as Government procurement, which cut across sectors. But I do want to emphasize that we feel some compromise in that language could be effected, and we told Ambassador Eberle and Ambassador Malmgren we did not feel that the special trade negotiator should be tied to sectoral negotiations in every sector.

Second, we believe it is imperative that Congress, through the trade bill, serve notice on our trading partners that the forthcoming negotiation is expected to concentrate in depth on certain industry and agriculture sectors where complex trade distorting measures exist to the detriment of both our agriculture and industrial sectors.

Steel for example is a special sector. There are approximately 775 million net tons of steel capacity in the world today. This capacity must increase to at least 1.2 billion tons by 1985 to satisfy the most conservative projections of world steel demand. This means that the industrial economies must spend between \$285 and \$325 billion to put those steel facilities in place. However, the steel industries of the world are not producing that kind of cash flow.

What is going to happen in other countries is that governments will be providing investment capital for their steel industries. And as the chairman has mentioned, industrial jobs are important. Steel jobs are among the highest paying jobs in every industrial economy in the world. When governments put that much capital in those steel facilities, they will operate those facilities for social reasons when their GNP's are in a downturn. How they do that, if there is not enough demand for steel in the home economy, is to marginally price and sell their steel products in world markets in order to maintain employment for social reasons.

We had a long negotiation during the Kennedy round on nontariff trade barriers and we never came to grips with the problem. It is going to be extremely difficult for the United States and for other governments even to define what they construe to be nontariff trade barriers. In the U.S. steel industry, we have no hope whatsoever that trade negotiations will change the structure of world steel—knowing that governments one way or another will get the steel they need. Steel imports into many economies result in the second highest adverse impact on national balances of trade and payments. You probably have noticed the U.S. data released today indicating that steel imports produced a marked adverse impact on the latest balance of trade figures of the United States, second only to oil. We believe other national governments will invest in order (a) to get the steel to keep their economies operating; and (b) to avoid the negative impact on their trade and payments balances of attempting to import steel—which they cannot get anyway when there is high world demand—as it is generally higher priced than in their own economies.

We do not feel that in the NTB area our negotiators can conduct a steel sector trade negotiation which will alter the structure of subsidies or direct government ownership in the steel sectors in other countries. We do not think that is possible.

What we are attempting to achieve, and what we have very carefully delineated to Ambassador Eberle and Ambassador Malmgren is a need for a steel sector trade negotiation which comprehends all of the government policies affecting world trade flows in steel—whether government procurement, subsidies, ownerships, or employment practices. It is crucial to the American steel industry that our Government be able to respond to the kind of steel import situation that occurred in recent years. Our situation is a delicate one. Today the American economy needs steel. But in 1972, for example, we had 92 million tons of steel shipments in the United States. We had 18 million tons of imports. This produced a return on equity of about 5.7 percent. This kind of return is inadequate for the production of enough cash flow to invest in the new facilities the United States needs to satisfy the steel demand that exists in the country today.

Our international trade position in steel changes so fast we feel any steel trade sectoral negotiation must provide a mechanism for our negotiators to assure that untoward or unwanted trade flows in steel can be alleviated when they are causing market disruption in the United States. If we do not have such a mechanism, insofar as we are concerned, the trade negotiation will not be a successful one.

We have said we believe some language compromise is possible and we feel this can be worked out. We do not think the special trade negotiators' hands should be tied to sectoral negotiations across the board for every sector. But we do urge the Congress, both for industrial sectors and for the agricultural sector, to insure that the trade negotiations result in effective sector negotiations in each area.

We believe it is generally acknowledged that tariff cuts will have little impact on the flow of trade in the world today. Certainly in steel and in many other industrial products, tariff cuts are not the crucial factor. Government policies are what affect trade flows today—government policies which pertain to particular industry sectors and to agricultural sectors. And we do not see how one can undertake successful negotiations in Geneva unless there is a clear mandate for sectoral negotiations and unless the U.S. Government reaches agreement with its trading partners on market disruption adjustment mechanisms—particularly in the important sectors such as chemicals, agriculture, electrical products, rubber, steel—but simply to conduct a linear negotiation of the kind that occurred in the Kennedy round, and then attempt to quantify nontariff trade barriers, and then do nothing about them, will result in negotiating failure. Accordingly, sectoral negotiations are extremely important.

I wish to read one quote from an authority who was involved in the Kennedy round. He said, "Some of the new procedures followed in the Kennedy round also exercised a beneficial influence on the outcome of the negotiations. The sector discussions, for example, introduced a valuable multilateral element and enabled the participants if not to transcend the limitations of the reciprocity principle—meaning the so-called linear cut—at least to arrive at detailed undertakings of the industries concerned and of the compromises possible. Indeed, special arrangements worked out in the chemical and steel sector discussions helped to draw the negotiations away from the brink of complete collapse."—Kenneth Dam, an internationally known authority.

In closing we believe a compromise can be reached on this issue. U.S. agricultural trade objectives should be satisfied. U.S. agriculture should have access to world markets. But not at the expense of our industrial sectors, particularly those vital ones, which should be accorded careful sectoral negotiations.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, gentlemen.

You can go ahead and compromise if you want to.

Just speaking as one, there are a lot more jobs in agriculture than there are in your industries, involved in this. I do not think you have to compromise. I think that it is plain in the United States Senate that the votes will be there to give you the same type treatment as the House gave you. I would be very surprised if it is otherwise. I would welcome the debate to see what would happen, but I am aware of the fact that we have a lot of people working in agriculture and they are very important and we are certainly interested in all of them. But some of your companies or some of the members of your associations have plants in my State, chemical plants, or else they have got plants manufacturing electronics or something. I do not know of a single job that we have got for an agricultural worker who would not be willing to give it up to go to work for one of the companies here, in one of the

electronics plants or one of the chemical plants that exist in our State. And I honestly believe that whoever wrote me this letter, one of the chemical people, saying that you do not have to give away these jobs in the chemical industry—and I think the same thing is true of the steel industry—in order to move those agricultural products is correct. And that, I think, is what is wrong with our policy. We are giving away everything and getting nothing in return. Giving away things you do not have to give away; and by the time you get through, to see what you have got, one more lousy deal. And we were promised repeatedly it was not going to be that way every time you came up with one of these trade bills.

Now, I hope we are going to have some people who know how to negotiate for the United States with the same determination and persistency that these foreign governments negotiate for their people.

But to me, the idea of selling out the basic industries of the country on the theory that by doing so we are going to export a few more bushels of corn or a few more barrels of rice is not necessary. We can sell all of that stuff to somebody else if need be. And having heard the witnesses for both sides, I personally am convinced that you people in the steel industry and the electronics industry and the chemical industry are right about this matter. And frankly, I find with great surprise—I would be really shocked, even in the Senate, to see debate on this issue. As I understand it, you are perfectly willing to let them negotiate agricultural products for industrial products; but you think first they ought to see if they can make a better deal than that. That is basically what we are talking about.

Now what about the steel industry?

To do what we expect in the steel industry in the next 10 years is going to require some very major investments in plant and equipment, and that in order to make those huge investments, a fellow has to have some feeling of security, that he might be able to make his money back, to make the thing pay off. And if these trade negotiations are going to make it such that it is a very, very risky investment, they will be reluctant to make those investments to provide the new jobs in the steel industry.

Is that correct?

Mr. COLLINS. Well, Mr. Chairman, the money will not be there for the steel industry to make the investment, the kind of investment that will be required in steel during the next 10 years.

The CHAIRMAN. Now, we do not have one steel mill in Louisiana. We always live in hopes that someone will figure out a way someday, but as a practical matter, I for one am not convinced at all that we have to liquidate the U.S. steel industry in order to sell them agricultural products. Now, theoretically that might benefit Louisiana, but in the long run it will not because the jobs we will be losing in chemicals and the jobs we will be losing in electronics and others, it would seem to me would make us big losers.

Mr. COLLINS. Mr. Chairman, I think it works both ways. If you injure the domestic steel industry to get access for agricultural products, there will not be enough steel to provide the tractors and the bailing wire and all the steel products the agriculture industry needs to produce the agricultural products.

The CHAIRMAN. I think they are going to find an answer to that. The Russians are making some very fine tractors these days, so they can find some answers for you in that area, but I do not know what we are going to put your steelworkers to work doing after their industries are gone. I mean, apparently we are going to expand into service areas. I guess you heard my suggestions about where some of those jobs will be, but I cannot see where we would gain what we lose by providing for the liquidation of some of our central basic industries when in my judgment that is not necessary.

Now, if it is necessary and they can convince us, then of course I might take a different view on it, but I do not see why you have to compromise with anyone about that Karth amendment. It seems to me it is right.

Senator BENNETT. Mr. Chairman?

The CHAIRMAN. Yes.

Senator BENNETT. I just want to make one comment. The discussion today has centered around agriculture as the villain that is going to trade off all of these jobs in the other industries. I can see a situation in which the electrical manufacturing industry may be traded off against steel, or steel may be traded off against the electrical manufacturing industry. So we are not talking the question of agriculture versus the rest of the U.S. economy. We are talking about the question of whether the trade representatives can be free if necessary to trade off electrical units against steel, or steel against electrical units.

Mr. KENNEDY. Could I respond to that, Senator?

Senator BENNETT. Yes.

Mr. KENNEDY. I think you are right. There is a question of in the end, may there not have to be cross sectoral concessions. In the end there probably will or may have to be some, and they may involve agricultural labor and they may not. I do not think anybody can predict the course of the negotiations.

What strikes us as extremely critical in terms of the U.S. approach to negotiations is to recognize that our problem, as my colleague has pointed out, is very different from what it was in the Kennedy round and earlier. It is not a matter of cutting tariff rates and then taking some weighting of the cuts on one side and balancing them against the other. Those are not in most—well, I will not speak for most sectors, but in many sectors that is not the problem anymore. The problem is all these government interventions that distort the flow of international trade, and are we going to have ground rules that give U.S. industry a fair crack both ways, a fair crack at export markets where they have the capability to serve them, and a fair crack in their own home market in terms of being protected not against competition but against unfair competition.

And as we see it, the major thrust of these negotiations ought to be to begin, it is going to be a long journey. I would not be optimistic about quick results in the next 2 years or something like that, to begin to try to set up international ground rules that look toward fair competition both ways, and I think it is wrong to approach the negotiations as though it were like the Kennedy round or earlier where we are looking at tariff cuts, and we are going to balance one set of tariff cuts against another. That is not the philosophy, it seems to us, with

which we should enter these negotiations. The philosophy should be to develop, if you will, international codes of fair competition so that where the United States has a comparative advantage, it can avail itself of that, and other countries the same way. And this should be the main thrust of the negotiations as we perceive the problem that now blocks world trade, and now adversely affects U.S. employment.

I do want to emphasize a number that was exchanged earlier. It is true that U.S. trade, I guess it accounts for something approaching 6 percent of the GNP, but if you take as a denominator not the GNP but the manufacturers, it is more like 14, both ways.

Senator BENNETT. That figure was put into the hearing, but of course, everybody who has been talking today has been talking about agriculture, which is outside of manufacturing. So it is not fair to just take total U.S. trade and relate it to total manufacturing because agriculture—

Mr. KENNEDY. No; I think both numbers are relevant. I said both numbers as having significance and making a point.

Now, one thing, those of us who supported the Karth amendment never perceived it as an antiagriculture amendment and did not look for any kind of confrontation or difference here. We looked at it as a calling for a negotiating approach, a negotiating philosophy, a negotiating technique which we thought would be more effective in opening up world markets to U.S. capabilities. That was at least as we perceived the effect of the amendment and the reason why many of us supported it.

Senator BENNETT. You have suddenly discovered that there was this added dimension.

Mr. KENNEDY. No, I think we were aware that some people on the agricultural side might have some concern about this, in terms of if they have a philosophy of the trade industry, in order to advantage agriculture, then maybe the Karth amendment is a problem, but I do not think that is a rational philosophy on any side of the table.

Senator BENNETT. Well, I am leaving the hearings with the understanding that A, there has been willingness on both sides to try and reach an accommodation, and if possible, find language which will satisfy both, and B, that you are—that industry as represented by the witnesses today, are willing to leave the negotiators with sufficient flexibility so it is not on a mandated basis, it is on a permissive and suggested basis that he approach the whole negotiation process in areas of your products. You hope he approaches it first on a sector basis, but you would not require him to stand and fall on the sector basis.

Mr. KENNEDY. Well, it has never been—the Karth amendment as adopted by the House did not mandate sector bargaining. It indicated a preference for it but it had a number of qualifications notably, the feasibility. If there was any question about that, I do not think there was a reasonable question, that has been dispelled by the suggested changes in the language which are now before you. We do not think you can tell the U.S. negotiator to go in and negotiate in some specified way because there are an awful lot of other countries in that negotiation who may say, thanks, but no thanks.

We do think that the Congress ought to tell the special trade representative that one of his objectives, the principal objective is to get equivalent product opportunities by product sector, and they ought to tell the special trade representative: "You come back and tell us how you made out against that." We have a responsibility to account for the trade, and we are accountable for that.

Senator BENNETT. When you say the principal account, are you saying to the negotiator that he must first try this or is he free to size up the situation and move in another direction if he discovers—

Mr. KENNEDY. I think the effect, when Congress tells the negotiator that a principal objective of the negotiator shall be the following, he has to make a strong, good-faith effort to attain that objective, and I think it is clear that to attain that objective in many of the sectors that are involved here, he will be called upon as a matter of meeting that in good faith to negotiate by sector.

Now, he is not mandated to do that and his only accountability is to come back to you and give you an accounting. The Finance Committee of the Senate and the House Ways and Means Committee will have an oversight as to this, and the sanction of the Karth amendment and the sanction in all of the versions that are before you is that he must give you an accounting.

Mr. COLLINS. We understand, Senator Bennett, that the trade negotiator cannot negotiate in every product sector. There are thousands of product sectors and a negotiation like that would take 20 years and ultimately result only in confusion. But as Mr. Kennedy has just said, we hope that the sense of the Congress as expressed in the trade bill, will make clear that this negotiation will not be a successful one unless careful negotiations are conducted in product sectors where such negotiations seem appropriate.

I think this is the reason we would like strong sector language. All these industrial representatives who have testified here today feel that their sector is extremely important and should be accorded sectoral negotiations, and further, that the scope of sector negotiations which occur will be extremely important. Not just sector negotiations in which tariffs in one industry are balanced against tariffs in another, but one which also comprehends Government support practices which affect trade in the industries involved.

Senator BENNETT. I think we are aware, the committee members, are aware of that. We have been living with that problem ever since we started to work on the trade bill, pretty well through the negotiation on tariff negotiations. We are into the much tougher area of negotiation on nontariff barriers.

Mr. COLLINS. I mentioned that, Senator, because in the Kennedy round there was a steel factor trade negotiation, but it principally involved the question of reciprocity in the area of tariffs and did not address itself to these other far more important areas.

Senator BENNETT. I have no further questions.

The CHAIRMAN. If I may, I believe Senator Hartke is acting chairman. I have been called to another meeting.

Senator HARTKE [presiding]. Under the Karth amendment, the terminology used, "to the extent feasible." Now, to the extent feasible is a definite limitation upon complete requirement of sector negotia-

tion and cross sector negotiation certainly was never prohibited nor intended to be prohibited by that amendment. But the point still remains, that in regard to the question of agriculture, it should not be allowed to dominate the negotiations. And I say this knowing that Indiana is a big agricultural State. Each of these three industries represented here are also big in Indiana. GE has facilities in Indiana. The steel industry is well represented along with chemicals.

I can show you factories which make cabinets, for example, for television sets, and show you the elimination of our complete transistor radio factory systems in which GE was involved, and Magnavox, and Westinghouse, and Arvin. We had it, and now they have gone abroad. The fact is that in the European economic communities in which they have attempted to eliminate some of the restrictions on trade, they have always had a difficult problem on the agricultural policy, and the common agricultural policy of the Common Market today is still one of their big stumbling blocks in the negotiations and they have stated that this is a non-negotiable item.

They are not so sanctimonious as to come forward and say we are willing to negotiate on it. I do not know of any indication that it is going to be negotiable. They just signed an agreement between the United States and the European Economic Community in the last few months. I think the trade negotiators were instructed to deal with tariff barrier eliminations; to compensate the United States for the inclusion of Denmark and Ireland and the United Kingdom into the Common Market, and the benefits of the agreement went specifically, almost totally to the agricultural sector.

You are going to have to negotiate bit by bit, item by item, and try to do the best you can to try to determine what the overall economic effects are going to be, not only upon us, but upon the other nations of the world, the underdeveloped nations, the industrialized nations, and that is what we are trying to do here in writing a trade bill.

But I see no reason to go ahead and just arbitrarily put ourselves in a position where we are in a straitjacket.

I have a great deal of faith in all of our negotiators but I will say this. I always find out that the negotiators we have had in the past have always ended up with the multinational corporations after they left their negotiating positions. That fact makes me very suspect, and I think that you are right to be suspect.

Senator CURTIS.

Senator CURTIS. Mr. Kennedy, do you regard the Kennedy round as a successful one?

Mr. KENNEDY. It had obviously some successes, and I think it is fair to say that its overall effect was favorable. But in a number of sectors I think the feeling at least of some people who were involved in that—I was not—in reporting their opinion, is that more could be done in getting reciprocity or competitive equivalents in some critical sectors of the U.S. economy. It is a question of degree. Is the glass of water half full or half empty? I think they had some successes and some failures, sir.

Senator CURTIS. What is your opinion, Mr. Collins?

Mr. COLLINS. It is hard to tell, Senator Curtis, how much world trade would have increased with or without the Kennedy round. I believe world trade will continue to increase with or without a trade

negotiation of the kind that is currently being contemplated. I think on balance the Kennedy round was a successful negotiation, broadly, for the world. I am not so sure it was for the United States because the negotiation did not get into basic trade-distorting practices, which we were later so concerned with. The Kennedy round, for example, did not incorporate any adjustments for ways in which nations are able to rebate value-added taxes for exports.

Senator CURTIS. Now, in that connection, would you read that statement that you read a bit ago from Mr. Dam I believe was his name.

Mr. COLLINS. Read it again, sir?

Senator CURTIS. Yes.

Mr. COLLINS. "Some of the new procedures followed in the Kennedy round also exercised a beneficial influence on the outcome of the negotiations. The sector discussions, for example, introduced a valuable multilateral element and enabled the participants if not to transcend the limitations of the reciprocity principle, at least to arrive at detailed undertakings of the industries concerned, and of the compromises possible. Indeed, special arrangements worked out in the chemical and steel sector discussions helped to draw the negotiations away from the brink of complete collapse."

Senator CURTIS. Who is Mr. Dam?

Mr. COLLINS. He is a trade policy expert.

Mr. KENNEDY. He is an economist, I believe, an economist and lawyer of the University of Chicago. He was a close aide of Secretary Schultz on the White House economic staff, and I think is widely recognized. There are two books on the subject, one by Mr. Dam, one by Mr. Jackson, who was Mr. Wolf's predecessor, Mr. Eberly's general counsel, and Dam was one of the outstanding authorities in the field.

Senator CURTIS. I am a little disappointed at the tenor of the discussion here today, not so much on the part of the witnesses, but I know of no one in agriculture that is asking that industrial jobs be traded off. I just do not think that is true at all.

Mr. COLLINS. Agriculture is a pretty good customer of the iron and steel industry, is it not?

Mr. COLLINS. Yes, sir, it is.

Senator CURTIS. And when you consider not only the things I mentioned a bit ago such as tractors and ploughs and cornpickers, and corn-picker-shellors, and fence and all of that sort of thing, agriculture is a very big user of our transportation industry.

Mr. COLLINS. That is right.

Senator CURTIS. Which still runs on steel rails. And it is exceedingly important.

Now, what was the origin of the Karth amendment? Where did it come from?

Mr. COLLINS. I think intense concern on the part of certain industry sectors that unless there is a mandate to the special trade negotiator to conduct industry sector trade negotiations, that their particular sector would receive no benefit whatsoever from the trade negotiations, and would indeed be harmed. I think the steel industry feels this way. Senator Curtis.

Senator CURTIS. But where did it come from?

Did Mr. Karth just grab it out of air? What groups got together and presented the Karth amendment because it was not in the original proposal sent to Congress.

Mr. KENNEDY. Could I speak to that, Senator?

Senator CURTIS. Yes.

Mr. KENNEDY. I cannot count the number of associations that testified before the House Ways and Means Committee, but at least two, the two I am representing here today, the National Electrical Manufacturers Association and the Electronic Industry Association advocated a sectoral approach in their testimony, and I think several others did.

I might say after the Karth amendment was enacted, the National Association of Manufacturers, which has an umbrella role in terms of the various industry associations, took a poll and found the vote in favor was 11 to 3. Some of us wrote—these are all part of the public record—letters to members of the committee, to all members of the committee recommending the adoption of such an amendment, and so on.

Senator CURTIS. Well, now, what industries took part? They have a perfect right to, but I just want to know what industries took part in formulating the Karth amendment?

Mr. COLLINS. We supported sectoral negotiations, but as to the actual language of the Karth amendment we did not take part in that, Senator.

Mr. KENNEDY. I think it is fair to say that the leading role was taken by the Electrical Manufacturers, the Electronics Manufacturers, other industry groups were involved in it, but the leading role was taken by the electrical and electronic manufacturers. But as you know—

Senator CURTIS. And I think this is perfectly all right, but I am just trying to find out, and you did have some negotiations among these groups.

Mr. KENNEDY. Oh, yes, yes.

Senator CURTIS. Now at any point was agriculture asked in on those proceedings?

Mr. KENNEDY. No, they were not, so far as I know, Senator. These were all, these recommendations were all made on the public record.

Senator CURTIS. I understand that, but these things do not happen accidentally, and I think that agriculture has gone way beyond their share in compromising. I would have brought to my office compromise language that agriculture was asked to agree to. They would give a little bit, but never quite enough, and what they came to my office and said they would agree to, I looked at it and I said, well, this is something you rejected before, and they said "yes." We are, in the interests of the program, we are going to do that. They contended for a long time against the word "in conjunction with the elimination of industrial trade barriers," and asked that it be integrated. They waived that.

I think instead of agriculture being pictured as the villain here, that they are the ones that have been left out of the negotiations. The Karth amendment affects our whole economy, whether it is good or bad. Agriculture was left out of it, the negotiations in reference to it, and I think they have gone way more than half-way in compromising here,

and I am sure that when they agreed to this yesterday they thought that that was a bona fide offer.

So, if this legislation fails, I do not think anyone has a just right to point their finger at agriculture as being the obstructionists.

Today one of the witnesses pointed out that a \$5 billion net surplus is something that would be alluring for negotiators to give away. Well, it is not quite as big as \$20 billion with a net of \$10 billion.

Mr. KENNEDY. Well, sir, I do not think that was a line in the testimony either in direct or in colloquy on any of us that found any fault with agriculture here. I think you will recognize that. I repeat what I said earlier, that to have a serious continuing difference between agriculture and industry is very bad for the bill and very bad for our posture in the negotiations.

Senator CURTIS. That is why I am suggesting that you ought to go as far as agriculture, which I think they have gone way beyond half way, even though the item was put in the bill that they were never asked or consulted at all, and they are the biggest exporters, and for most of you, they are your biggest customers.

I do not believe they have been treated right. I do not think it is intentional. I do not think there is any conspiracy, but here we are talking about an industry that is made up of great numbers of individuals, and they cannot speak with the central authority that a single industry or an industry group can.

Now, I know of no one who contends that the Kennedy round was any great victory for the United States. You had sector by sector negotiations there, so to give it to you now is no assurance whatever that your industry or anybody else's industry will come out better off. You can depend on the negotiators. But there are some very good minds in the field of agriculture that are thoroughly convinced that the sector by sector approach in the Kennedy round, as carried on there, was very damaging.

So, I hope that you people will go as far as you can.

Mr. COLLINS. May I respond to that, Senator Curtis?

Senator CURTIS. Yes.

Mr. COLLINS. First, the steel industry would like to see a trade bill enacted. We think the country needs a trade bill. We think the Senate Finance Committee has written a good trade bill. It would be a tragedy for a trade bill to be held up by a controversy on language involving sectoral negotiations. And I hope that a compromise can be worked out that is satisfactory to both sides.

However, the approach in the Kennedy round, originally a linear approach, a tariff cut approach, at first did not work. Then a few non-definitive sector negotiations occurred right at the end of the Kennedy round. But we are talking about sectoral negotiations of an entirely different kind, now, Senator.

Simply to cut tariffs, and attempt to quantify or define nontariff trade barriers but be able to do nothing about them, and conduct no meaningful sector negotiations—we believe would produce a trade negotiation that is a total failure.

Senator CURTIS. Well, I have been concerned, and I have said so on the public record, about the nontariff barriers for 25 years, and the people in charge of our negotiating program kept talking about tariffs, and they did not amount to anything. These are nontariff barriers.

Now, it is a tough problem, and it is going to take expert negotiations. It is going to take a will to protect this country to ever crack these nontariff barriers, government tricks and requirements and inspections and all of that, and the point is that a sector by sector approach is no guarantee that the nontariff barriers will be sound. Maybe there is a good argument for it, but it is no shortcut to think that these nontariff barriers will be pursued any more vigorously than if our negotiators have the broad field. If they have the broad field they can put their finger on the soft spot of the people on the other side of the table, and any narrowing that you have of the instructions of the negotiators is detrimental.

Senator CURTIS. Now, we do not ask total wipeout of the Karth amendment, but here is something put in and agriculture was not even given the courtesy of being notified or consulted. They have gone a long way to compromise, and I think the next move belongs to the proponents of the Karth amendment.

Senator HARTKE. Senator Fannin?

Senator FANNIN. I think everything that has been said today brings out the interdependence of agriculture and industry and I think we all recognize that, and I am concerned that we cannot have an acceptable compromise, and I am very pleased, Mr. Kennedy, that you indicated that from your point of view the industry and agriculture must have a negotiating position that they can agree upon. I trust that your optimism will prevail and that you will be able to come to a satisfactory and acceptable compromise. I think we all recognize that perhaps agriculture does not have as many employees. I do not know the answer if we consider employment related to agriculture. It would be different if we took the number of people that were related to actual production. Vast numbers of people in many of the States are mostly employed by industries, but they are both so important to us that we must, I feel, have a bill that is fair and equitable to both the agricultural community and the industrial community.

Now, we are working toward that end. Some of the problems we have are hard to analyze. Let us look at the statement made by Mr. Adduci, and the statement he furnished for the record:

We support the concept of sectoral bargaining which we are convinced is the best way to obtain an access we need to the electronics market, that we need to the other electronic nations of the world.

I think this is vital because if some predictions come through, if we go through with this legislation and open our markets, that we will be further flooded. For instance, I can recall when I was in Japan with the congressional group and we were discussing across the table with their business community whether or not they would cooperate with us in changing GATT so it would be more equitable to the United States. No; they said they liked it as it is, and they brought out that since we do so well in agriculture, perhaps we should be an agrarian economy and they would be the industrial economy. They would manufacture the goods and that we would just ship them food and fiber.

Well, of course, that does not work out so well when we are talking about employing our people. I think that as the distinguished Senator from Indiana has brought out many times, that his great concern is employment, and this is what we must think about, and I wonder, Mr.

Kennedy, taking the example of Japan that I spoke about, how will sectoral bargaining open their markets to U.S. manufacturers?

Mr. KENNEDY. Well, there are some areas where the United States still has a technological lead as against Japanese competition. I think in many lines of heavy electrical equipment this is true. Now, this is not to deprecate the outstanding industrial capability and performance of the Japanese. They have proved that in some areas they are world leaders, but they are not world leaders in oil and in heavy electrical equipment they are not. They have had classically in Japan a system really of government administration of their import policies, and government guidance on this, and very often these barriers are not formalized but for example, in many kinds of equipment you can only sell the first of a kind and technology licenses to go with them. You cannot do business any other way in some lines of equipment.

Now, these sort of restrictions, as we see it, are the sort of restrictions that would be addressed in sectoral bargaining, and we would have some hope that if you address them that way that over a time we would be able to level them. It is not going to be an easy task. I would not suggest that we are going to have some major results in 1 or 2 years. I think these are going to be difficult and extended, complex negotiations, but I think it can be done, and I think if the United States does make the effort, it will be sacrificing its opportunities for strengthening its economy, its industrial base, its employment, and I think it has to make the effort. I think this is the effective way to make the effort, to go at it sectorally, not in every sector, as my colleague says, but in many of them.

Senator FANNIN. Well, I know that we referred to Japan as incorporated, and they do not like for us, of course, to classify it on that basis, but you stated that they certainly have a relationship with their manufacturing concerns that does give them that position.

Mr. KENNEDY. I must say I do not really think—I do not like to think about any one country because we are just talking of one example. The Japanese have been good customers of the U.S. industry in many areas, as you know, sir.

Senator FANNIN. Oh, I realize that, and I also know that we have been trading with them and giving them many benefits that we have not received in return, and so I also realize how difficult it has been to get them to cooperate with us in GATT or in any other way in solving some of these problems.

I am vitally concerned about it and I wonder about when you speak of the 50,000 jobs that we have now as a result of our exports, electronic equipment—

Mr. KENNEDY. No, no; this is just one company. This is just General Electric Co.

Senator FANNIN. Yes; the General Electric Co. I understand that 25,000—you spoke of the—

Mr. KENNEDY. 25,000 supporting.

Senator FANNIN. Yes.

Now, how will those be supported by this legislation?

Mr. KENNEDY. As we see it, and of course, you cannot quantify this very precisely, obviously. As we see it, there are still a number of areas in U.S. industry where the United States has a technological lead. We find that in some of those areas the lead is so long that we

are not kept out. The reason is we are so far ahead that other countries have no choice, at least for the initial period, but to take American exports. But what has happened in many of these industries is they get identified as national interest industries from the point of view, at least, of the developed countries, and you suddenly find, well, not suddenly, but you find this array of barriers that one way or another keep you out.

And it happens that if we are effectively kept out of the world markets in products, well, we are effectively kept out of the markets now in developed countries in products like large electric turbines, if this is spread into gas turbines and locomotives and steel mill drives and the like, what you will find is an adverse effect on U.S. employment, not just measured by loss of exports, because some of these industries, sir, are viable only because of the export volume. They would be significantly less economic and less competitive and less attractive if it were not for export volume. The motivation, for example, to expand agricultural exports, which I fully recognize and acknowledge, applies also as a matter of national interest to expand exports in high technology manufacturing.

Mr. COLLINS. And steel, I might add, Senator Fannin. Our situation is just the reverse. We hold little or no hope that these negotiations will produce changes in the national systems of taxation or Government ownership or subsidies that affect trade flows, but we are very much affected, in the U.S. market by those trade flows when governments employ them for social purposes. We are talking about half a million steelworkers who support another 2½ million people downstream. We think that employment is extremely important.

Senator FANNIN. I just wondered what are your thoughts as far as the effect that this trade bill will have on the steel industry.

Mr. COLLINS. Well, if we are able to obtain a meaningful steel sector trade negotiation including the development of safeguards that can be employed by national governments—not just the U.S. Government but by other governments as well, when steel trade has a disruptive effect on a national industry, we think that will be a step forward.

As I said, we are less concerned with the structure of tariffs than we are with the incursion into another economy by a steel industry with excess steel capacity to dump whatever the tariff barriers.

Senator FANNIN. Mr. Collins, you do not feel that this is going to assist you greatly as far as exports are concerned?

Mr. COLLINS. The export market is hard to forecast. It depends upon the growth of demand for steel in the world. We expect steel demand to almost double in the next 10 years. It also depends upon how fast national governments and private steel industries can put steel capacity into place. It depends upon national GNP cycles and their effect on steel capacity utilization. When GNP cycles are down and there is unutilized capacity in other countries we can sell little steel in other markets. We can only sell any significant quantity of steel in foreign markets when there is a high world demand for steel and there is a shortage of steel in other national economies.

Our international competitors have great flexibility in trade matters. For example, it is not generally known that the EC countries met with Japanese steel producers in Tokyo and established the limitations on Japanese steel exports to EC countries. These were care-

fully maintained export limitations with no court challenges as to the legality of the arrangement of the kind which occurred relative to the voluntary arrangements negotiated by the U.S. Department of State with EC and Japanese steel producers. These are the kinds of actions our trading partners can undertake when they believe them to be necessary. The U.S. Government will not be able to accomplish such measures when necessary without an effective trade bill and without effective trade negotiations.

We believe effective trade negotiations must involve a comprehensive steel sector negotiation in which all of these issues are squarely faced and in which the rules for adjustment to market disruption are established, and in which safeguard mechanisms, if not employed immediately, at least are agreed to.

Senator FANNIN. Mr. Kennedy, one observation that I would like to make. I have worked for years trying to assist industry in being able to compete to a greater extent in the foreign markets, and it has been very difficult to get legislation approved or even to get the regulations in force that we have, the countervailing duty and antidumping statutes for example.

Do you feel that as we go through these trade negotiations that as the work proceeds, that perhaps we will be in a better position as far as carrying out the desires in this regard, of protecting our industries?

Mr. KENNEDY. Well, I think your bill has some excellent features in strengthening the antidumping and the countervailing duties features of present U.S. law. I think your clarification and expansion of the retaliatory authority is a very sound thing.

I believe that in total you are working on a very well-conceived and good piece of legislation. One side of it is just this matter of dealing with unfair import competition, and I think the evolution of it, as I understand it on countervailing duties and antidumping and retaliatory authority is very much to be commended.

Senator FANNIN. Well, I will just end by saying that my great concern has been, as far as this legislation is concerned, will it cost us jobs or will it help us produce additional jobs. That is the great question in my mind.

Mr. KENNEDY. Well, the bill, I think, offers, just taking the precise issue posed earlier, the issue of unfair competition, the bill offers, I think, opportunities to protect U.S. employment by strengthening the rules against unfair competition.

It also offers—we have strongly supported the bill right along, and I think nearly all of industry has. It also offers the opportunity to expand export markets for U.S. industry, and I think this country needs a strong agricultural base, and it needs a strong manufacturing base. It needs both. It would be a disastrous thing if either were seriously weakened.

Senator FANNIN. Well, I wholeheartedly agree with you. It is what we need. And I just hope that you are correct in your assessment of what can be done by the legislation involved.

Thank you.

Mr. COLLINS. We support that view, too, Senator.

Senator FANNIN. Thank you very much.

Thank you, Mr. Chairman.

Senator HARTKE. In 1962 when we sponsored a trade act, which I was the sponsor of, it did not require sector negotiations. Sector negotiations were an organizing plan to bring some type of order out of a chaotic situation which developed in the Kennedy round of negotiations.

The Kennedy round negotiations did not collapse because there was an attempt made at sector negotiations. The exact opposite is true. They may very well have collapsed because of the lack of sector-type negotiation positions.

The Kennedy round was, for all intents and purposes, nothing but a propaganda victory. Until the last 30 days, nothing had been accomplished. They ended up with an agreement which did not deal with nontariff barriers.

Then they decided to go ahead and deal with tariff barriers, and so they eliminated the tariff barriers on items which had very little significance. If you make an objective report on the Kennedy round, it did not fulfill the objectives of the legislation, and that is one good reason, having once been burned, that I am very hesitant about these trade negotiations without having a clear understanding of what our objectives are.

In the Treaty of Rome, in section 39 and section 110, they deal with the question of world food shortage, and the European Economic Community has made a very specific designation as to where agriculture fits into that program.

Now, not taking cognizance of that would be sheer nonsense on the part of this committee. For Senator Curtis to say that agriculture has gone a long way in dealing with this problem is a tempest in a teapot. That is not the issue at all.

Senator FANNIN. I want the record to show I do not agree with you, but that is all right.

Senator HARTKE. On July 19, 1973, the background information from the European Economic Community information service out of New York, on page 13, makes this specific statement, and that is item 2, in regard to agricultural policy:

For political, economic and social reasons, the Agricultural Sector in all countries is especially characterized by this general resistance of support policies. The common agricultural policy corresponds to special conditions of agriculture within the community. Its principles and mechanisms should not be called into question, and therefore do not constitute a matter for negotiations.

That is the situation. If their agricultural sector is not a negotiable item in these trade negotiations, then I think it is important for us to recognize that what we are saying on our side is that we will have to have some weapon to deal with that problem.

I want to read another statement to which I think Mr. Kennedy would not necessarily agree because I have my own philosophy on these trade negotiations. Another quote:

Item 4. The conditions for the expansion of trade would be more favorable if the stability of the world markets were better assured.

I agree with the statement. The best way of achieving the objective would be to organize orderly world markets by the means of appropriate international agreements. I do not think that this is probable

within the framework of the trade bill which I think we are going to adopt, because it all is dependent upon this wornout theory of the 1930's of how you negotiate these agreements.

You are in a different world. You talk about the steel industry; Jim. Quite honestly; there is a softening of steel demand at the moment.

Mr. COLLINS. That is possible, Senator.

Senator HARTKE. If there is a softening of steel demand at this time, then some of the problems to which you referred are not necessarily going to be true. But where are you going to get that additional \$265 billion you are talking about? You are going to invest it? United States Steel is investing down there in Venezuela and Argentina. Too much is going abroad—our manufacturing capabilities, our jobs, and so forth.

And you talk about nationalization. As you well know, it was United States Steel that laid the plans for the plant in Iran, and then we had this policy of limiting how much we could invest in overseas production. The Russians, as I recall, had access to those plants, or at least the materials, and they have built their own facility which is competing with us.

I am not opposed to expanding world markets, but I do think there ought to be some commonsense in this regard. We are the most competitive nation in the world, and I repeat what I have said time and time again, that if any nation wants to compete with the United States in a completely open and free competitive trade zone, I will be the chief advocate. Because we are so competitive, we can do all right against any other nation of the world on even terms.

Our problem is, how do you deal with unfair advantages of others.

Mr. COLLINS. Senator Hartke, this Nation needs another 25 to 35 million tons of steel. We are advised that there is a requirement for \$500 billion to achieve the goals of Project Independence. We do not know how much steel is involved in that, but it could be another 10 or 20 million tons.

The U.S. industry has announced 17.3 million tons of expansion so far, all in the United States, for the U.S. market, Senator.

Senator HARTKE. Good. Just keep on expanding it in Indiana.

All right, Senator Fannin, do you have any more comments?

Senator FANNIN. Mr. Chairman, I think we are very proud of our industries, and you certainly have given praise to our abilities to compete. We do have the greatest agricultural industry in the world, and I know that we have had problems in our industries as far as steel is concerned because we have been assisting other countries in the world, and then, of course, we have had investments that the Senator speaks about. Many times those were very beneficial to this country because the terms here were of great magnitude.

So I think in the overall that the industries have done a magnificent job. I, too, have been vitally concerned about some of our industries going offshore to ship back into the United States, but I also know that, as far as multinational corporations are concerned, there have been tremendous advantages to this country in terms of billions of dollars returned each year, and making it possible for us to have a favorable balance of payments at times. Right now, of course, we are in a position where the petroleum imports made it almost impractical

for us to have a favorable balance of trade with the quadrupling of the prices, but I still feel that we will get that problem worked out and then we will again hope that we can have a favorable balance of trade.

We are dependent upon both the industrial community of our Nation, including the agricultural community along with it. So I just hope we can work together to overcome some of these problems that the Senator from Indiana spoke about.

I agree with him on some of his statements, and wholeheartedly disagree with him on others, but the main part, I think the factor that we are all involved with, is that, as indicated here today, we must work together. Agriculture and the industrial community must work together and work out the compromise that will be acceptable, and I just wish you well in that regard.

Senator HARTKE. I do not think this is a fight between agriculture and industry. I think this is Mr. Butz, coming on in here and wanting to make a name for himself, and I think that he made a name for himself, of which I am not especially proud, and that is all I can say about it.

This committee will stand in recess until 2:30 today when the Czechoslovakian most-favored-nation issue will be discussed. We will have other people of equally distinguished character testify.

[Whereupon, at 12:52 p.m., the committee recessed, to reconvene at 2:30 p.m. the same day.]

