

Speech by Les AuCoin to the World Affairs Council  
1/9/86

The topic is an interesting one. I also noticed in the Downtowner magazine that the topics I'm scheduled to discuss this evening range from textile imports to national security. I was also reminded to keep my remarks to 20 minutes so I will try to rate the Congress, deal with textile imports and everything in between that and national security.

In starting out my remarks I will tell those of you who aren't familiar with some of the work I've done in the Congress that I come at these points I intend to make tonight from the perspective of a free trade democrat, a budget conscious democrat and as an arms control democrat. One who indeed has been a part of the major fight over the last five years in advancing the cause of arms control and arms restraint.

If I were to rate 1985 I would call it not much of a year in the Congress with the exception of arms control which I will mention in a moment. There was an ASAT anti-satellite test ban which was passed, an amendment of mine, and I think that was notable. There was a tax overhaul bill which you well know got half way through the Congress. And there were the first beginning signs of sobriety on the question of budgeting. Whether that plays out in real terms and fair and equitable results remains to be seen. But in the main I would have to say that in 1985 is probably going to be seen as look back on it as a curtain raiser for next year's main event. I think 1986 will be a watershed year for the Congress, for the country and perhaps for the political system perhaps for years to come.

I think 1986 can be the year in which America either seizes the opportunity to be a great world economic power in the year 2000 and beyond or whether, in fact, it muffs that opportunity. Oregon has everything to gain or to lose as these policy questions unfold and are decided on a national basis in Washington, mainly because they deal with areas that are critical to our own self development. The question of protectionism versus free trade will be played out and Oregon's well being will be directly affected by the outcome of that national debate. That debate over trade and our trade imbalance today which is reaching a record level in turn stems from the budget deficit that is in triple digits today. Oregon's economy is obviously effected by budget deficits of any kind but particularly of the magnitude that we are dealing with today. I've tried to develop my own agenda in a way that will help resolve these policy questions and make a contribution to them both for the country's sake but particularly for Oregon's sake.

As I ended 1985, one half way through the sixth term I have represented Oregon's first Congressional district, I ended it with the feeling that more than ever before our country's world standing depends upon our ability to develop a strategic vision from now into the next several decades because the old days are gone. The days when America really was a dominant economic power in almost every sector are gone. Now we have an increasingly internationalized market place, intense military competition, an arms race that is draining the treasury of this country and putting the world in a state of high alert. In terms of international markets, in terms of domestic markets, international competition has begun to make major changes already. I don't need to remind this audience that Japanese automobiles are approaching 40% of the American market. Japanese future industrial plans intend to focus on telecommunications, microprocessors, informational dissemination, digital switching. They are preparing an industrial strategy for the year 2000 and beyond. Unless we as a country and Oregon as a state prepare to be a part of that international marketplace, prepare to be fully competitive with a well trained, well educated work force, then I think we will miss our opportunity to remain a major economic power and we will see our position slip. If our country's position slips then I fear that Oregon's will slip even further because just as we feel the recession first in Oregon the same will apply here as well.

What will be the element roughly of what I consider a strategic vision that will give us the growth, the opportunities, all of the things that go into the kind of standing that I have described and that we require and that we have become accustomed to in the years past. I think that we need to focus on these things among others. Good schools. World class research particularly here in Oregon. Most of these things are designed to be Oregon's contribution to the national picture. Labor management teamwork. Something that I'd call a national attitude of delayed gratification, particularly when it comes to the budget of the federal government. Being able to avoid spending now in order to delay gratification so that with the savings we can put our financial and our fiscal house on a much more stable basis and prepare ourselves for prosperity and economic gratification in the future and for future generations. I would add to that list this final point although that list is by no means all inclusive, security through arms control. Not security through added technological investments in ever more gold plated weapons systems but security through arms control. Arms control that is mutual, verifiable, and that stops the most madcap exercise the human race has ever been engaged in. Unless we do that there is no hope, in my judgment, on that last point that we will be able to get the budget deficit under control.

We will be able to terminate triple digit deficit which are doing such incredible economic damage to our country and which in turn are raising the tide of protectionist politics in this country which would really doom this country, particularly Oregon in the years to come.

I think that we have three major needs that I would identify in 1986 in order to try to come to terms with some of these goals, to attain some of these goals. Three major needs that I would identify tonight. In June or July or August whenever this meeting takes place, we must have a bargain struck between Gorbachev and Ronald Reagan on the question of nuclear arms. It is absolutely pivotal to the whole picture. Without that none of the other things can fall into place.

We need, secondly, another bargain. A bargain between democrats and republicans. We need a bargain between Capitol Hill and the White House on the budget, on the deficit itself, in order to stop the triple digit deficits, in order to deal with entitlements that are exploding in their growth, in order to deal with the rising cost of the military buildup, and in order to make it possible for an investment strategy to be developed in this country.

And that's the third thing that we can identify as a need in 1986, the beginning of the identification of a true industrial investment strategy for this country. Without it we can not spur the international competitiveness that the United States must have. When I say an industrial investment strategy I divide it in a couple of ways. The first in the public sector, public investments. Secondly, private investments. And then I divide it another way. Between things on the one hand and people on the other. We need investments on both.

In terms of the federal budget, in the context of reductions that we'll get to in a moment, that we are now bound to, we need to improve our investments at all levels in the schools, in the caliber of instruction that is taking place in the classrooms. We need to find room in that budget through offsetting cuts if necessary and it is possible and through increases in revenue if need be in order to have the quality of instruction that our kids require. It is a scandal of major proportions that in the Soviet Union four years of science and math are required of high school students whereas 2/3 of American high school students today are graduating today with less than 2 years experience in the classroom in science.

We need improvements in investments in the federal budget in research and development in an economic infrastructure. On the private side made possible, of course, by budget deficit reduction we need the increasing of capital. Capital formation. An increase in the capital pool for the critical investment we need to improve our capability to compete with international competition of the kind I described a few moments ago.

I think that there are some hopeful signs that we can see some progress on these three needs. The anti-satellite test ban that was approved by the Congress, that I offered as an amendment is a very hopeful sign that the arms race will not extend into outer space so that the budget will have to support an arms race here on earth as well as an arms race in space at the same time. Its a hopeful sign that perhaps we have turned the corner on unbridled military spending. I don't find military security out of putting dollars into the Pentagon. I define military security as output based on wise investments that give us bonafide military capability that's not destabilizing. The ASAT is the only form of arms control that has been entered into even on a defacto basis between the two superpowers in the last 6 to 7 years. We have it in place today. We have matched the Soviet unilateral moritorium through this amendment by saying in law that as long as the present certifies that the Soviets has not violated its own self imposed moritorium on anti-satellite testing we on our side will restrain our tests as well. If neither side tests then neither side develops an anti-satellite capability and that part of the arms race can be brought under control.

I look forward to the challenges of 1986 because these things must be done in a totally new context: in a context of Gramm-Rudman. GR is the new budget procedure that sets out as a goal a 20% reduction in spending each year for the next five years. I've had liberals and conservatives give differing opinions on whether or not Gramm-Rudman should have been passed. Some conservatives opposed it feeling that it was going to crimp military spending and end the record peacetime military buildup since 1981. I think they're right. I think it will restrain that buildup. Some liberals have criticized it saying that it will crimp domestic spending. To some extent they're right because it's going to require continued restraint on domestic spending but if we are going to get serious about triple digit deficits, both conservatives and liberals are going to have to contribute something to this picture and I believe that GR for all of its warts, for all of its lack of beauty, at least represents a hope, whereas for the last five years I have searched in vain for a way to bring these triple digit deficits under control. I have supported a budget freeze. I have supported a pay as you go budget. I have supported every reasonable proposal that was offered to try to get this budget under control. None of them had the requisite number of votes to pass the congress. This year 218+ were marshalled on behalf of GR and the 20% reductions each year for the next 5 years in the deficit is now a statutory requirement. How will it play out in 1986? Who will the winners be? Who will the losers be? I really am not prepared to make a prediction except to say that starting in March of next year when we have to reconcile the current fiscal year's budget with the requirements of GR we will see about a 15-20 billion dollar reduction in outlays on the military side as well as reductions on the domestic side.

And the one redeeming characteristic that I would tell my liberal friends as well as my conservative friends is simply this. For once and at last, it puts all of our budget choices in a self-contained, inescapable loop and from this point forward, if one wants to increase spending in some part of the budget offsetting spending cuts must be found somewhere else in order to finance it or one must come up with the political will and courage to raise the revenue if that spending increase is so essential. One way or the other no more borrowing against the future and with all the poisonous economic results that that causes. At least it does that. This is the first time in 6 terms that I have represented the first district in Congress that we've been in this kind of environment. I hope it works. I hope its constitutional. It may not be. We will have an early test on this. I hope it works because the absence of a budget procedure that provides a glidepath of deficit reduction of the kind I have described seems to me to guarantee the perpetuation of an arms race, a military spending binge and the absence of a fiscal policy that will prepare America and Oregon for the economic future.

I thank you.

#### QUESTIONS AND ANSWERS:

Question: What's your view on the counter terrorism bill that didn't get through Congress...etc...Central America...?

Answer: You're referring to U.S. training of police forces in CA, of El Salvador in particular? I oppose that! In my experience in CA the groups that have perpetrated the greatest repression on the civilian populations of these countries in the past have been the police forces of those countries. I have talked, myself, in visits there with heads of those security forces and their links to private death squads and terrorist groups are extensive. Security briefings that any member of Congress can get with a simple request show that those forces rather than the military forces, the actual armed forces, have traditionally been deeply involved and I have seen no evidence that there has been any major reform or disconnection between the two so for the United States to be putting money into the training of those forces is premature. I think it will add one more impression to the people of El Salvador and to the people of other countries that we have not learned the lesson that we pay a dear cost when we support right wing repression. The result has always been the emergence of left wing repression aided and abetted by our competitors in the world and I think that is a self defeating policy.

Question: In our newsletter it says that there has been has been an easy passage of a bill that would reduce imported textiles from Korea and Hong Kong by 30%. Are there any more phases for this bill to go through and if it passes how will it effect China?

Answer: That's a good question. The question is about the textile import bill. It did pass the Congress. It passed by a fairly substantial majority in the House and the Senate but it did not pass by a 2/3 margin in either the House or the Senate. That means that the President who has said that he will veto this bill has enough votes to have this veto stick. It will be sustained. I opposed the textile bill and I organized votes in the House on a bipartisan basis to insure that the bill did not pass by more than 2/3 so that we would be able to sustain a veto. We were successful. It was the only major piece of protectionist legislation in this Congress but unless we do something about this devastating deficit of triple digit magnitude which is putting such incredible pressure on the dollar vis a vie other foreign currencies therefore representing 30% in hidden tax on every export we send out and 30% hidden subsidy because of 30% overevaluation on imports coming into this country, unless we do something about this budget deficit the dollar will remain artificially overvalued and you will have record trade deficits in turn creating the political dynamics in thgis country which led to the push for the textile bill and the dynamics leading to a cry for protection against certain industries. We were able to stop this one. The veto has not come up for an override vote yet. Under the rules of the Congress you can delay that vote. It will be delayed and its scheduled as I understand it now for June or July. Sometime in that time frame. Obviously there is an attempt to bring it as close to the election as possible because in some parts of the country protectionism plays very well politically. I still remain confident that we can sustain the President's veto and I agree with the President when he says that that bill should be vetoed. I have talked to trade officials in the Chinese Embassy in Washington and asked what the impact of this bill would be on China, China after all being for Oregon a major potential trading partner. I lead Oregon's first trade mission back in 1979 right after the normalization of relations. We have an enormous opportunity for job growth, for growth of new businesses and profits here if we remain friendly in our trading relations with China. The trade counselor in the Chinese Embassy in Washington said that if this bill passes it will be devastating for China. He said, "what do you expect us to buy your lift trucks that you manufacture in the Pacific Northwest with? If you don't let us sell our textiles which are one of the few things we can sell in the international marketplace with what will we buy your lift truck? Your electronics equipment? Your agricultural products? The other products? With what do we buy them? We need the foreign exchange through the sale of textiles in order to be buyers. In order to be buyers we need to be sellers." He also said that in Canton, unemployment would increase by 100,000 people. So I helped lead that on the floor of the House against that bill. I think we can sustain that bill. Those would be the consequences. For Oregon it's shooting ourselves in the foot and putting great injury on a major trading partner.

Question: You asked us to write you about your record. Well, I wrote and told you that the Gramm-Rudman bill is the worst vote you ever cast. (Can I go on with the next question?) You are turning over to the President and the OMB the job of developing the budget. Alright, besides that...As I understand it the President signed the bill. Supposedly for every dollar of social cuts there shall be one of military. Yet he says he is going to get inflation for the military plus 3%. Now how does he figure he can do that? Is he dreaming?

Answer: He's dreaming. If the President says that without revenue that he can achieve the goals of GR and still increase military spending by 3% or more is living in a fantasy world. I have had great difficulty in the past 5 years controlling what the President says on various issues. Let me just say a word about GR. It does not turn budget making over to the President. It's important to understand that. I concede that it is not a pretty sight to see the Congress of the United States and the President of the United States basically admit that there has been such a collapse of responsibility that they've had to create a system that at the end will drop a meat cleaver on spending if that absence of responsibility continues. It's because of the unbelievable consequences of the deep meat cleaver cuts in a veto if the 20% target is not reached by the Congress itself that I believe finally that we are going to see conservatives say that we've got to restrain military spending. And I think we are going to see moderates and liberals say that their sacred cows have got to be a part of the compromise in order to get triple digit deficits down. That's simply the only way we can solve the crisis and it is a crisis. Unless the conservatives are willing to budge and unless liberals are willing to budge, unless moderates are willing to budge on all of their sacred cows which they so far have not been willing to do we will have legislative gridlock, deficits will continue to mount and the poison in the economy will continue to spread and ultimately will put us into a third rate position as an economic power. (Question: Doesn't this mean you buckled under to the President?) Answer: No, it does not. (Question: When he says he wants to do away with government except for defense and he wants to dissipate other programs, aren't we at that stage?) Answer: No, it does not. What GR says is Congress must produce a budget, not withstanding what the President submits at the beginning of the year, that eliminates the deficit by 20%. Now the President can submit a budget in January, and we will probably see this, with a 3% increase in military spending or more. But that budget if presented that way will be dead on arrival. In Congress, which has the Constitutional powers of the purse strings will be able to reconfigure the priorities, package the spending, choose the winners and losers of the budget accounts, the line items, and be able to reach a 20% target on its own.

If it does the President doesn't get what he was demanding. (Question: Are you going to read these cards that all the people are sending to you?) Answer: I have been reading the cards. They are coming in by the truckload. I called my office today and we have 3,000 returned cards and you'd be surprized. Oregonians, by an overwhelming margin, are saying that GR is something that they support.

Question: Is there any likelihood that GR might be repealed or is it in to stay?

Answer: It could be repealed. Let's be candid. Of course it can be repealed. It is statutory. It could be repealed. If its repealed then what? Every person who votes, and I assure you it would be a record vote, will stand accountable in the elections of 1986 and the voters will make their own judgments as to whether that decision should have happened. My guess is that simply is not going to happen. (Follow-up question: Do you think the GR could stand the test of a vote in 1987.)

Answer: Politically I don't think its possible to pass an amendment that would water down, weaken or cripple the GR program. Particularly the 20% deficit reduction targets and the enforcement mechanisms there. (Follow-up question: RE: foreign policy. What do the Palistinians want? What are they after to lay down arms?) Answer: I am not confident that we can say in a sweeping statement what the Palistinians want. I think frankly that a separate state could be created on the West Bank and you could see Palistinian terrorist groups of the kind that have captured the headlines in recent weeks. I can't say what the Palistinians want. What they say they want is a state of their own and most responsible under both democratic and republican administrations have said that unless the PLO which claims to be the only legitimate spokesman for the Palistinians recognizes Israel's right to exist that they are not going to even sit down to talk about any state. (question: if the Palistinians adjusted the geographical limit of what they want...answer: well, some want West Bank others including the latest rogue wants the complete extinction of Israel.)

Question: Couldn't hear it.

Answer: I'm not sure how budget reform fits in with campaign finance reform but I have consistently supported Common Cause's program for check offs on your tax return and the proceeds from those to finance Congressional elections in the same way we finance the Presidential election. I think that a far better way to decide who we choose to set policy than our current system.

Question: RE; terrorism, are you satisfied with the President's action and do you see Congress taking any further steps in order to curb terrorism abroad or in this country.



Answer: Congress is going to be spending a good deal of time but for the most part it will be in committee hearings most of which will be secret trying to determine what strategies could be developed to counter terrorism. There is a very real threat in international terrorism in which we have had the luxury of seeing off our shores could indeed arrive at our shores. Briefings I've had have not been comforting so we need to think of strategies and be realistic about the future and yet we still have to develop these strategies with a full commitment to first ammendment rights and remain a free society and be able to protect ourselves against this new form of warfare. I don't think that major legislation will come out of Congress but the beginning of the examination of what goes into a futuristic strategy will certainly start and my committee will be a part of that.

Question: Are President Reagan and Kadafy throwing stones at each other or are we on our way to a full blown confrontation here?

Answer: I don't think there is going to be a military confrontation between America and Libya. I support the President's sanctions. I want to make the stipulation that we should be realistic about how much effect thats going to have. We really don't have many economic ties with Libya. The effect will bring out American nationals. That will be a difference in the equation because alot oif these nationals have expertise in assisting the Libyans in their oil production and other critical industries. I think its important to sever all ties with an outlaw country. A direct military strike will not happen, I think. I've been a little concerned about these conflicting signals that came out of the White House, the State Department and the Pentagon in the days immediately after the two tragedies at the airports. One day the news was we're going in. The next, economic sanctions. If I were Kadafy I don't know what I'd be thinking. Maybe that was the intended result. I don't think that keeping him guessing is a good result. I think a consistent sound line that shows the government wasn't having an internal debate at the time of trial would have been a preferable signal to be sending.

Question: RE: arms control. What are the prospects for the meetings in Geneva and the meeting with Gorbechev?

Answer: What are the prospects of an arms agreement being reached soon and the prospects of the upcoming summit. I haven't detected any give in the negotiations of either side to date. As long as that is a reality obviously there will be no arms control. The tragedy of this is that I believe that the President of the United States does not recognize the opportunity he has in his hands to go down in history to achieve possibly the best arms control treaty any President has ever achieved.

If he were today to say that he would be willing to trade a test ban on the elements and component parts of what he calls SDI in turn for deep cuts in offensive weapons on the Soviet side I am convinced that that bargain would be put into a treaty and signed and the Russians would buy it.