

STATEMENT BY CONGRESSMAN LES AuCOIN
HEARINGS ON NATIONAL EXPORT POLICY
SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
July 21, 1980

Mr. Chairman, I want to thank you for giving me an opportunity to appear today as your committee meets to consider the development and administration of U.S. trade policy. The scope of these hearings is far-ranging, as indeed it must be when we realize just how much our international trade policy affects our lives and the health of our country.

My purpose in appearing today, is to focus on the the export side of our trade policy and to call attention to a bill that I introduced earlier in June -- the National Export Policy Act of 1980 (H.R. 7479). Currently, there are 41 co-sponsors. This major legislation, a companion bill to one introduced in the Senate by Senator Roth and other members of the Senate Export Caucus, is designed to establish an aggressive national export policy and promote U.S. exports.

During our current economic downturn -- and in particular with the automobile industry besieged with failing profits and high unemployment -- we are pressured to control competition and restrict imports. To many, imports represent a serious threat demanding government intervention. I submit, however, that our problem is not one of restricting imports so much as it is expanding exports. Expanding exports is, of course, more difficult and not an immediate paliative to our economic woes. But make no mistake: Restricting imports may give us relief only for the moment; expanding exports, will not only aid our recovery but bring us to long-term health. The difference is one of taking medicine to cure a symptom, or to cure the disease.

Frequently, we have decried American export performance in the world marketplace and expressed the need for congressional action to help improve this performance. This Congress, and in particular, your Committee, Mr. Chairman, have been responsive to these concerns, for example, by passing the Multilateral Trade Agreements Act and approving most-favored-nation status for the People's Republic of China. Prospects for approval of legislation to encourage the formation of American trading companies are bright.

But our approach to reforming our trade policy and our efforts to boost exports have been piecemeal. The National Export Policy Act is a major step toward a strong, cohesive export policy that touches all aspects of American export efforts.

Let me just mention some of its provisions: It gives authority and funds to Eximbank to meet international competitive financing and removes Eximbank appropriations from consideration with the foreign aid program. It provides certain tax exemptions to American nationals living abroad and engaged in export activities. It provides for the creation of export trading companies. It creates special grant and loan programs to help small businesses enter the export market.

The need for this legislation is readily apparent:

- o The U.S. share of world exports has fallen from 32 percent in 1947 to around 12 percent in 1979, and the decline continues.
- o We continue to run a trade deficit, last year in excess of \$25 billion.
- o U.S. export growth has been negligible since 1974. In real terms, U.S. exports in 1977 were only 1 percent greater than in 1974.

But the consequences of our declining export effort go beyond the recitation of statistics. They go beyond lost jobs and vanishing profits. They go beyond lost leadership in technology and innovation. They go to the heart of our national security. For so long, we have conveniently interpreted national security solely in terms of military might. We have forgotten, if indeed we ever understood, that economic might itself is one of the greatest guarantees of national security.

For so long, U.S. international trade has been used as a tool of national political and security goals rather than as a goal itself. It has become the club by which we bring other nations to heel -- or so we thought. But the truth is, there are few, if any monopolies left in today's world. The United States has no stranglehold over any sector of the international marketplace. We must compete and we must compete vigorously if we are to meet the challenge of this brave new world of global commerce.

Meeting the challenge of the world marketplace begins with fundamental changes in our export practices and the laws that govern them. It begins with a new national export policy that capitalizes on our traditional economic strength and taps the innovative and creative resources of the American economic community. It begins with the National Export Policy Act of 1980.

The bill is designed to enlist maximum cooperation among government, industry and labor toward a common national economic objective. If we are ever to regain our preeminence as an economic leader in the international marketplace, building a cohesive export policy and achieving this common economic goal are vital.

The fundamental changes now proposed in the National Export Policy Act promise significant gains for the United States. A recent Georgetown University study showed that a \$15 billion growth in manufactured exports can be expected to increase U.S. consumption by \$20 billion a year and boost employment by 1 million jobs. The U.S. gross national product should increase by around \$37 billion

annually with a gain of \$4 billion in private investment. But only if we move aggressively to restructure our national export policy.

This is a comprehensive export bill, Mr. Chairman. But its focus on exports belies its vital role in improving our domestic economic health and, indeed, maintaining our economic and political leadership in the world. Of course, I am speaking of the need to remake our industrial base, the need to fundamentally retool our economy, the reindustrialization of America.

Across the land, we see declining competitiveness, an erosion of saving and investment, a diminished thrust from technological innovation, and faltering research and development. The stunted growth of productivity has become our way of life.

From 1948 to 1968, Mr. Chairman, output per hour worked increased annually by 3.2 percent. From 1968 to 1973, however, the increase was only 1.9 percent, and since has fallen to a barely discernible 0.7 percent.

The result is this: Everywhere in the world, in every industry and in every market, American business and industry is under attack, and our prospects for re-gaining the advantage are not bright. Between 1962 and 1979, the U.S. share of the telecommunications exports dropped from 28.5 percent to 14.5 percent. Our substantial lead in aircraft is threatened and agricultural machinery is under siege. Our semiconductor industry is but a half step ahead of our foreign competitors.

But what do exports have to do with breaking out of our encirclement? Simply this: We no longer live in a world where we can view exports as peripheral to the corporate profits and marginal to the well being of America. To regain and sustain the economic vitality of America, we must have markets. We must recapture old customers and open new markets for American goods and services abroad. The international marketplace is the new frontier for America in the 21st century much as the western frontier was our great stimulus for expansion and growth in the last century.

As others have said before your Committee, the relationship of export performance to innovation and research and development is neither mysterious nor obscure: Those products where the United States leads the world in the international marketplace are those resulting from substantial and continuing commitment to research and development, principally agricultural commodities and high technology products.

While we have enjoyed a lead in innovation and technology, our advantage is threatened. We must act now if we are to preserve it.

Thus, in addition to the National Export Policy Act, I would call the attention of the committee to a host of bills that have been introduced to accelerate, for example, the return of capital

invested in plants, equipment and vehicles and encourage more intensive research and development.

One measure of particular note, however, is the Research Revitalization Act of 1980, HR 6632, introduced by you, Mr. Chairman, to provide a 25 percent tax credit for companies when they set aside funds for universities to do qualified research.

Others who testify during these hearings will address the critical need for this legislation. Let me just remind the Committee that our efforts to promote exports and restructure our trade policy will meet with only partial success unless we also enact legislation of the kind exemplified by this bill.

I intend to reintroduce the National Export Policy Act at the beginning of the next Congress. Before then, I will be reviewing the possibility of including in the bill measures such as HR 6632 to encourage research and development, to expand our capacity for innovation, to promote our reindustrialization and to set us on the path toward the new economic frontier of the next century.

In closing, Mr. Chairman, let me again thank you for the opportunity to appear. For the Committee's reference, I am attaching to my statement a summary of the National Export Policy Act.

SUMMARY
NATIONAL EXPORT POLICY ACT OF 1980
H.R. 7479

Title I - General Findings and Purposes

This title presents the importance of exports to the U.S. economy and the need for aggressive action to be taken to improve the U.S. export performance; and calls for export expansion to be a principal national goal.

Title II - Export Financing

This title recognizes the importance of adequate, competitive export financing to U.S. exports; provides authority for the U.S. Export-Import Bank to provide additional funds on a competitive basis; adjusts the terms of the directors of the Export-Import Bank; and removes Export-Import Bank appropriations from consideration with the foreign aid program.

Title III - Export Related Tax Policy

This title concludes that the Tax Code should work to encourage rather than discourage exports; provides for certain tax exemptions for American nationals living abroad and engaged in export activities; adjusts provisions of the Tax Code on bad debts resulting from exports, research and experimental expenditures and foreign currency losses on export receivables; removes unfair penalties on U.S. exporters whose business is adversely affected by war and civil unrest in foreign nations; and allows duty-free entry of machinery, materials and fuels for use in export manufacture in foreign trade zones.

Title IV - Antitrust Regulations

This title finds that current application of U.S. anti-trust laws to international trade laws is complex and ambiguous, resulting in restraints on exports rather than encouragement of competition overseas; amends Webb-Pomerene law to allow business associations engaged in export to obtain preclearance that will grant antitrust immunity for certified activities; and simplifies antitrust procedures to avoid conflicting demands by several U.S. agencies applying antitrust laws and to clarify application of the laws to extraterritorial activities.

Title V - Adjustment of Laws and Government Regulations that Hinder Exports

This title finds that a number of U.S. laws, regulations, controls and policies that have been instituted to serve legitimate domestic economic, political and ethical needs have inadvertently acted as restraints on exports because of the unpredictable and unclear nature of their enforcement, interpretation and jurisdiction; amends the Foreign Corrupt Practices Act of 1977 and the Securities and Exchange Act to remove these restraints; calls for an international agreement on foreign busi-

ness practices and a full review of the Foreign Corrupt Practices Act; and calls for a reduction in the amount of export paperwork.

Title VI - Export Awareness and Export Promotion Programs

This title provides for the formation of export trading companies; creates special grant and loan programs to help small businesses enter the export market; creates the Joint Export Marketing Assistance Program; establishes international education programs for exporters; and calls for special assistance for exporters of services.

Title VII - Agricultural Export Programs

This title amends the Commodity Credit Corporation Charter Act to create an Agricultural Export Credit Revolving Fund; amends the Farm Credit Act of 1971 to authorize banks for cooperatives to engage in export financing; calls for adequate financing of agricultural commodity exports through the U.S. Export-Import Bank; and establishes an International Wheat Exporting Commission.

Title VIII - International Agreements

This title finds that multilateral negotiations and agreements are a preferable solution to many U.S. trade problems but multinational trade agreements and codes reached so far have not achieved adequate removal of artificial barriers to U.S. products abroad; calls for strong implementation of the Multilateral Trade Agreements and continued stronger efforts to remove foreign tariff and non-tariff barriers; encourages implementation of the Subsidies Codes on agricultural products by creating a standby export subsidy program for agricultural commodities that neutralizes the effects of other countries' export subsidy programs if they fail to follow the Code; calls for international codes on financing, business conduct, reciprocity on enforcement of anti-trust laws and services and investment.

Title IX - Government Support of Export Goals

This title concludes that all the available resources of the U.S. Government must be used to assist and promote the export of U.S. goods and services, except where contrary to the national security or national economic interests; calls upon all government departments, agencies and organizations not directly involved in export policy, in particular the Office of Management and Budget, the Department of Justice, the Overseas Private Investment Corporation, the International Development Cooperation Agency, the Department of Energy, the Small Business Administration and the Congress, to consider the impact of their policies, decisions and programs on exports and, where possible and appropriate, to take steps to help export expansion goals.