

187 TC 2/5/79

CONGRESSMAN LES AuCOIN
REVISION AND EXTENSION OF
REMARKS MADE ON HOUSE FLOOR
FEBRUARY 5, 1979

MR. AuCOIN:

Mr. Speaker, I am introducing today legislation that will strengthen U.S. trade policy and how it constructively impacts emigration policies of our trading partners throughout the world.

This legislation is timely in that it will enable America to pursue normalized commercial relations with the People's Republic of China quickly on the heels of diplomatic normalization -- and without eroding our fundamental human rights principles.

My legislation, which is similar to a bill being introduced today in the other body by Senator Stevenson, amends the waiver clause in Section 402 of the 1974 Trade Act that restricts certain trade benefits to non-market countries, including China, unless those countries exhibit satisfactory emigration policies. The waiver clause is now constructed negatively. My legislation would make it positive.

Instead of demanding physical assurances from a country that it will abide by our emigration standards, my legislation would empower the President to make a determination that the actual granting of a waiver to this section and opening up restricted trade benefits would "lead substantially to the achievement of the free emigration objectives" this section seeks. It thus makes use of trade benefits as a tool to achieve emigration.

The bill I am introducing today would add greater flexibility to this section by extending the duration of a Presidential waiver from 12 months to five years. Later this week, I intend to re-introduce my legislation with a perfecting change that would add even more flexibility. That change will limit first-time waivers to non-market nations to 12 months, to ensure timely Congressional review. Subsequent waivers to those nations could be for up to five years. This change will give maximum flexibility, yet assure adequate Congressional oversight and consultation.

My legislation complies with President Carter's stated objective to deal even-handedly with both the Chinese and Soviets with respect to trade matters. It would, therefore, remove the existing \$300 million limit imposed on credits the U.S. Export-Import Bank could

Page Two

extend to the Soviet Union, replacing it with a ceiling of \$2 billion on credits to all non-market nations. It also would raise from \$50 million to \$100 million the amount of an Eximbank loan or guarantee to a non-market country that requires a separate Presidential determination that such a transaction is in the national interest.

My interest in this legislation grows out of an active role in the House Subcommittee on International Trade where in the last session of Congress I authored an amendment that would have exempted the People's Republic of China from Section 402 of the Trade Act, opening up credits from the Eximbank for sales to China. My purpose in introducing that amendment was to combat the paralysis that had set in since the 1972 Shanghai Communique in our relations with China. I reasoned that movement on the trade front would signal the Chinese we were still interested in normalizing relations, while at the same time enabling U.S. businessmen to enter more forcefully blossoming Chinese markets.

Now that normalization with China is a reality, our attention should be directed toward bringing to full bloom our relations with China. The time has never been riper to do so.

Chinese Vice Premier Teng Hsiao-ping's just completed trip to the United States underlines the importance the Chinese hold for improved Sino-U.S. relations. Vice Premier Teng could not have made it clearer that China intends to purchase U.S. goods and technology, if we are competitive.

Frankly, though, we are not competitive. We are not competitive because of restrictions we have placed on ourselves. They are restrictions that were aimed elsewhere and that now are hopelessly out of date. They are restrictions that block the use of Eximbank credits to assist in financing large sales to China and granting of Most Favored Nation Status that will open a wider range of consumer choices in our own markets. China trade, while not an overnight bonanza, holds the promise of sure growth and can be a tremendous opportunity to spur U.S. exports and cut away at our debilitating, chronic trade imbalance that saps the U.S. dollar and induces inflation. Most important, U.S. export growth will stimulate new advances in productivity and create more and better-paying jobs.

The situation is filled with more than a little irony. There is growing evidence that despite U.S. firms landing large contracts with the Chinese, they are unable to secure domestic financing and are being told to look abroad. The result will be that many of the jobs will follow the financing, and opportunities for American workers will be lost. This situation is not going to be reversed to any appreciable degree until the Eximbank is allowed to spearhead the extension of credit for sales to the PRC.

347

Page Three

My own region of the country stands to benefit handsomely from increased trade with China, through such commodities as wheat, forage grass seeds, breeding stock, seafood, wood products, electronics equipment, sawmill machinery, heavy and light machinery, consulting and engineering services, aircraft and aquaculture technology.

While pursuing normalized relations with China, we must remain mindful of how our actions translate in the world. President Carter has charted a course of even-handed treatment of the major powers of Russia and China. Therefore, we cannot be in the position of favoring one and penalizing the other. Rather, we should use the leverage of our new initiative to improve our relations with both.

In addition to being even-handed, my legislation is faithful to the intent of the Jackson-Vanik Amendment. Indeed, I believe it strengthens its practical effect. It extends a carrot, not a stick.

Maintaining a consistent, yet achievable, policy on human rights is essential to our current foreign policy. I support that foreign policy. We can and should exert pressure to ensure free emigration policies. But we also should exercise caution that we not overplay our hand or apply pressure that will have little effect. In short, we must bear in mind the distinction between foreign policy and trade policy. Trading with a nation, and granting that country Most Favored Nation status, does not mean we approve of that nation's policies, whether emigration or economic. It simply means we have opportunities to exchange goods on an equal basis for the mutual benefit of both parties.

I believe the positive thrust of my legislation will strengthen our trade policy, and may very well lead to stronger commercial ties with both China and the Soviet Union, with no diminution in our efforts to promote liberal emigration.

This is truly a situation where we have everything to gain and nothing to lose by taking this action. Frankly, the euphoria of our new relationship with China will transform into an empty dream unless we move with purpose to place American commercial interests on equal footing with the rest of the world in competing for a flourishing market. We also have an opportunity to reward improved behavior by the Soviet Union and thereby ease tensions. Most important of all, this is a chance to demonstrate that our trade policy is mature and robust, and is riveted on the future, not the past.

A section-by-section analysis of my bill follows:

477

SECTION-BY-SECTION ANALYSIS

Section 1(1) would amend section 2(b)(2)(B) of the Export-Import Bank Act to increase from fifty to one-hundred million dollars the amount of each Bank loan or financial guarantee for U. S. exports to a Communist country requiring a separate Presidential determination that such transaction is in the national interest.

Section 1(2) would add a new provision to the Export-Import Bank Act limiting the aggregate amount of loans and financial guarantees which the Bank could have outstanding at any one time in support of U. S. exports to any Communist country to two billion dollars.

Section 1(3) would delete from the Export-Import Bank Act the provision requiring Bank loans or financial guarantees of twenty-five million dollars or more for the export of goods and services involving research, exploration, or production of fossil fuel energy resources in the U.S.S.R. to be transmitted to the Congress twenty-five days of continuous session prior to final approval by the Bank, and the provision limiting Bank loans and financial guarantees for exports to the U.S.S.R. to not more than three hundred million dollars, including not more than forty million dollars for the support of research or exploration for fossil fuel energy resources, and prohibiting support for production (including processing and distribution) of such resources.

Section 2(1) would amend the Trade Act to require the President to determine that the emigration practices of any non-market economy country will henceforth lead substantially to the achievement of the free emigration objectives of section 402 of the Act, before such country shall be made eligible for nondiscriminatory tariff treatment and U.S. Government credits. The amendment would replace an existing requirement that the President have "received assurances" regarding such practices.

Section 2(2) would amend the Trade Act to authorize the President to waive the application of subsections (a) and (b) of Section 402 of the Act for five years. (The perfecting change to be introduced later this week would replace "five years" with "12 month periods for first-time waivers and up to 5-year periods for subsequent waivers.")

Section 2(3) would delete from the Trade Act a provision limiting U.S. Government credits to support exports to the U.S.S.R., except Commodity Credit Corporation credits, to not more than three hundred million dollars.

IN THE HOUSE OF REPRESENTATIVES

Mr. AuCoin introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Export-Import Bank Act of 1945 with respect to credit to communist countries, and for other purposes.

1 Be it enacted by the Senate and House of Representatives
2 of the United States of America in Congress assembled.

3 That the Export-Import Bank Act of 1945 is amended--

4 (1) in section 2(b)(2), by striking out
5 ``\$50,000,000`` and inserting in lieu thereof
6 ``\$100,000,000``;

7 (2) by adding at the end of section 2(b)(2) the
8 following new sentence: ``The Bank shall not have
9 outstanding at any one time loans or financial guarantees,
10 or any combination of such loans or guarantees, in
11 connection with exports to any communist country in an
12 aggregate amount in excess of \$2,000,000,000.``;

1 (3) in section 2(b)(3), by striking out clause (ii)
2 and by redesignating clause (iii) as clause (ii); and
3 (4) by striking out section 7(b).

4 Sec. 2. The Trade Act of 1974 is amended--

5 (1) in section 402(c)(1)(B) and section 402(c)(2)(B),
6 by striking out ``received assurances`` and inserting in
7 lieu thereof ``determined``;

8 (2) in section 402, by striking out ``12 months`` and
9 ``12-month`` each place they appear therein and inserting
10 in lieu thereof ``five years`` and ``five-year``,
11 respectively; and

12 (3) by striking out section 613.