EXPORT POLICY: ROLE OF TRADE REORGANIZATION

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL ECONOMICS

OF THE

JOINT ECONOMIC COMMITTEE
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THURSDAY, AUGUST 2, 1979

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON INTERNATIONAL ECONOMICS
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room S-207, the Capitol, Hon. Gillis W. Long (cochairman of the subcommittee) presiding.

Present: Representative Long.

Also present: John M. Albertine, executive director; Kent H. Hughes and William D. Morgan, professional staff members; and Carol A. Corcoran and Stephen J. Entin, minority professional staff members.

OPENING STATEMENT OF REPRESENTATIVE LONG, COCHAIRMAN

Representative LONG. The meeting will come to order.

I want to welcome all of you to the third in a series of hearings on U.S. export policy. In our previous hearings in this series we have focused on the export problems and potential of the Mississippi Valley and the first phase of the President's new export policy.

At both of these sessions we heard a steady flow of complaints about confusion in U.S. trade policy. Too often the right hand of export promotion has been restrained by the left hand of foreign policy. At times, export finance has been too meager or too costly to exploit opportunities created by very successful trade negotiations. Big and small businessmen alike found that our commercial attachés were frequently more interested in the admittedly hard questions of world diplomacy rather than the intricacies of industrial marketing.

Witness after witness pointed out that the United States simply could not identify the spokesman who is recognized as the principal voice of U.S. trade policy. In fact, the United States is the only major industrialized nation in the world that does not have a centralized system—with clear leadership responsibility—for the conduct of trade negotiations, enforcement of laws against unfair trade practices, and the formulation of export policy.

For years the United States was a successful better-mousetrap country, counting on high technology items to attract the world to our export door. That era is with us no longer.

Record trade deficits and an intermittently weak dollar have focused the attention of the Congress and the country on the need for a stronger, more effective trade policy. Surely one necessary step on the way to an effective policy lies in creating a single agency that can speak for the United States.

A variety of reorganization plans and proposals have already been introduced in the current Congress. In the Senate, Senators Roth, Ribicoff, and Byrd have advocated the creation of a major new department that would consolidate trade-related functions now conducted in a number of different departments or agencies. On the House side, Congressmen Jones and Frenzel have proposed a two-tier approach to trade consolidation—placing responsibility for all trade negotiations in the Office of Special Trade Representative and consolidating a large number of other trade functions in the Department of Commerce. The administration approach would make similar, although not such far reaching, changes in trade reorganization.

As our three witnesses today know, last Friday I introduced a proposal of my own that would centralize responsibility for the formulation and implementation of U.S. trade policy in an expanded and strengthened Office of the Special Trade Representative.

I was very pleased to see the President present his trade plan—it recognized that we need change and that certain trade and commercial programs were best taken out of the Departments of State and Treasury. But, gentlemen, I must say that in my own view, the President's plan is seriously flawed. First and foremost, it continues the policy of dividing authority for the conduct of U.S. trade policy. Second, although the President does build on the proven strength of the Special Trade Representative, he places far too much reliance on the Department of Commerce. Gentlemen, in Louisiana we have a saying that you don't buy a lazy hound for hunting. And I must say that Commerce looks a lot more like the possum than it does like the hound, certainly if their past conduct is any evidence. Third, the President does give the Office of the Special Trade Representative several new responsibilities, but has refused to add to one of the truly overworked staffs in Washington. If they do not have the additional manpower to meet their new responsibilities, power and practice will slip back into familiar and inadequate channels.

At this time, without objection, I would like to add to the record an excellent article on foreign economic policy reorganization by Mr. Richard Kaufman of the staff of the Joint Economic Committee.

[The article referred to follows:]

REORGANIZATION OF FOREIGN ECONOMIC POLICY

(By Richard F. Kaufman*)

Issue Definition

The purpose of this essay is to assess the arguments for and against proposed reorganization plans for the government's foreign aid and foreign trade programs. The two subjects are dealt with together for several reasons. Not only do they represent two of the most important components of foreign economic policy, they are likely candidates for reorganization because of the controversy that seems constantly to follow them. Indeed, numerous proposals to reorganize these programs have been made and several are now pending before Congress. Foreign aid and trade are also substantively intertwined. One reason for giving countries economic assistance is the hope that they will provide us with foreign markets. Many former and present recipients of U.S. aid are now valuable trading partners. Trade itself can be used as a substitute for conventional forms of foreign aid and can be an important instrument for development in the poorer countries.

Pressures to reorganize the way the Federal Government makes decisions about foreign economic affairs come from two sources. One is the idea that Government mechanisms for dealing with these issues are haphazard and fragmented, often overlap and sometimes conflict with one another, and frequently fail to anticipate problems before they arise or to deal effectively with them when they do. Responsibilities for international economics have been assigned to a multitude of departments, agencies, bureaus and commissions. The need for better coordination and improved management of Government policies and activities is often cited in the areas of foreign trade and economic aid to the developing nations.

In addition, many observers attribute the long-term decline in our international trade position and the shortcomings in foreign economic development assistance to disarray in U.S. Government programs. For example, spokesmen for the business community have been joined by a number of Members of Congress, key Government officials and academic specialists in a call for more aggressive policies to stimulate U.S. exports. This group believes a consequence of the dispersal of foreign trade functions within the Federal Government is that no agency has the authority to promote exports, protect domestic firms from unfair foreign competition, and represent U.S. interests in trade negotiations.

A growing number of persons in the foreign trade community have come to believe that the trade functions shared by the Departments of State, Treasury, and Commerce, and several other agencies, must be

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*Assistant director-general counsel, Joint Economic Committee.

consolidated into a single department if the United States is to realize its potential in international markets. Many also believe foreign aid programs would achieve better results if they were not scattered among so many agencies and if there was better coordination of bilateral and multilateral efforts.

There is wide disagreement with these views. To many, the dispersal of authority over international economic issues is characteristic of the American political system and not much different than the situation with regard to domestic economic policy. There, too, responsibilities are scattered over many Government departments and agencies. Some maintain that international economic policy should not be separated from domestic economic or foreign policy as it is a major element of both. This implies that if Departments such as Treasury and State are to continue performing their domestic economic and foreign policy missions, they must also continue exercising influence in the international economic field.

Treasury Secretary W. Michael Blumenthal in congressional testimony during 1977 said that while the Treasury Secretary is the main spokesman on international economic policy, Treasury should not be the lead agency in developing policies for which other Departments have statutory authority. Thus, the Agricultural Department should be the focal point of interagency coordination for international agriculture policy, the Special Trade Representative should do the same for commercial support policy, and so on. Blumenthal added that the President's domestic and national security policy assistants should continue to play central roles in economic coordination. This view, if carried to its logical end, would leave international economic policymaking about the way it is. The Secretary did express support for better coordination at the Cabinet and White House staff levels.

Others argue that many of the weaknesses in economic assistance and foreign trade programs can be repaired through management improvements and that structural changes are unnecessary.

Nevertheless, Congress has been pressing for Presidential decisions on organizational reform in international economic policy. Actions in the House and Senate in 1977 and 1978 make it a virtual certainty that the matter will be reexamined during the 96th Congress. Among the issues that need to be considered are the following:

(1) Would reorganization result in more effective foreign aid and foreign trade programs?

(2) Would reorganization increase or decrease Government expenditures for the foreign aid and trade programs?

(3) Is reorganization necessary or can better program management and coordination be achieved without reorganization?

(4) Should the foreign aid functions be fully or partially consolidated?

(5) Should the foreign trade functions be fully or partially consolidated into a single department? Should a Department of Trade be formed or can the functions be consolidated into an existing department such as Treasury or Commerce?

BACKGROUND

Precedents in Economic Policy Organization

The modern era of U.S. economic relations with the world began with World War II. Before the war the Government's role did not extend much beyond the establishment and collection of tariff duties. Authority over tariffs was delegated by Congress to the executive branch for the first time by the Reciprocal Trade Agreement Act of 1934. Except for the negotiation of bilateral trade agreements and isolated instances such as German reparations after World War I and the arms embargo during the Spanish Civil War, the Government played more of a spectator's than a participant's role and it could not do much more than watch as the international economy collapsed under the weight of protectionism at home and abroad during the 1920s and early 1930s. In this period Congress acted twice to raise tariffs, in 1922 with the Fordney-Macumber Act and in 1930 with the Hawley-Smoot Act.

The need to coordinate economic with military activities during World War II led to extensive Government control of foreign commerce, military assistance programs such as lendlease and a variety of economic warfare measures. In this period a host of White House boards and coordinating groups were established by President Roosevelt to carry out America's new global economic responsibilities. In general, the policy was to facilitate the flow of resources to our allies and to keep them away from our enemies. However, Roosevelt's style and leadership did not provide firm precedents for policy coordination.

After the war a policy of international economic cooperation was established. This policy was in part an extension of the successful wartime practices, in part a conscious reversal of the prewar protectionism. The Bretton Woods Conference of 1944, much of the idea for which came from Treasury, produced agreements creating the International Monetary Fund and the World Bank. The next few years saw the adoption of the State Department's Marshall Plan for aiding Western Europe, President Truman's Point Four program for assisting the poorer nations, and the General Agreement on Tariffs and Trade (GATT), a framework for reducing tariffs and other trade barriers through multilateral negotiations. All of these initiatives places the United States at the center of the noncommunist world's hopes for monetary stability, balanced trade, economic reconstruction and development. They also set the pattern for the dispersion of authority among numerous Presidential offices, Cabinet level departments and specialized agencies.

Initially, the surge of U.S. involvement in world affairs from European recovery to the containment of communism— had repercussions principally for those agencies concerned with national security. In the immediate post-war period foreign economic assistance was channeled through the U.S. Army to countries under American occupation. (It was then known as Government and Relief in Occupied Areas (GARIOA).) When the Marshall Plan was established the economic aid function was transferred to the civilian agencies established to administer the Marshall Plan and the various programs for aiding developing nations have been more or less under the control of the State Department. The Agency for International Development (AID), created by the Foreign Assistance Act of 1961, is a semiautonomous agency within the State Department.

The Current Situation

Bilateral loans and grants amounted to $2.7 billion in fiscal 1979. Appropriations for U.S. contributions to the multilateral development banks, the United Nations and other international organizations was somewhat higher, about $3 billion. There are also a number of Government activities that contribute indirectly to foreign economic development—the Export-Import Bank is one—although they have different principal purposes. In addition, the Overseas Private Investment Corporation (OPIC), a federally chartered organization which provides financial services for private investment in developing countries, provided about $8.2 billion in insurance, $750 million in loans and $50 million in guarantees to the Third World last year.

The bilateral programs are managed principally by AID and the Agriculture Department. Responsibility for the multilateral programs lies in the Treasury Department.

The relative sizes of the programs reflect two important changes that have taken place in the management of foreign economic aid. First, the United States has been increasingly emphasizing multilateral as opposed to bilateral forms of assistance. AID and other U.S. grant and loan programs have declined over the years, while contributions to multilateral development institutions have grown. Second, AID's role and influence within the Government has eroded as the bilateral programs located in other agencies and the multilatral programs have multiplied and increased.

The Secretary of the Treasury now rivals AID's influence over foreign aid by virtue of the $2.5 billion appropriated in fiscal 1979 for U.S. participation in the development banks. Treasury's role can be seen as even greater than the funds paid into the banks as a result of the influence the U.S. exercises in the bank's policy.

A major rationale for U.S. participation in the development banks is that it encourages other nations to do the same. This results in sharing with other industrialized nations the burden of helping the poorer countries. It also gives the United States leverage with respect to the funds contributed by the other nations. To the extent that the Untied States influences decisions by the banks it is able to channel funds into development projects far in excess of its own contributions.

Congress authorized $260 million in fiscal 1979 for various international organizations which administer economic development programs in the Third World. These include the United Nations, the World Health Organization, and the Organization of American States. U.S. participation in these groups is supervised by the State Department with advice from AID.

The largest bilateral economic assistance program under the control of an agency other than AID is food for peace. The Department of Agriculture is responsible for implementing most of this program, for which over $800 million was authorized in fiscal 1979, although a portion is handled by AID. Other non-AID programs include the Peace Corps (about $100 million authorized in fiscal 1979), OPIC (which operates on a self-sustaining basis), and the Inter-American Foundation ($10 million authorized in fiscal 1979). Refugee relief activities ($164 million authorized in fiscal 1979) are managed by the State Department.

AID still controls a larger portion of the bilateral development assistance funds than any other agency. Authorizations for AID programs totaled $1.5 billion in fiscal 1979. In addition, AID is responsible for the security supporting assistance program, funded at $1.9 billion in fiscal 1979. This program is a form of development aid concentrated in select countries where the United States has special security interests. During the Vietnam war the program was centered in Southeast Asia. At present it serves primarily the Middle East.

Foreign Trade

Dissatisfaction in Congress and in the private sector with the State Department's handling of trade negotiations led to the creation of the Office of the Special Trade Representative (STR) in the early 1960's. In general, criticism of the State Department concerned its tendency to subordinate economic interests to foreign policy objectives. The results were trade agreements that seemed to give foreigners a greater access to U.S. markets than Americans had to foreign markets.

The establishment of STR illustrates two features of trade policymaking since World War II. One is the reassertion of congressional interest and active participation. The Office of the Special Trade Representative is a creature of Congress, and although located formally in the Office of the President, represents a partial retraction or at least a modification of the authority to negotiate trade agreements previously delegated to the President. The renewed interest of Congress can also be seen as part of the postwar shift in the focus of trade policy from political to economic objectives. Although foreign policy considerations still are a large factor in trade relations, there is much more private sector and congressional involvement in trade negotiations under STR than was previously the case.

The second feature is the dispersal of trade responsibilities among Government agenices. The Departments of Commerce, Agriculture, and State conduct export promotion activities. The Export-Import Bank provides financial services with respect to the export of U.S. goods and services. The Agriculture Department's Commodity Credit Corporation provides loans to both foreign commercial and food-for-peace buyers of U.S. agricultural products. The Treasury Department implements export tax incentives. Treasury also enforces tariffs, quotas, and the countervailing duty, antidumping and important relief laws. The International Trade Commission, an independent agency, investigates industry complaints of injury for Presidential action. The

President's Special Trade Representative was the most recent addition to the extended trade policymaking community.

This breakdown is oversimplified, for numerous additional trade functions are performed by the same and other agencies. For example, controls intended to prevent commodities and technical data of military significance from being exported to the Communist countries are enforced by the Commerce Department with the advice of the Defense Department and the National Security Council. A single decision concerning the transfer of advanced technology can involve both departments and the White House in time-consuming controversy. This occurred in the summer of 1978 when the sale of a computer by Sperry Rand to the Soviet Union was disapproved. In 1979 the decision was reversed. A number of other agencies are involved in export controls of drugs, agricultural products, endangered species, materials in short supply, and nuclear energy.

In addition, functions such as export promotion cover a wide variety of activities involving numerous bureaus and offices within the relevant agencies. The Commerce Department's Industry and Trade Administration (ITA) provides multiple services to U.S. business firms. It conducts overseas market research, furnishes trade data and counseling services, supports trade exhibits and trade missions, and tries to bring together foreign buyers and U.S. suppliers. ITA's Bureau of East-West Trade furnishes similar services with respect to the Communist nations. The Foreign Agricultural Services (FAS) of the Agricultural Department is ITA's counterpart for export sales of farm products. The State Department has a network of overseas commercial officers who promote U.S. exports. FAS also maintains agricultural attaches at foreign posts.

The Case for Reorganization

Proponents of Foreign Aid and Foreign Trade reorganization maintain that the diffusion of programs and responsibilities has resulted in confusion and lack of coordination within the Government, excessive red tape, delays and loss of world leadership for the United States. They maintain that jurisdictional disputes between agencies frequently cause delays, inconsistency and inaction. The multitude of interagency and White House coordinating committees has not solved the problem and adds to the outside impression that the Government lacks a concerted foreign economic policy. One expert concludes, "Fragmentation, jealousy, and duplication are endemic in all levels of existing organizational arrangements." [1]

This makes it impossible for any administration or Congress to construct a "grand design" that will be followed throughout the Government. Instead, strong cabinet officers or bureaucrats in one agency or another frequently dominate different aspects of policy without regard to government-wide goals.

Other western industrialized governments, it is argued, manage their foreign economic policy much more efficiently. Japan is usually held up as the best example of a relatively centralized, well-

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[1] Stephen D. Cohen, "The Making of U.S. International Economic Policy," (Praeger, N.Y., 1977), p. 113.

coordinated, and highly effective system. There, responsibilities for foreign trade are concentrated in a single ministry, the Ministry of International Trade and Industry (MITI). In West Germany and France a single ministry takes the lead role in trade policy, although in neither case is it as powerful as MITI. Observers are impressed by the fact that the centralization of trade functions in a single agency in other governments has produced more of a central focus for trade policy within those governments, better export promotion programs and closer government-business relations than exists in the United States.

In virtually all western industrialized nations foreign policy considerations are much more subordinated to domestic concerns than is the case in the United States. Bilateral foreign economic development assistance comes under the Ministry of Economics in West Germany. In France, the Ministry of Foreign Affairs administers only a small portion of the foreign aid program. The recipients of French bilateral aid are selected by the Ministry of Economics. Most of the aid program is directed toward French-speaking Africa and is handled by the Ministry of Cooperation.

In Japan, control over bilateral economic assistance is shared among four groups, the Foreign Ministry, MITI, the Finance Ministry and the Economic Planning Agency. Recipient countries and the amounts to be spent are determined through a consultative process involving the three Ministries and the Planning Agency. An organization within the Planning Agency does most of the implementation of the aid program.

Multilateral aid is implemented through the Finance Ministry in West Germany and Japan and the Ministry of Economics and Finance in France.

Critics of the foreign aid program allege that it does not have well-articulated goals and is a patchwork of laws and programs enacted over the past 18 years without any clear purpose. They argue that the laws and sometimes the activities conflict with one another and make it difficult to administer a coherent aid program.

In the 1973 Foreign Assistance Act Congress added a requirement that aid be channeled in "new directions" principally to help the poor. However, other foreign aid objectives remain embedded in the program. Foreign aid has always been viewed as a political as well as an economic instrument on the assumption that if we help a country become self-supporting it will stay out of the communist camp. In that sense, it has been used to promote the national security of the United States, as well as the economic development of foreign countries. In addition, foreign aid has been tied to foreign trade with requirements that goods and services be supplied by American firms. In some cases egalitarian goals have been pursued such as a more equitable distribution of income. In others the emphasis has been on capital intensive projects that have had the effect of widening the gap between rich and poor. In recent years economic assistance programs have also been used to advance U.S. concerns about human rights. There is a problem in reconciling such disparate aims.

In 1977, following a review of the program by the Foreign Assistance Subcommittee of the Senate Foreign Relations Committee, Senators Hubert H. Humphrey and Clifford P. Case, the chairman and ranking minority member of the subcommittee, wrote to President Carter that "the foreign assistance act no longer contains the clear policy direction and the proper organizational structure to deal effectively with the complexity of U.S. relationships with the developing countries." "The purpose of foreign aid," Senator Humphrey said, "should be to help the poorest countries and the poorest people." Others have been more blunt in their criticism. Senator Frank Church, now chairman of the Foreign Relations Committee, said in a 1978 speech that while the program has been used for humanitarian and worthy purposes, "Some of our aid, in my opinion, has been misdirected—to prop up repressive governments, and to provide arms to governments that have no real need for them." [2] "It is time," the Senator said, "to review the entire process and consider reorganization of foreign aid administration."

Foreign aid has also been the subject of numerous investigations and studies revealing instances of waste, mismanagement, ineffectiveness and corruption. By 1969 so many cases of improprieties had been turned up that the Senate Foreign Relations Committee concluded, "the future of foreign aid is bleak indeed until a new program can be developed which will command greater respect and support, both with the public and the Congress, than the current program commands." Two years later the committee published a compilation of summaries of General Accounting Office—GAO—reports covering 80 investigations from 1965–70, noting that "the GAO's compilation tells a tale of disregard for congressional intent and of the use of foreign aid funds as a kind of diplomatic porkbarrel." [3]

Although it can be argued that development assistance is unpopular mainly because many Americans view it as an international welfare program, continuing management problems have contributed to the unpopularity of foreign aid and demands for reform even among those who suuport it. In 1977 the Senate Appropriations Committee directed GAO to conduct an intensive review of AID management activities. In a lengthy report to the committee in 1978, GAO disclosed many weaknesses including misuses of operating expenses, imbalances in staffing levels and questionable procurement practices. It found that while the food for peace program is generally benefiting large numbers of needy people, some of the poorest countries are receiving little U.S. food aid while large amounts continue to be furnished to relatively more affluent nations. Other GAO reports in 1977 and 1978 pointed to problems with respect to AID's housing assistance activities, the Sahel development program, AID's loan program, security supporting assistance, the international organizations and the international development banks.[4]

A longstanding problem with respect to the international banks concerns accountability. None of the member governments including the United States have the right to audit the banks or to require that they render public accounts of the use of the funds placed at their disposal. Members of Congress have complained for years about the

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[2] The Humphrey-Case letter and Senator Church's speech may be found in the Congressional Record, Jan. 25, 1978, pp. S. 430–431.

[3] Senate Committee on Foreign Relations, "U.S. Economic and Military Foreign Assistance Programs" (1971), p. iii.

[4] Senate Committee on Appropriations, Hearings, "Foreign Assistance and Related Programs for Fiscal Year 1979" (1978), pp. 10–68.

inadequacy of U.S. oversight procedures, the fact that GAO does not have the right to audit the banks, and the absence of program evaluations of activties and projects financed by the banks.

The 1973 Foreign Assistance Act directed the President to try to get the banks to establish their own independent review and evaluation systems. The banks have set up internal review systems and they also now hire outside, private accountants to certify their financial statements. The number of bank documents sent to the Treasury Department and made available to Congress has been increased.

A recent detailed study of the international banks by the Surveys and Investigations Staff of the House Appropriations Committee shows that serious accountability problems remain, and raises new questions about the management of bank-financed development projects. One of the most disturbing questions concerns the lack of coordination beffitween multilateral and bilateral projects. The study concluded, "There is a frequent lack of coordination between IFI (International Financial Institutions) representatives and representatives of the U.S. Agency for International Development (USAID) when both have overlapping projects pursuing similar objectives in the same country." [5]

The study illustrates this problem with an account of a population control project in an Asian country. In 1974 the World Bank loaned the local government $25 million for a rural population control project despite the fact that AID has had an ongoing population control project in the same rural communities for about 10 years. The study attributes the duplication of efforts to the failure of World Bank officials to confer with AID. As a result local government officials are now trying to prevent the two groups of local workers from competing with one another and are concerned about a corresponding competition at higher government levels.

This type of problem is not surprising in view of the faulty procedures for U.S. Government oversight of bank projects for coordinating the bilateral and multilateral sides of the aid program. The United States, as is the case with each member government, appoints an executive director and several assistants to represent its interest at each of the banks. However, most of the banks' business including preparation of development projects is managed by bank employees under the direction of the president of each bank. The boards of executive directors meet periodically to review the bank's budget and loan applications but as the directors do not have the expertise or staff resources to examine the technical aspects of the projects, they tend mainly to rubber stamp decisions that have already been made. Visits to project sites by the directors are discouraged and they do not have access to certain bank documents.

Documentation for proposed loan projects take from 1 to 2 years for bank officials to prepare but are typically not received by the executive directors until 7 to 10 days before the board is scheduled to meet for consideration and approval of the loans. At the World Bank and Inter-American Development Bank an average of seven project pro-

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[5] A Report to the Committee on Appropriations on the International Financial Institutions, p. ii, reprinted in House Appropriations Committee, Hearings on Foreign Assistance and Related Programs, Appropriations for 1980, Part 2, International Financial Institutions (1979).

posals are processed per week. Copies of the documentation are sent to Treasury after they are received by the executive directors. Of course, neither Treasury nor the executive directors have sufficient time or resources to scrutinize adequately the proposed loans.

Treasury sends its analyses of loan proposals to the Development Coordinating Committee (DCC), an interagency group made up of Treasury, State, Labor, AID, and other agency representatives. The instructions to the U.S. Executive Director on how to vote on loan applications formally come from the Committee. The AID Administrator chairs the Committee but multilateral aid matters are handled by a subcommittee chaired by Treasury. The House Appropriations Committee staff study concluded, "To date there is little evidence that creation of the DCC has added any cohesiveness or worldwide strategy planning to the U.S. approach to bilateral and multilateral assistance."

Proponents of reorganization of the Government's foreign trade programs argue that a consolidated trade agency would enable the Government to articulate more cohesive global policies. Streamlined Government machinery would more effectively promote exports, protect domestic industries suffering from unfair competition, and investigate ways to improve our trade balance. It would also strengthen the hands of U.S. trade negotiators by combining in one agency the negotiating and retaliator trade functions.

Much of the impetus for trade reorganization is based on widespread unhappiness over the Government's performance. Business and labor groups criticize the Treasury Department for failing to enforce adequately the antidumping law designed to prohibit predatory foreign pricing. Some allege that Treasury officials have been reluctant to penalize foreign business firms guilty of unfair practices in the United States in order to avoid diplomatic confrontations. In a recent report, GAO concluded that delays averaging 3 to 3½ years in assessing duties after finding of dumping make it "highly improbable that U.S. industry is being adequately protected by the act."

The *Zenith Television* case is an example of how Government indecision has contributed to the call for restructuring trade mechanisms. In 1971 the Tariff Commission (now called the International Trade Commission) sustained Zenith's charges that Japanese firms were dumping TV sets in the United States. In the period 1972–78 the Customs Service, a part of the Treasury Department, conducted a protracted investigation into the pricing practices of the foreign manufacturers. Finally, in 1978, the Customs Service decided to charge importers about $400 million in dumping duties through April 1977. But Treasury set that decision aside and substituted a $46 million assessment for the period 1972–73.

The delays in this case prompted a statement by Representative Charles A. Vanik, chairman of the House Ways and Means Subcommittee on Trade, criticizing Treasury for making its decision in consultation with the Japanese Government and the importers, to the exclusion of Congress and representatives of the domestic industry and for failing to enforce the Antidumping Act in a vigorous and timely fashion. Representative Vanik went on to say that the history of the case "calls for a reconsideration by the Congress of where the responsibility for administering the act should be placed." The *Zenith* case, as of this writing, is still pending.

The adjustment assistance program, designed to help firms whose sales are impaired by foreign imports, has come under attack because it benefits only a small percentage of those in need of assistance and for delivering too little too late to those it reaches. Under the Trade Act of 1974 the Commerce Department's Economic Development Administration (EDA) can offer loans and technical assistance to firms adversely affected by imports. But according to the GAO, most firms in the industries eligible for assistance have been unaware of the program because the Commerce Department has not effectively publicized it.

Most of the firms who have received benefits under this program, as well as most of those who came under an earlier adjustment program enacted in 1962, are either no longer in business, delinquent on their loan repayments, or not becoming viable. One reason for the poor results appears to be connected with the passive attitude of the administrators. Technical assistance in the preparation or implementation of adjustment proposals is offered to business officials who visit EDA's Washington, D.C., or regional offices, or over the telephone. Visits to the firms by EDA officials are unusual.

Government export promotion activities are criticized for being inefficient and ineffective. A study conducted jointly by the Departments of State and Commerce concluded in a 1977 report that "There is at this time no generally agreed or widely understood U.S. policy on the extent of need for or the purposes of official export promotion." An investigation by the House Government Operations Committee in the same year found the heart of the program—the overseas trade centers operated by State and Commerce—ineffective and recommended the termination of the trade center exhibition program.

The program is supposed to encourage U.S. firms to sell abroad, especially those with little or no export experience. But most of the participants in trade center events are large or multinational experienced exporters. Small businesses are generally excluded as a practical matter. The services offered by the centers and other government export promotion programs "are duplicative and inferior to those offered by the private sector." [6] Business firms prefer private trade fairs over the Government centers because the private fairs are more responsive to their needs and produce better results. According to the committee, none of our trading partners have similar government operated trade centers.

In addition, there are chronic conflicts and problems between State and Commerce in the conduct of the overseas programs. The State Department has traditionally treated commercial affairs as a low priority. State Department officials engaged in commercial activities have the lowest status and fewest promotions in the agency. But State wants to prevent Commerce from operating its own foreign service and fears encroachment of its jurisdiction. Commerce wants more control over State employees working in export promotion because of State's low regard for commercial activities. Breakdowns in communication between the two agencies are common.

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[6] House Committee on Government Operations, report on "Effectiveness of the Export Promotion Policies and Programs of the Departments of Commerce and State" (1977).

More recently a House Ways and Means Committee task force, established to investigate United States-Japan trade issues, concluded,

> At present the various trade and export promotion functions of the Federal Government are badly scattered and fragmented. A new organization to bring these units together into a highly visible and coordinated position is necessary.[7]

The Case Against Reorganization

Those in favor of retaining the present dispersed system argue that: (1) improvements in program coordination and management can be obtained without reorganization; (2) stripping foreign economic functions from agenices such as Treasury, Commerce, and Agriculture would weaken their abilities to perform other functions; (3) trade imbalances should be corrected through exchange rate adjustments and improvements in the competitiveness of U.S. products rather than export promotion; and (4) drastic restructuring of foreign economic policy mechanisms could foster monopolies and make it more difficult for medium size and small businesses to engage in foreign trade.

This group argues that although large sums may have been wasted in foreign aid and trade programs through mismanagement, no reorganization plan can guarantee against future inefficiencies. The way to prevent waste is to properly design and implement programs. Reorganization treats the symptoms and not the cases of the problems.

If foreign aid statutes do not contain well articulated national goals, and if some provisions are in conflict with one another, the solution is to clarify the laws. A new program structure, no matter how streamlined, will not make up for deficiencies in the legislation on which the programs are based.

Much of the criticism of the multilateral development banks is unwarranted, although improvements can be made in bank procedures and in the flow of information to Congress. The important thing is that the multilateral banks are making major contribution in a cost-effective way to economic development in the poor countries.

According to the Treasury Department, every U.S. dollar put into the banks is matched by $3 from other donor countries. The World Bank, since its establishment, has made $50 of loans for every $1 paid in by the United States. In addition, U.S. payments to the banks contribute to employment and GNP gains in the United States and have had a favorable effect on our balance of payments. The success of bank projects is revealed by the rapid growth experienced by the developing countries in the period since the banks began operations and the fact that many countries that once were dependent on U.S. bilateral aid now rely on loans at market rates.

Treasury officials dispute the suggestion that the United States lacks influence on the policies of the bank and point out that in the past the banks were criticized for being too much under the influence of the United States. Changes in bank policies over the past 35 years reflect U.S. policy objectives and the United States, together with other member nations, continues to provide the policy framework for the banks. The job of the banks' management is to execute that policy.

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[7] House Ways and Means Committee, Subcommittee on Trade, Report on United States-Japan Trade" (1979), p. 47.

Proposals to consolidate trade and other foreign economic policy functions into an existing or new agency indicate a lack of understanding of the interrelationships of foreign and domestic policy. Agencies with responsibilities in the areas of finance, business, agriculture, and national defense cannot fulfill their responsibilities unless they are also part of the foreign economic policy process. For example, the fact that food exports have serious consequences for the domestic farm sector makes it necessary for the Agriculture Department to be involved in export policy decisions. The Treasury Department's role in domestic and international finance could not be fulfilled if its trade functions were transferred. The Defense Department's responsibilities for national security require it to be involved in decisions concerning strategic materials and exports to the Soviet Union. These and other agencies could not adequately perform their missions if their foreign economic responsibilities were taken awav.

Efforts to achieve a proper balance of trade through direct export promotion are also misguided. Changes in the relative values of the dollar and foreign currencies will eventually adjust prices and bring trade into balance. If the United States has a trade deficit the exchange rate value of the dollar will fall. This will have the effect of reducing the prices of U.S. goods and raising the prices to Americans of foreign goods. As a result, U.S. exports will rise and imports will fall.

This process occurs in a floating exchange rate system regardless of direct measures to stimulate exports or the presence of a department of trade. Thus the fall of the dollar resulted in a sharp increase in U.S. exports in 1978 and they are likely to continue rising in 1979. Successful direct actions to promote exports can even be harmful because they would cause the value of the dollar to rise in world markets. In that event, prices of U.S. goods increase, making them less attractive to foreign buyers.

The existence to trade ministries in foreign governments is no reason for the United States to establish a department of trade. Our political and economic systems are different because of the uniqueness of the American experience and differences in values and we should not rush to emulate foreign institutions.

A department of trade could conflict with American values if it brought government and business into the close relationship that is common in other industrialized countries but frowned upon here. It could lead to the kind of central government-corporate economic planning that is carried on by some of our trading partners. For example, government business executives working together through a department of trade could decide to raise barriers to selected imports, extend assistance to particular firms selling abroad and bring pressure within the government to reduce or eliminate antitrust and tax constraints on firms engaged in foreign trade. Such actions could have profound effects on the structure of the economy, favoring some sectors over others, providing costly subsidies and insulating weak industries from more efficient or advanced foreign competitors.

A department of trade would probably become at least partly captive to the multinational corporations and other large firms and represent their interests as opposed to those of small business and consumers. Indeed, foreign trade ministries do seem to tilt toward big business. One result could be policies that encourage increased investment abroad by U.S. corporations and the manufacture and sale of products in foreign countries by U.S. owned companies. Such foreign investment does not contribute to U.S. exports or increased employment at home to the same extent as exports.

Many observers believe the principal causes of the U.S. trade deficit are the lack of competitiveness of U.S. products and the complacent attitude of U.S. business firms. Proof of the noncompetitiveness of American goods can be seen in the successful penetration of the American market in product categories in which we used to predominate including manufactured goods and consumer electronics. While some business firms have succeeded in persuading the Government to raise barriers against some imports, thus protecting their domestic markets, they are falling behind internationally. The reasons cited for America's loss of competitiveness include inflation, slow productivity growth, the low capital-labor ratio, the slowdown in technological advances, and disincentives to export such as controls and human rights requirements.

In addition, it is pointed out that the U.S. business community is not as aggressive in seeking foreign markets as are foreign businessmen. Although U.S. exports are high in dollar terms, they are lower as a proportion of gross national product than is the case in our major trading partners and many other nations. In general, the large, growing, relatively self-sufficient U.S. economy has allowed business to prosper. As Ambassador Strauss recently told a Senate subcommittee, "We've gotten real lazy because we've got a real fat, easy market right here."[8]

Reorganization is not the best way to solve any of these problems and it could delay progress by distracting efforts from what needs to be done. It is argued that tax incentives for new investment, improvements in corporate management, energy conservation and a greater willingness of business executives to learn foreign languages would do more to redress trade imbalances than establishing a department of trade.

REORGANIZATION OPTIONS

In 1978 the chairman and ranking minority member of the Senate Foreign Relations Committee introduced a bill prepared by the late Senator Hubert H. Humphrey to reorganize the foreign aid programs into a new International Development Cooperation Administration (IDCA). Most of the bilateral and multilateral aid programs would be consolidated into the new agency under Senator Humphrey's proposal. The major exception is the title I concessional loan program of food for peace which would remain in the Agricultural Department. The development and relief aspects of Food for Peace would be transferred to the new agency. The Foreign Aid bill enacted in 1978 directed the President to institute a strengthened system of coordination "of all foreign economic development policies and to report to Congress in 1979 on legislation needed to attain that objective."[9]

Early in 1979 President Carter transmitted a plan to reorganize the foreign economic aid programs, in response to the request of Congress

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[8] Senate Select Small Business Subcommittee on Government Procurement, Hearings on "The International Procurement Code," Apr. 4, 1979.

[9] International Development and Food Assistance Act of 1978, title III.

proposing a trimmed down version of the Humphrey bill. AID and OPIC would be merged into a new agency with the same name as in the Humphrey bill, the International Development Cooperation Administration. But Treasury would retain responsibility for the multilateral banks. Food for peace would remain under the Agriculture Department, the Peace Corps would remain under ACTION, and State would continue selecting the countries to receive Security Supporting Assistance. However, the head of the new agency would share with Treasury the function of suggesting names to the President for appointments as directors of the multilateral banks, and would oversee management of U.S. contributions to international organizations.

In 1978 the Senate Government Affairs Committee held hearings on a bill sponsored by Senator William V. Roth to create a Department of International Trade and Investment (DITI). Senator Roth's proposal, patterned somewhat after Japan's MITI, would consolidate into one agency the Special Trade Representative's Office, the trade and investment functions of Commerce and Treasury and the International Trade Commission. The Eximbank and OPIC would be included as semiautonomous units. A bill introduced in 1979 by Senator Robert C. Byrd would incorporate in a "department of trade" the Foreign Agriculture Service as well as the agencies covered by the Roth proposal.

The remainder of this section examines these and other major reorganization options.

Foreign Aid

The options range from full to partial consolidation of programs whose principal purpose is economic assistance. By definition, this would exclude military assistance and programs whose principal purpose is trade. However, some programs, such as OPIC, can be considered principally economic assistance or trade, depending upon one's point of view.

(1) *Full consolidation.*—All bilateral and multilateral foreign economic aid programs would be placed in a new agency such as IDCA, including all those now managed by AID, plus such programs as food for peace and the Peace Corps. IDCA would select the countries to receive security supporting assistance and U.S. participation in the multilateral development banks and the international organizations would be transferred from Treasury and State to the new agency.

(2) *Partial consolidation.*—One possibility would be to merge one or more of the smaller programs such as the Peace Corps with AID. A variant of this option would be to move the OPIC under AID keeping it intact as a semiautonomous group but giving the AID Administrator a somewhat larger role with respect to the multilateral banks and the international organizations. This is essentially the plan proposed by President Carter.

(3) *Partial abolition.*—An option not generally discussed but conceivable would be to shift drastically the approach to foreign aid by phasing out either the bilateral or the multilateral programs. Abolition of AID would accelerate the trend to multilateralism even if programs such as food for peace and the Peace Corps were retained. Reducing U.S. participation in the multilateral banks would be a step back to bilateralism.

(4) *A foreign aid community.*—In this option the role of the AID Administrator would be enlarged by extending his authority over one or more of the non-AID programs without physically moving it or them under a single umbrella. The AID Administrator would be the President's chief adviser and major spokesman for foreign aid, much as the Director of Central Intelligence functions with respect to the intelligence agencies.

The advantages of full consolidation would be centralized of responsibility and accountability of policy, personnel, and budgets. Interagency coordination problems would be eliminated and administrative overhead savings made possible through central control. The symbolic effects of full consolidation would be to elevate the importance of foreign aid as a national priority. The stature of the head of the new agency would be enhanced, making it possible for him (or her) to claim a larger role and a larger budget, for foreign aid.

Among the disadvantages would be the likelihood that foreign policy political objectives would subsume economic considerations, assuming IDCA was attached in some fashion to the State Department. If IDCA were made totally independent of State it would probably be seen as a rival foreign policy agency leading to possible conflicts between the two. Moving the development banks out of Treasury could create concern abroad about U.S. long-term intentions with respect to multilateral assistance. It could also create concern about the financial soundness of the banks. Some might question the competency of the new agency, which would presumably be dominated by AID employees, to manage the additional responsibilities. The removal of foreing aid activities from Treasury and the Agriculture Departments could lessen public and congressional support for foreign aid.

The advantages and disadvantages of the partial consolidation and foreign aid community options are similar to those pertaining to full consolidation. Differences are matters of degree. In all cases the stature of the foreign aid spokesman is enhanced, coordination problems reduced, and steps taken to enhance the importance and possibly the size of the foreign aid program. However, in the foreign aid community option, conflicts among agencies would probably remain, especially the implicit competition for funds between the multilateral and bilateral programs.

The partial abolition option, by definition, reduces coordination problems, and program management problems as well to the extent that any program is actually terminated. This option is also the only one that would result in significant economies.

Foreign Trade

Reorganization options in the trade area are in one sense simpler and in another sense more complicated than in the foreign trade area. They are easier to consider because the conflict between foreign political and economic objectives is not so large a factor. The State Department's role is relatively small in the trade area (although it still is influential in trade negotiations) and no serious proposal has been made to consolidate trade programs into that agency. However, private sector interests are a much larger factor in trade questions and reorganization proposals must take the needs of business firms, labor, and consumers into account.

(1) *Full consolidation.*—In this option all government programs that have as their primary goal the promotion of foreign trade and the enforcement of laws intended to prevent unfair foreign trade would be consolidated into a single agency. The programs would include the commercial and export promotion activities of the State and Commerce Departments, the State Department's responsibility for negotiating and implementing trade agreements, the trade and investment functions and the U.S. Customs Service of Treasury, the International Trade Commission, the Export-Import Bank, OPIC, the Agriculture Department's Foreign Agriculture Service, and the President's Special Trade Representative. The question is where these programs would be consolidated, and proposals have ranged from a new Cabinet-level agency, Treasury, Commerce, and a beefed-up Office of the Special Trade Representative.

(2) *Partial consolidation.*—This option could consist of consolidating trade promotion activities in either Treasury or Commerce or in a new agency. The addition of other trade and investment programs in any reorganization proposal would probably depend upon judgments of what is politically possible. The Roth bill is a partial consolidation proposal.

(3) *Foreign trade community.*—The role of the head of one of the major foreign trade agencies, possibly the President's Special Trade Representative, could be enlarged by extending his authority over all or most of the trade programs located elsewhere, without transferring them, and designating him the President's major advisor and principal spokesman on foreign trade matters. This is another variant of the intelligence community model. In this option principal spokesman could be given control over the budgets of all trade programs and the responsibility for coordinating policy.

(4) *Public trade corporation.*—In this option a semiautonomous public corporation would be formed to relace the export promotion activities of the Commerce and Agriculture Departments, or of Commerce alone. The corporation would conduct market research and trade fairs and perform other services in the interests of increased trade. Funding would come partly from the Government, partly from membership fees and user charges to business firms and perhaps also to labor organizations. The corporation would operate under an existing or reoganized agency. This option is modeled after the Japanese External Trade Organization (JETRO) which functions under Japan's MITI.

(5) *Private sector subsidies.*—Direct government support of trade activities could be given directly to private business in place of or as a supplement to reorganization. Government support in the form of matching grants or tax incentives could be offered generally to trade associations and chambers of commerce, or channeled to promote specific categories of exports. Support could include subsidies to business firms for overseas market research, participation in trade fairs, and entry into new overseas markets. The government could also facilitate coordination of private bidding on foreign contracts and encourage business firms to form consortia or joint ventures to improve their

trade positions. If this approach is taken changes in the antitrust laws will probably be necessary.

(6) *Public education.*—The Government could increase significantly efforts to inform business firms about trade opportunities, support programs teaching trade techniques in schools, and conduct a publicity campaign to educate the public about the benefits of increased trade.

The advantages of consolidation are the same as for foreign aid: centralization of responsibility and accountability for policy, personnel and budgets, better program coordination and enhanced stature of foreign trade as a national priority. Whether it would be preferable to consolidate programs into one or another of the existing agencies or a new agency depends on an assessment of the strengths and weaknesses of each agency and the likelihood of success for a new agency. As discussed earlier, neither Treasury nor Commerce is without fault in carrying out its trade responsibilities.

The Office of Special Trade Representative has had more apparent success than the other agencies, but its role is a more limited one. Part of its appeal is its small size, its ability to move quickly from one problem to another, and its lack of bureaucratic trappings. The Trade Representative himself, in the case of Ambassador Robert Strauss, has enjoyed the confidence of the President and has been an articulate spokesman for U.S. trade interests. But there is no assurance that the Office would have similar success with the added responsibilities that consolidation would bring or that Ambassador Strauss' successor will have similar influence with the President.

These considerations have led many to conclude that a new cabinet level department is needed. A new department would not be weighed down with the bureaucratic accretions of the older agencies. Its head, as a member of the Cabinet, would automatically be considered the President's spokesman for trade issues. The disadvantages of a new agency are that it is more difficult and probably more costly to start a new agency than to transfer programs to one that already exists.

The foreign trade community option would be the least costly in actual expense and bureaucratic disruption. But it would probably have minimal effects on the management of trade programs, at least in the short-term. The designation of one official as the Government's trade spokesman would tend to enhance the visibility and the importance of foreign trade policy issues.

A public trade corporation would involve the Government and the private sector in an unusually close relationship. Such ties are common in other countries but may not be acceptable in the United States on grounds of excessive private business influence in government or excessive government interference in private business. On the other hand, it might be possible to design safeguards that would assure fairness to business and the public interest. The major advantage of a public corporation is that promotional activities would be closely tied to the needs of the business community but remain under Government control.

Business firms might also find direct subsidies more useful than government activities. However, there would be little accountability or Government control in a subsidy system and it might be difficult to justify the expense in terms of the results and the national interest. However, subsidies could be inconsistent with the subsidies code recently negotiated at the multi-lateral trade talks in Geneva. It would also be hard to measure the results of a public education program. One could not refute the argument that a better public understanding of trade issues is likely to improve the chances for success of any of the options discussed. The question is how much, and is it worth the expense?

CONCLUSION

The major problems in the foreign aid program cited by proponents of reorganization are the incompatability of goals, the dispersal of authority and responsibility, mismanagement, nonaccountability in the multilateral program, and the lack of coordination between the bilateral and multilateral programs.

The fact that foreign aid has several purposes, some of which at times conflict, is a fundamental weakness in the program. National security, humanitarian and economic objectives, cannot always be achieved simultaneously in particular developmental projects. This problem may be inherent to a degree in foreign aid no matter how it is organized. The different goals reflect the different public and private sector interests in the program.

The division of foreign aid responsibilities among AID and the Departments of Treasury and Agriculture virtually guarantees the absence of concensus about goals. AID is closely tied to the State Department and tends to emphasize political and national security interests. Treasury and Agriculture are more concerned with economic interests, but each agency has its own conception of what those interests are.

There is a widely held view that development assistance should be channeled to the poorest of the poor. Others believe that foreign aid needs to be more closely linked with U.S. trade objectives in order to broaden public and congressional support for the foreign aid budget. Whether AID in its present form is the appropriate agency to administer a program intended to serve principally either the poorest of the poor or U.S. trade interests needs to be carefully assessed.

A reorganization plan designed to resolve the question of foreign aid goals, and to relocate program responsibilities accordingly, would be well worth considering. Unless the goals question is resolved, the confusion of purposes and results is likely to continue no matter how the program is structured.

It is true that the problem of mismanagement can be attacked through administrative and other actions. If waste and inefficiency were sufficient grounds for reorganization many, if not most, Government programs would be candidates for such a change.

On the other hand, the shortcomings of foreign aid have been held up for public view for many years. Each session of Congress seems to bring yet another round of disclosures of irregularities and still another crisis with regard to approval of its budget. A reorganization plan that promised greater efficiency in the conduct of foreign aid might not only be desirable but necessary to its long-term survival.

The problems of accountability and coordination between the bilateral and multilateral programs are equally serious and more clearly related to organization issues. There are no audits, no effective oversight, and little control by the executive branch or Congress of the international development banks. In theory the Treasury Department can influence the policies of the banks through the individuals it selects as executive directors. But the executive directors themselves play only a minimal role in bank affairs. Real control is exercised by the presidents of the banks and the officials they select.

There is no way for Congress or the executive branch, under the present arrangement, to be fully and currently informed about bank activities, or to have any assurance that loan projects are well managed, successful, or compatible with our own bilateral projects. This situation makes it more difficult and perhaps impossible for the United States to design and manage a cohesive foreign aid strategy.

There is considerable truth in the argument that floating exchange rates will tend to bring trade accounts into balance and that levels and patterns of trade will reflect the essential competitiveness of each nation's goods and services in the international market. However, the limitations of the automatic adjustment mechanism were demonstrated in the fall of 1978. At that time it was necessary for the United States, with the aid of the central banks of Germany, Switzerland, and Japan, to intervene massively in the exchange market in order to halt what had become a precipitous decline in the value of the U.S. dollar. There is broad agreement that a major cause of the dollar's decline in 1977 and 1978 was the huge trade deficits incurred by the United States in those years.[10]

The point is that exchange rate adjustments will not always satisfactorily offset trade imbalances. Further, imbalances can result from inadequate export promotion, unfair foreign competition, and one-sided trade agreements. A reorganized government trade program designed to eliminate any of those deficiencies could have beneficial effects on U.S. trade performance.

Two additional sets of questions should be addressed. One concerns the likelihood that restructuring will achieve the intended results, and its costs. In the areas of trade promotion and unfair foreign practices there is substantial room for improvement in the government's role. It would not be hard to develop more effective programs than the present ones in these two areas. However, one of the bright spots in the Government trade program is the Office of the Special Trade Representative. Any change in that office through merger or expansion could have undesirable effects.

There should also be a careful assessment of the types and sectors of business that will be aided by reorganization, what the effects will be on workers and consumers, and whether the increased Government expenditures, if any, can be justified in terms of the probable public benefits.

Finally, there are questions about coordination between the various categories of economic programs. The problem is not only a lack of coordination within aid programs and a similar lack within trade

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[10] Alan R. Holmes and Scott E. Pardee "Treasury and Federal Reserve Foreign Exchange Operations," Federal Reserve Bulletin, March 1979, p. 201.

programs. There is also a lack of coordination between aid and trade and between foreign and domestic economic policy as well. For example, trade is growing in importance as a means for furthering development in the Third World. The Soviet Union, the East European countries, and China all view trade with the United States as important to their economic development. If political relations worsen with any of these countries, should trade be reduced or cut off? If so, what will be the effects on the U.S. firms involved in such trade? The use of trade as a political lever with respect to the Soviet Union has already caused anger and frustration within a portion of the business community. Extending this use of trade will have similar results in other areas and could conceivably impose hardships and bankruptcy on some firms and discourage others from entering foreign markets.

The effects on the domestic economy of changes in the level of exports are the same as changes in Government spending. An increase in exports adds to aggregate demand and acts as a fiscal stimulus. A reduction in exports has restrictive effects. Of course, the stimulative or restrictive effects of a rise or drop in exports could be offset through fiscal actions if they were required by a particular macroeconomic policy. The results can be unexpected.

For example, if a consolidated Department of Trade helped increase exports through an effective export promotion program, it could be necessary, in order to reduce inflationary pressures in an overheated economy, to cut Government spending or increase taxes. Or an overheated economy could bring about pressures on a Department of Trade to slow exports.

These potential interactions and many others that could be cited underline the need for a systematic review of the way foreign economic policy is made and the possibilities for structural improvements.

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Representative LONG. I am very pleased to welcome a very distinguished panel of trade experts who have years of experience toiling in what has been a much neglected vineyard.

Mr. Myer Rashish is a consulting economist and member of the President's Advisory Committee for Trade Negotiations. Mr. Robert Best is a former senior economist and trade specialist on the staff of the Senate Finance Committee, currently executive vice president of the American League for Exports and Security Assistance. And Mr. Alan Wolff is the former Deputy Special Trade Representative, currently an attorney with Verner, Liipfert, Bernhard, & McPherson, here in Washington.

Gentlemen, we are pleased to have all of you with us this morning. Mr. Rashish, would you start off for us, please?

STATEMENT OF MYER RASHISH, CONSULTING ECONOMIST, AND MEMBER, PRESIDENT'S ADVISORY COMMITTEE FOR TRADE NEGOTIATIONS, WASHINGTON, D.C.

Mr. RASHISH. Congressman Long, I appreciate the opportunity to come here and talk with you about trade reorganization and exchange views with my dear friends and colleagues, Alan Wolff and Bob Best.

If I may be permitted a personal note, I have a rather long and affectionate relationship with this subcommittee; 25 years ago, when Dick Bolling was chairman of this subcommittee, I was involved in a peripheral way in some hearings he held over a period of time on foreign trade policy. More recently in 1969–71, I was a consultant to this subcommittee on some studies on foreign economic policy under the chairmanship of our mutual old and dear friend, Hale Boggs of Louisiana.

Congressman Long, this hearing comes at a time of very keen interest in the subject of governmental reorganization in the field of trade. The administration submitted its proposals on July 19 and the Governmental Affairs Committee of the Senate has had an opportunity to respond. There is still a gap between what the administration proposed and what the Senate committee leadership would like to see; negotiations will proceed between the Senate and the OMB staffs over the recess period. If substantial agreement can be reached on a reorganization scheme, the President is very likely to submit a reorganization plan to the Congress, perhaps as early as September, and this timetable would allow the plan to go into effect the first of next year. The bill introduced by you, to which you have alluded, comes at an opportune time and, more significantly, contains a proposal which I believe can bridge the gap between the administration's views and those of its senatorial critics. It should serve as the basis for what I hope will be an expeditious executive-congressional agreement on trade reorganization.

While there is universal agreement that some reorganization in the field of trade is desirable and particularly so following the conclusion of the Multilateral Trade Negotiations, it is important to offer some cautionary observations: (*a*) Organization by itself does not guarantee good policy or good administration; (*b*) the quality of the people manning any organization is of primary importance; (*c*) it is particularly important that, pending the completion of any reorganization, qualified and able people be appointed to the post of Special Trade Representative (STR), Deputy STR and General Counsel, which either are or are about to become vacant; and (*d*) reorganization by itself will not guarantee that programs will be well designed or successfully applied.

It is nonetheless desirable and important that the right kind of trade reorganization take place that gives effect to certain principles and considerations that are valid and important. Among these are: (*a*) Reorganization must provide for an entity with sufficient "critical mass," that is, sufficient authority and responsibility for a broad range of trade matters and which can constitute a focal point and locus of power in trade policy and administration; (*b*) the entity must be perceived and have the prospect of being an aggressive and forceful administrator of various provisions of trade law and enforcing the MTN agreements and any future agreements to be negotiated; (*c*) the entity should be a primus inter pares within the executive branch and be seen to have special authority from and influence with the President; and (*d*) the entity should be perceived to be above partisan and sectoral interests although sensitive to them.

These considerations are not new in the evolution of U.S. foreign trade policy. They were, in fact, the considerations which led to the establishment of the post of Special Representative for Trade Negotiations in the Trade Expansion Act of 1962 and in the provision for an Office of the Special Representative for Trade Negotiations in the Trade Act of 1974. Since the Special Trade Representative and his office are perceived to have been successful and most notably in negotiating the MTN, the normal evolutionary process would suggest that it should continue to play the central role within the executive branch on matters relating to international trade. This is, in fact, the consensus view today. After an initial interest in the creation of a new department or alternatively in basing trade policy and administration in the Department of Commerce, all the principal actors in the Congress and the Executive appear now to have agreed on the proposition that the Office of the Special Representative for Trade Negotiations should be the nucleus for any trade reorganization that may take place. The administration proposal does this; it reflects considerable progress in the evolution of thinking within the executive branch and constitutes on its own terms a good proposal but with certain shortcomings.

A major shortcoming of the administration proposal derives from a constraint which the President and the OMB have imposed on trade reorganization; namely, that the size of the STR Office not be enlarged because to do so would threaten to exceed the limitation on size that has been fixed for the Executive Office of the President. As a result, the administration proposal conveys certain authority, particularly that relating to the administration of the countervailing duty and antidumping provisions of law, to the Department of Commerce.

Here, another principle comes into play which should guide reorganization. It is that, as we see the future based on the results of the MTN, it would be illogical and functionally unwise to structure reorganization that divides up the responsibilities for trade policy formulation, trade negotiations, and trade administration and enforcement. Policy, negotiations, and administration are all inextricably intertwined and all the more so with the completion of the MTN and with the prospect, and indeed need, for further negotiations on improving the rules and arrangements for international trade.

In addition, it would seem desirable to have the trade entity also have responsibility for the formulation of export policy and oversight of export programs while the actual administration of export promotion programs would be retained in the Department of Commerce. As an adjunct to the export policy function, the trade entity should have a staff of competent people capable of undertaking negotiations that cut across a number of issues of trade and economic relations with other countries, but that have a very substantial U.S. export component. This is clearly applicable in the case of state-trading countries such as the U.S.S.R. and the People's Republic of China, but may be useful in negotiations with other countries as well.

The legislation which you have introduced gives effect to this kind of an approach. It goes beyond the administration's proposal and takes account of the principal reservations which have been expressed with regard to it. I might also add parenthetically that the approach of your bill is congruent with that recommended by the President's Advisory Committee for Trade Negotiations contained in its report to the President and the Congress of June 19, 1979. In keeping with the desiderata identified above, your bill does the following: (*a*) Builds on the Office of the Special Trade Representative as the nucleus of the new Special Trade Agency; (*b*) provides for the full spectrum of responsibilities in the trade area which is necessary; namely, trade policy and negotiations, trade administration and enforcement, and export policy; (*c*) adds certain other related functions such as commodity negotiations and East-West trade without significantly reducing the role and function of other departments of Government in the field of trade; (*d*) resolves the important question of the size of STR by removing it from the Executive Office of the President where it would labor under this size constraint and provides for an independent agency; and (*e*) provides for the establishment of a Cabinet-level Trade Coordination Council in the White House to be chaired by the Special Trade Representative which makes unambiguous the central coordinating role of the Special Trade Representative and the Special Trade Agency in all matters relating to international trade. I conclude, therefore, the organizational model contained in your bill solves the problem of reorganization in a manner consistent with sensible principles, embodies most of what was proposed by the administration on July 19, and accommodates the principal strictures against the administration proposal which have emanated from the Congress.

Congressman, with your permission, it might be useful to submit for the record three brief items. One is a memorandum which I prepared on April 25, 1979, on the subject of trade reorganization. A second is a brief letter to the President, dated July 13, 1979, and signed by 39 members of the Advisory Committee for Trade Negotiations which bears on the subject; and the third—and I would only suggest that pages 1 to 6 be included in the record—is the report of the Advisory Committee for Trade Negotiations to the President, the Congress, and the Special Trade Representative. I suggest only pages 1 to 6 because those are the pages which contain specific suggestions on trade reorganization.

Representative **Long.** Thank you, Mr. Rashish, for your excellent statement; thank you for the inserts for the record, they shall be received and made a part of the record.

Mr. **Rashish.** Thank you, sir.

[The information referred to follows:]

EXECUTIVE BRANCH REORGANIZATION IN INTERNATIONAL TRADE

April 25, 1979.

WHY?

The various proposals, notably those emanating from the Congress, for governmental reorganization in the trade field reflect some or all of the following concerns:

1. Is the U.S. Government effectively organized to take advantage of the agreements negotiated in the MTN.
2. Is the STR, as presently constituted, an adequate instrument to deal with trade matters post-MTN given that there will in the future be an integral relationship between trade management/administration on the one hand and trade negotiations on the other.
3. Who can the Congress and public look to for direction and authority in the trade area? There is no entity within the Executive Branch that enjoys a position of primacy with respect to the gamut of interrelated trade issues.
4. Who should the President look to to coordinate the various interests and responsibilities in the field of trade within the Executive Branch?
5. How can business interests, especially in the field of exports, be adequately dealt with? The balance of payments situation requires more effective governmental policy and programs directed at exports and the increasing interaction between the international trade and the domestic economy gives rise to problems and opportunities which need more and better attention within the U.S. Government.

REQUIREMENTS

Any organizational model, to meet the above objectives, would have to exhibit the following characteristics:

1. It must provide for an entity with sufficient "critical mass", that is, authority and responsibility for a broad range of trade matters, to constitute a focal point and locus of power in trade matters.
2. The entity must be perceived, and have the prospect of being, an aggressive and forceful administrator of various provisions of trade law and in enforcing the MTN agreements and any future agreements to be negotiated.
3. The entity should be a primus inter pares within the Executive Branch and be seen to have special authority from and influence with the President.
4. The organizational structure should provide for a point of coordination of trade policies that is proximate to the President on which the President depends.
5. The entity should be clearly trade oriented, above partisan and sectoral interests although sensitive to them. In particular, the trade responsibilities should not be seen as a handmaiden of broader foreign policy.
6. The structure should make provision for an effective export policy that is supportive of U.S. export interests and oriented toward their promotion.

FUNCTIONS

There is an array of functions in the trade area that have to be discharged effectively by virtue of any reorganization. The principal entity in the Executive Branch would have the bulk of the responsibilities, but some functions would remain in existing departments and new or broadened functions can be assigned to certain existing departments. The functions consist largely of.

1. Coordination of trade policy and administration.
2. Delineation and development of trade policy.
3. Trade negotiations and GATT management.
4. Trade administration and enforcement.
5. Export policy, including export controls.
6. Administration of export promotion and financing programs.
7. Trade intelligence, research and information.
8. Industry sector analysis and policy.
9. Private sector advice.

ORGANIZATIONAL OPTIONS

Various organizational models have been proposed, some in the legislation that has been introduced by a number of Senators and others by various departments and agencies of the U.S. Government as well as by private organizations and individuals. These proposals fall generally into the following categories:

1. Improve operations within the existing organizational structure by improving the functions and activities of existing departments and agencies.
2. Consolidate the various departmental and agency responsibilities and functions in either: (*a*) an existing department—the Department of Commerce is most often mentioned; or (*b*) by establishing a new department within the Executive Branch (e.g., the Department of Trade as proposed by Senators Ribicoff, Roth and Byrd).
3. Establish an Executive Office agency or entity which would be above the existing departments and would have responsibility for coordination and, possibly, policy formulation.
4. Establish a sub-cabinet agency that would have a range of functions and responsibilities in the trade area; it is not clear what cabinet department it would subordinate to.
5. Establish an independent agency with similar responsibilities as the sub-cabinet one under number 4.
6. Some combination of the above as, for example, a combination of a new department plus the assignment of certain functions to an existing department, or a combination of these plus a coordinating entity.

CONSOLIDATION

The Roth-Ribicoff and Byrd bills provide for an extensive consolidation of trade functions of existing departments and agencies into their proposed Department of Trade with the Byrd bill the more comprehensive in this regard. For example, Roth-Ribicoff does not include the Foreign Agricultural Service of the U.S. Department of Agriculture in the proposed new department while Byrd does. How much consolidation is desirable and practical?

A practical rule of thumb: that amount of consolidation of functions is necessary as required to carry them out economically and efficiently. (Thus, for example, if the Treasury Department's present responsibilities for administering the countervailing duty and antidumping statutes should be transferred, there is clearly no purpose served in having the Treasury staff responsible for these functions retained in Treasury and it would be economical to have such people transferred).

In considering the benefits and disadvantages of consolidation it is worth noting that:

1. The fact that existing departments of government have staffs devoted to trade matters reflects the legitimate interests and involvements of these departments in trade. Trade matters intersect with foreign policy, with labor, with financial, etc., interests. If existing departments were completely divested of all trade functions and staff it would be reasonable to expect them to restore these functions and staff over time.
2. There is value, particularly from the point of view of the President, in having a diversity of opinions and views in the area of trade on which he bases those policy decisions which he must make. The President will seek out the views of various departments in any case and it is better that these diverse views and interests come to him through a structured system.
3. The economies involved in consolidation are relatively small since the numbers of people involved in trade in the various departments are relatively small.
4. Comprehensive consolidation would provoke the resistance of existing departments and prejudice the prospects for organizational reform in the trade area. It is a better tradeoff if departments retain certain functions and staff in exchange for a reorganization plan that provides for an entity that enjoys a position of primacy and authority in the trade area.

CONSTRAINTS

To be realistic and practical, any reorganizational model must take account of the views held by the principal actors. Clearly, some of these views or constraints are mutually contradictory and no reorganization model can take account of all of them. Nonetheless, it is worth noting the major constraints:

1. The President is opposed to (*a*) the creation of a new department and (*b*) the enlargement of the Executive Office of the President. This has led the OMB staff

to suggest that there are only two viable options: (*a*) Beef up an existing department; or (*b*) beef up the existing functions and responsibilities within the departments where they presently reside. If these options are not acceptable, the only alternatives are to establish an entity within the Executive Office or establish a new departmental entity both of which conflict with the President's constraints.

2. The President's constraints reflects a desire to avoid proliferation of agencies and increases in the size of government as well as, particularly, avoidance of enlargement of the Executive Office staff. Thus any proposal would at least have to have relatively modest effects on government budget and personnel.

3. Executive Branch approval of support for a reorganization scheme would have to take account of the views existing in departments and agencies. This was discussed above.

4. It would seem that the following options do not have great appeal either to the congressional advocates or to private groups.

(a) Enlargement and consolidation under the Commerce Department. The Commerce Department is simply not seen as a winner.

(b) A sub-cabinet agency. This would actually be a demotion of the present STR who has cabinet level rank at Executive Level I.

(c) An independent agency. Trade policy involves presidential policy so that any agency subordinate to other departments and removed from the President would seem to be a nonstarter.

LIMITATIONS

While governmental reorganization is important both as to substantive matters as well as to appearances and symbols, it is by no means the whole story:

1. Organization by itself does not guarantee good policy.
2. The quality of the people manning any organization is of primary importance.
3. All authority in the Executive Branch is derived from the President and the President is free to make his decisions in the light of whatever advice from whatever source he may choose.
4. Reorganization does not guarantee that specific programs will be well designed or successful in their application.
5. Trade policy, no matter how structured or administered, is bound to be responsive to other influences including those of foreign policy and domestic politics.

PROPOSAL

The following proposal is designed to meet the principal objectives which have been identified while avoiding those contentious and divisive issues which could prejudice effective organizational reform.

The proposal consists of 3 parts:

(1) The central component will be an entity ("Board of Trade") in the Executive Branch, at the departmental level, which by virtue of its authority, power, and status can effectively define a trade policy for the U.S. Government, administer various programs and undertake negotiations to that end.

(2) Provision for a coordinating mechanism within the Executive Office of the President ("Trade Policy Council").

(3) Expansion and improvement of activities of the Department of Commerce in the areas of (*a*) export promotion (*b*) trade intelligence, analysis and reporting, and (*c*) industry sector policy.

Structure

1. The Office of the Special Representative for Trade Negotiations would be the nucleus for the Board of Trade in recognition of the fact that (*a*) STR is perceived as the most effective agency of the U.S. Government in the trade area and thus represents a "winner"; (*b*) the STR is a creature of the Congress in which the Congress has a proprietary interest; (*c*) the STR has established itself within the councils of government as a forceful and authoritative agency; and (*d*) it has a competent and experienced staff.

2. The STR, renamed Special Trade Representative instead of Special Represtantative for Trade Negotiations, will have cabinet rank. He will serve both as Secretary of the Board of Trade and Chairman of the Trade Policy Council.

3. The functions and responsibilities of the Board of Trade will be broader than those of the present STR. They will comprehend certain functions presently performed by other departments; these departments will retain most of their trade activities and staff. The Board of Trade will be responsible for coordination at the working level.

4. The Trade Policy Council will consist of the Secretaries of the several departments having trade responsibilities and interests. It will have an Executive Director and professional staff of 4–5. The TPC will cover a broader range of issues than the Board of Trade. It will serve to bring the views of the several departments to the President for his decision and provide a trade dimension to issues of a broader framework.

The Board of Trade

The Board of Trade will be a cabinet-level department with Secretary, 1 undersecretary and 4–5 assistant secretaries. The total staff should not exceed 400. Calling it a "Board" instead of a department serves to distinguish it from the ordinary department in terms of its size while identifying it as a coordinating instrument directly responsible to the President.

The Board would have 3 principal divisions, each headed by an assistant secretary as follows:

- Trade Enforcement:
  - countervailing duty
  - dumping
  - national security
  - Sec. 337
  - export controls
  - embargoes
  - Sec. 301
  - Sec. 201
- Trade Policy and Negotiations:
  - GATT including codes
  - commodities
  - services
  - East-West trade
  - OECD and UNCTAD
  - GSP
  - agriculture
  - sectoral issues (textiles, steel * * *)
- Export Development:
  - coordinator
  - special senior staff
  - trade intelligence, etc.

The Trade Enforcement Division would assume certain functions presently performed in the Office of Tariff Affairs of Treasury, Bureau of Trade Regulation of Commerce, the International Trade Commission and others.

The Trade Policy and Negotiations Division would absorb functions of the Office of International Commodities of State, certain east-west functions of State and Treasury, the U.S. GATT representation in Geneva of State and others.

The Export Development Division would be a new unit. The special senior staff would be a cadre of senior experts assigned both to major posts, e.g., Geneva, Brussels, Tokyo, Ottowa, Peking, Moscow as representatives of the Board as well as in Washington to report and analyze, undertake major trade assignments cutting across a number of issues as, for example, with the USSR and PRC, and to be troubleshooters on specific trade problems.

The Trade Policy Council

The Council mandate would embrace:

(1) all matters falling within the area of responsibility of the Board of Trade plus

(2) all trade matters in the jurisdiction of other departments, including:
- export controls (COCOM; political embargoes)
- economic warfare
- trade and investment related tax issues
- foreign investment policy
- antitrust
- stockpiling
- energy

(3) trade aspects of domestic macro-economic policies.

The Council can absorb certain trade functions now performed by the NSC and White House Domestic Policy Staff.

The STR as Chairman of the Council should be a member of the Economic Policy Group.

The Department of Commerce

The Commerce Department has been a department in search of a mission since the days of Herbert Hoover. It is currently a candidate for reorganization; it may be divested of certain functions (e.g., NOAA). A leaner, more mission-oriented department with specific and valuable functions and responsibilities is desirable. It should have a "business-industry-export-efficiency" orientation and should develop competencies which make it an effective spokesman in the councils of government and a respected factor in economic policy formulation.

Without prejudice to the other activities of the Department, there are 3 functions which should be improved and made central to Commerce's role in the trade area:

1. Export promotion: The Commerce Department would be charged with administering export promotion programs under the overall guidance of the Board of Trade.
2. Trade Intelligence, Analysis and Reporting: Statistical analysis and reporting; commercial intelligence and reporting; including information with regard to MTN code violations; commercial attaches abroad.
3. Industry Sector Policy: Adjustment assistance; technology, science and innovation; productivity; sectoral problems—tax, environmental and other impacts.

The International Trade Commission and the Export-Import Bank could come under the Commerce Department while remaining independent as to their statutory functions. In the case of the ITC this would bring the statistical reporting functions within the Commerce Department and make available to the ITC the sectoral analyses of Commerce. As to the Export-Import Bank, the Secretary of Commerce would be designated Chairman of the Board; this would integrate EXIM into the export promotion activities.

EXPORT PROMOTION

The President issued a statement on September 26, 1978 on a National Export Program in which he assigned high priority to export promotion. An export policy cuts across a number of aspects of national policy (taxes, export credit financing, export controls, market access, R and D, etc.). Export policy is, therefore, a prime responsibility of the Board of Trade. The Department of Commerce's responsibilities will lie primarily in administering export programs. It has experience in this area under its Industry and Trade Administration. Much work remains to be done in defining the content of such programs and in determining what the U.S. government can properly and effectively do in this area.

INDUSTRY SECTOR POLICY

This is a relatively new area although it would include the present science and technology and certain economic development activities of Commerce. The notion is that efficiency, productivity and enterprise are the fundamental determinants of competitiveness in export markets (to say nothing of growth in real income at home). Commerce should not only spread this gospel in the community, but also be an advocate for it within government by bringing its expertise to bear on issues of tax policy, business regulation, etc., as governmental policy is fashioned in these areas. Industry sector policy would not only be concerned with the weak sectors, but also the strong and promising ones. It would monitor industrial sector strategies of other countries and analyze their impact on U.S. industry and its international market position. It would provide information and analysis essential to trade and foreign investment policy formulation.

MYER RASHISH, *Washington, D.C.*

ADVISORY COMMITTEE FOR TRADE NEGOTIATIONS,
July 13, 1979.

THE PRESIDENT,
The White House, Washington, D.C.

DEAR MR. PRESIDENT: You have done us the honor of appointing us to the Advisory Committee for Trade Negotiations in which capacity we served as advisors to Ambassador Strauss for the multilateral trade negotiations. The Advisory Committee recently submitted to you and to the Congress a formal report on these negotiations as required by the Trade Act of 1974. We would like to supplement this report with certain specific suggestions noted below.

These suggestions are motivated by our concern for the need to maintain the forward momentum of these negotiations and to provide continuity in the prosecution of U.S. foreign trade policy. The multilateral trade negotiations were a success owing, in no small part, to your leadership and that of your predecessor and to the dedicated and effective work of the Special Representative for Trade Negotiations and his staff. We are confident that the Congress will approve the legislation implementing these negotiations quickly and by a substantial margin.

However, the results of these negotiations, important as they are, mark only a beginning and their full value will only be realized over time as these agreements are applied and as further progress is made in improving the international trading system through international negotiation. In addition, much work remains to be done at home in giving effect to the negotiations and in administering United States trade policy generally. How this is done will determine the continuity of the broad and nonpartisan public and congressional consensus on trade policy that exists today.

To this end, we submit the following recommendations to you:

1. TIMELY APPOINTMENT OF A NEW SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

With the imminent departure of Ambassador Strauss, we recommend that you announce the appointment of a successor to coincide with the acceptance of Ambassador Strauss' resignation. It would be unfortunate in our view if (*a*) there were a hiatus between Ambassador Strauss' resignation and the appointment of his successor or (*b*) if an interim appointment were made.

2. GOVERNMENTAL REORGANIZATION

We have recorded our views on the subject of governmental reorganization in the field of trade in our report to you and the Congress noted above. We would only observe here that the timely appointment of a Special Trade Representative would also serve the purpose of producing the best result with regard to trade reorganization as the reorganization legislation proceeds through the Congress. It is also important to preserve the cadre of experienced and qualified personnel in the Office of the Special Representative for Trade Negotiations.

3. LEADERSHIP OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE

The posts of Director-General and Deputy Director-General of the GATT will soon be vacant. GATT can and must play a critical role in the future in international trade policy and particularly the management of the various codes and agreements concluded in the multilateral trade negotiations. It needs to be strengthened and must be provided with forceful leadership. We recommend that the U.S. government play an active role in the selection of the GATT Director-General. In particular since no American has served in this post we recommend that the United States propose an American candidate for Director-General.

There is a long and substantial agenda of business to be transacted in the trade area by the United States government and the above recommendations are by no means exhaustive. They are however addressed to matters of some urgency and importance. They are submitted to you as reflections derived from our service on the Advisory Committee for Trade Negotiations and our continuing interest in the evolution of United States international trade policy.

Respectfully submitted,

Norborne Berkeley, Jr.,
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The Chemical Bank of New York,
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Douglas Fraser,
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Ruth Hinerfeld,
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League of Women Voters of the United States,
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Frank Jacobs,
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Brooks McCormick,
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C. J. Medberry,
Chairman of the Board,
Bank of America,
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Buck Mickel,
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Daniel International Corp.,
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National Council of Farmers Coops,
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Roy Utke,
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C. William Verity, Jr.,
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International Trade Affairs Representative,
National Association of Wheat Growers,
Pendleton, Oreg.
Paul Hall,
President,
Seafarers International Union,
Brooklyn, N.Y.
Abraham Feinberg,
New York, N.Y.

REPORT OF THE ADVISORY COMMITTEE FOR TRADE NEGOTIATIONS

To: The President
The Speaker of the House of Representatives
The President of the Senate
The Special Representative for Trade Negotiations

The Advisory Committee for Trade Negotiations (ACTN) has the honor to submit to you its report on the trade agreements entered into under the Trade Act of 1974. These agreements were presented by the President to the Congress for approval and implementation on June 19, 1979.

This report is being submitted pursuant to Section 135 (e) (1) of the Trade Act of 1974 which calls on the ACTN to:

> ...meet at the conclusion of negotiations for each trade agreement entered into under this Act, to provide to the President, to the Congress and to the Special Representative for Trade Negotiations a report on such agreement. The report of the Advisory Committee for Trade Negotiations shall include an advisory opinion as to whether and to what extent the agreement promotes the economic interest of the United States...

This report covers all the agreements entered into to date including those on tariffs which are not formally before the Congress. Virtually all the agreements contemplated under the Trade Act of 1974 have been completed; agreements on safeguards and counterfeit goods remain to be completed.

This report was approved by the ACTN on June 19, 1979 by a vote of 42 (Yes), 2 (No), 1 (Abstain).

SUMMARY OF FINDINGS AND RECOMMENDATIONS

The Advisory Committee for Trade Negotiations makes the following findings and recommendations in this report:

1. The agreements entered into in the Multilateral Trade Negotiations (MTN) constitute a major step forward in assuring a freer and fairer environment for the conduct of international trade.

2. In large measure, these negotiations give effect to the policy and instructions laid down by the Congress in the Trade Act of 1974.

3. These agreements do and can promote the economic interests of the United States; it is difficult, however, to measure the extent to which this is so.

4. The major value of the agreements entered into will be realized only over time and only if their provisions are faithfully applied by the signatory countries.

5. To take advantage of the promise of these agreements and to maintain continued progress toward a fair and effective system of international trade we recommend the following actions to the President and the Congress:

(a) The establishment of an entity, based on the Office of the Special Representative for Trade Negotiations, which will have primary responsibility and authority within the Executive Branch for a broad range of trade and trade-related subjects including trade policy formulation, trade negotiations, trade administration, and enforcement and export policy.

(b) The establishment of an effective export promotion program to be administered by the Department of Commerce. That Department should also improve and expand its economic and trade intelligence, analysis and reporting responsibilities including a close monitoring of the policies and activities of other countries involving international trade. More generally, the Department of Commerce should be assigned the responsibility of developing programs directed at assisting the business and industrial community in the United States to enhance productivity, efficiency and competitiveness.

(c) The strengthening and revitalization of the General Agreement on Tariffs and Trade (GATT). GATT will play a critical role in the administration of these agreements and in the evolution of the trade policies and actions of the contracting parties.

6. Continuation and improvement of the close and effective tripartite consultative and advisory process between the Executive and the Congress and the private sector which characterized the MTN and which the Congress provided for in the Trade Act of 1974. This relationship must continue to be effective over the next several years as the results of the MTN are effectuated and as new negotiations and improvements are undertaken in the GATT.

EVALUATION OF MTN AGREEMENTS*

The Trade Act of 1974 (Sec. 103) identifies the overall United States negotiating objectives as the attainment of more open and equitable market access and the harmonization, reduction, or elimination of devices which distort trade or commerce in both the agricultural and industrial sectors.

Thus, in evaluating the MTN results, a primary test is the extent to which the objectives and purposes set forth by the Congress in the Trade Act of 1974 have been realized. Recognizing that any negotiation of an international nature is a process of accommodation and adjustment among the several negotiating parties in order to reach agreement, *it is the conclusion of the ACTN that the agreements which have been completed reflect a faithful and largely successful effort on the part of the President and his Special Representative for Trade Negotiations to give effect to the instructions set forth in the Trade Act of 1974.***

Furthermore, the Act specifically instructs us to offer an opinion "as to whether and to what extent the agreement promotes the economic interest of the United States." We offer the following observations on this and related matters:

1. We take it as given that the policy instructions and objectives identified by the Congress adequately describe the nature of United States economic interests in the negotiations. The Trade Act of 1974, in its statement of purposes, asserts that a primary objective of the Act, especially with regard to the provisions of Title 1, is to achieve through international negotiations a greater degree of equity in trade rules and practices among all trading countries combined with a more open and non-discriminatory world trade environment in which the United States industry, agriculture and labor will face equivalent competitive opportunities to those enjoyed by exporters to the United States. The ACTN believes that considerable progress was made in the MTN to meet these stated purposes.

2. In the various nontariff measure agreements and codes, which constitute by far the major results of the MTN, the ACTN believes that there exists an important potential to promote the economic interests of the United States. The extent to which agreements will in fact promote United States economic interests will depend on what transpires over the next several years as

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* Reports on individual agreements are attached.

** Attached to this report is an inventory comparing the negotiating objectives identified in the Act with the results achieved in the MTN.

these various agreements are applied and administered. They will have value insofar as they become effective and binding and the rules and provisions they contain will be adhered to in good faith by the signatory countries. These codes and agreements therefore constitute a kind of legislation—at the international level—whose results will only be seen through its application and interpretation over time.

3. As to tariff agreements, the ACTN believes that the United States has largely been successful in meeting the stated objectives in the Trade Act of 1974. Taking export trade as a whole, progress was made toward the general goal of achieving substantially equivalent competitive opportunities for U.S. exports. The picture is more mixed when looked at in terms of particular product or industry sectors. After the MTN tariff reductions are fully in place, i.e., on January 1, 1987, the average duty on industrial imports (dutiable only) will be approximately 5.8% for U.S., 7.2% for the European Community, 5.0% for Japan and 8.6% for Canada. These averages, of course, obscure important sectoral disparities as well as qualitative differences in tariff treatment.

4. Important concessions to the advantage of U.S. agricultural exports were obtained including tariff reductions, relaxation of nontariff measures, agreement on consultative mechanisms for meat and dairy products, and the establishment of a GATT consultative council on agriculture to review agricultural policies and agricultural trade matters.

5. Each country signing the MTN agreements did so in the belief that these agreements produced a balanced result, that is to say, that they got as well as they gave. It follows that these countries anticipate that the effects of the various agreements entered into will be balanced with regard to their export and import trade. While it is impossible to predict what the quantitative effects of the various agreements will be over time, the balanced nature of the agreements suggests that they will not have major impacts, by themselves, on such aggregate economic variables as total employment and trade balances.

This does not mean, of course, that the MTN agreements are or will be of little economic significance. They clearly will act to improve the conditions of trade and to expand the volume of trade. Trade liberalization, trade cooperation and trade law discipline will continue to have the beneficial effects that they have had in the past: improved allocation of human and physical resources, greater efficiency and productivity in production, moderation of price inflation, the creation of better and more productive employment and higher standards of living both in the U.S. economy and elsewhere.

Had the MTN not been concluded successfully, there would have been a serious danger that retrograde trade policies would have been adopted and that rules governing international trade would have been weakened with adverse consequences for all trading countries. The fact that important progress was recorded in the MTN and that major innovations in trade rules were achieved is particularly notable given the background and economic environment in which the negotiations were undertaken. The MTN was conducted and concluded during a period of unusual disequilibrium and disturbance in the world economy marked by high inflation, serious balance of payments problems, exchange rate instability, slow rates of economic growth, high rates of unemployment and the urgent demands of the less developed countries for broad-ranging reform of the international economic system. The success of the MTN under these conditions reflects the awareness of the negotiating countries of the realities of economic interdependence and provides a basis for improved international economic cooperation in the future.

RECOMMENDATIONS

We underline in this report the basic conclusion that the MTN agreements by themselves should, in the main, be seen as presenting an opportunity rather than a piece of finished business. Beyond that, we recognize that this report—coming as it does after the completion of the MTN and after the submission to the Congress of the implementing legislation—can have no bearing on the content of the MTN or of the implementing legislation.*

For this reason, it seems to us particularly important to record our recommendations to the President and the Congress as to what steps should be taken to ensure that the potential of the MTN is realized over the next several years. In doing so, we draw on the four years of experience which the ACTN has had as advisor to the President, the Special Trade Representative and the Congress over the course of the trade negotiations.

We submit the following recommendations and observations for your consideration.

Continuation of Advisory Committees

The provision made in the implementing legislation for continuation of a private sector advisory committee structure is of considerable importance. Much as the MTN has achieved, there still remains a substantial agenda for continued and further reform of the international trade system. As history has shown, new issues and new problems arise which have to be dealt with and preferably in a disciplined and orderly fashion. We thus view the MTN as marking a higher plateau and as beginning a process of continuing negotiations and perfection of the rules of international trade. It may well be that the Trade Act of 1974 represented the last major authorizing legislation in the trade area just as the MTN may prove to be the last major round of international trade negotiations. Instead, we may well see over the next several years a continuing process of negotiation—on large issues as well as small—designed to improve the international trade law system and its operation and, where appropriate, the referral of such agreements to the Congress in the same manner as the MTN agreements were handled.

Just as the MTN has moved the GATT and international trade negotiations to a higher plateau, it was also characterized by a vastly improved partnership between the Congress, the Executive and the private sector in the United States. The Trade Act of 1974 consciously defined a new and more cooperative relationship between the Congress and the Executive, respectful of each party's constitutional obligations. But also, and for the first time, it provided for an effective private sector consultative structure which in our judgment has served both the Executive and the Congress well. Continuation of this private sector advisory system with appropriate modification in light of future requirements is welcomed and enjoys our strong support. We wish to commend the Special Representative for Trade Negotiations to whom we served as advisors for the efforts he and his staff expended to assist us in discharging our advisorial responsibilities to him and the Congress.

Organizational Reform

The interest which has been demonstrated in the subject of how the Executive Branch should be organized to conduct and manage its trade policy responsibilities reflects the importance which is attached to the need for effective implementation of the MTN and the conduct of other aspects of the United States trade policy. We share this interest. We take note of the fact that the President has undertaken to submit to the Congress by July 10 recommendations in this regard and wish to record our views with regard to this important subject.

The interest in governmental reorganization in the trade area reflects a number of considerations: effective enforcement of the agreements negotiated in the MTN; continuing the process of negotiation under GATT in order to effect further improvements and reform; the need to delineate an effective export policy for the United States; the need to have an effective and forceful governmental instrument which can play a primary role across the whole gamut of trade policy issues and that can coordinate the various departmental activities, speak with an authoritative voice and act from a Presidential perspective; the need to devise a coherent trade policy that reflects but is not determined

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* We recorded our views on the MTN agreements before they were completed in the interim report which we submitted on March 13, 1979 to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

by parochial concerns and to make certain that the various provisions of trade law are administered and enforced effectively and consistently.

In particular, we believe that one entity within the Executive Branch of the U.S. government should be vested with broad responsibility and authority covering a wide range of trade policy and trade administration responsibilities. This belief is based on our perception of the nature of the requirements that will face the United States foreign trade policy in the years ahead.

To have an effective trade policy in the future it must be recognized that the various components of trade policy are closely and organically interrelated. Thus, trade policy formulation and trade negotiations are closely interwoven as they have been in the past, since it is through negotiations that a good deal of trade policy becomes concrete. Similarly, the administration and enforcement of various trade laws are intimately related to trade negotiations since the enforcement of these laws directly relate to the agreements which have been embodied in the GATT and to future agreements yet to be negotiated. The administration, enforcement and monitoring of the GATT agreements are closely intertwined with continuing negotiations as well as with policy formulation and with the administration and enforcement of provisions of U.S. trade law. Finally, the delineation and development of an export policy for the United States (as distinct from the administration of specific export promotion programs) is an essential part of the prosecution of an effective trade policy.

The above needs and functions represent a continuation and enlargement of the activities and responsibilities that have been carried out by the Office of the Special Representative for Trade Negotiations since 1962. This office has discharged its responsibilities effectively and well. It should therefore constitute the nucleus around which the broader responsibilities and functions should be built. As contemplated by the Congress when it provided for the Special Trade Representative in the 1962 Trade Expansion Act and in establishing the Office of the Special Trade Representative in the 1974 Trade Act, the STR has been the lead agency directly responsible to the President for delineation of trade policy, for undertaking of trade negotiations and for coordinating various activities of the departments of government through an inter-agency committee structure. It has a competent and experienced staff and enjoys the respect of the public and the Congress as well as of foreign governments.

To be effective, the STR should retain its role of primacy in trade matters *vis a vis* the other departments and agencies of government as well as its position as the principal advisor to the President. We do not see the need for the establishment of the new department in the Executive Branch that would consolidate most of the trade responsibilities and activities of existing departments and agencies. An enhanced STR can have all the requisite authority and responsibility that a new department would enjoy without the temptation of building large staffs and engaging excessive bureaucratization. Furthermore, the several departments and agencies of government have legitimate and continuing interests and responsibilities in the field of trade which provide for a greater diversity of views that are valuable to the President. Some transfer of funtions from existing agencies to STR would be required, but on a limited basis and as necessary to the conduct of a coherent and effective policy.

Nor do we find it desirable that an existing department of government assume responsibility for the functions and responsibilities described above. An existing department, such as the Department of Commerce, has a certain public constituency to which it is necessarily responsive. The major purpose behind the establishment of the STR—and which supports its continuation as the central agency in trade policy matters—was the need to devise and administer a coherent trade policy which, while responsive to various sectoral and regional needs, would reflect the overall national interest. As discussed below, the Department of Commerce does have an important role to play and we offer certain suggestions designed to enhance that role.

Department of Commerce

The role of the Department of Commerce as a department of government that is uniquely sensitive to the business sector of the U.S. economy can be enhanced and its voice on matters of trade policy and economic policy in the councils of government improved. There are three areas in which we suggest that future activities of the Department be focused and improved:

1. Analysis and Reporting

The Department should improve its function as the major trade intelligence, analysis and reporting agency in the U.S. government. Included in this would be responsibility for commercial intelligence, the monitoring of trade policies of other countries, development of a system for monitoring and reporting GATT code violations, etc.

2. Export Promotion

The President issued a statement on a national export program in September 1978 and, more recently, announced the establishment of the President's Export Council. The Department of Commerce has had continuing responsibility for export promotion programs. While we have no specific recommendations to make, it is nonetheless a widely held perception that the United States private sector, particularly the industrial sector, is not sufficiently export-minded and is not exploiting export opportunities to the extent that is feasible. We believe that the Department of Commerce should review this subject and prepare recommendations for the President on how existing export promotion programs might be improved. We recommend that the Department of Commerce, and the U.S. Department of Agriculture, along with STR, be assigned responsibility for the Presidential review of export promotion and disincentives called for in Sec. 1110 (a) of the implementing legislation.

3. Industry Sector Policy

In a larger sense, the export performance of the U.S. economy, as indeed the overall economic performance of the economy, is a function of its productivity, efficiency, enterprise and general competitiveness. While various departments and agencies of government have responsibility for governmental policies and measures (such as tax policy, regulatory policy, environmental policy, etc.) which bear on competitiveness and efficiency, none appears to have a broad and continuing interest. As a constituency department, the Department of Commerce appears to be the appropriate agency for playing this role. Furthermore, other governments of the industrialized free world are adopting what are known as industrial policies directed at particular industrial sectors within their economies.

We do not offer suggestions on what the content of such a function and responsibility for the Department of Commerce might be other than to suggest that it is one which deserves careful consideration. We recommend that the President charge the Department of Commerce with the responsibility for examining this broad subject and for reporting their findings to him. In this connection, we recommend that the President assign principal responsibility to the Commerce Department for undertaking the study on conditions of competition called for in Sec. 1110 (b) of the implementing legislation.

The GATT

For thirty years the General Agreement on Tariffs and Trade has been the primary trade contract among the principal trading countries of the world, the setting for trade negotiations and the adjudication of trade disputes, and the embryonic international institution in the field of world trade. As both an agreement and an institution, the GATT is the vehicle for bringing greater discipline in international trade rules. While the GATT can perform no better than its contracting parties are willing to have it perform, it has an important independent function that requires effective leadership at the top and a stronger institutional base. We recommend that the United States continue to exercise a position of strong and vigorous leadership in the GATT. With good leadership and with the support of its major contracting parties, the GATT should, over time, emerge as the foremost international institution in the field of trade and play a role in its area of responsibility comparable to that played by the International Monetary Fund and the World Bank in theirs.

Representative Long. Mr. Best, would you proceed, and then we'll go into the open discussion period after we hear from Mr. Wolff.

STATEMENT OF ROBERT A. BEST, EXECUTIVE VICE PRESIDENT, AMERICAN LEAGUE FOR EXPORTS AND SECURITY ASSISTANCE, INC., WASHINGTON, D.C.

Mr. Best. Thank you, Congressman Long.

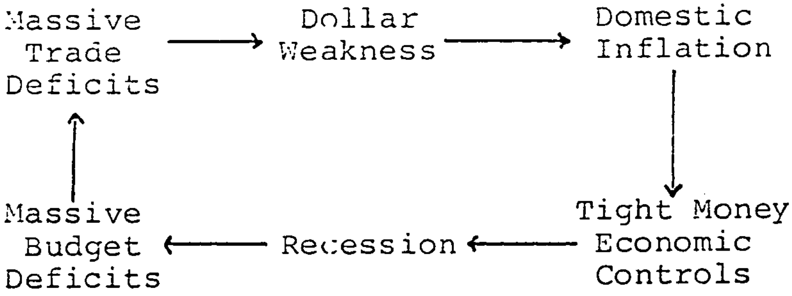
We welcome this opportunity to present our views on the proposals to consolidate trade policy functions under a streamlined and reconstituted Office of Special Trade Representative.

Before giving our views on the bill you have introduced, let me summarize briefly who we are.

The American League for Exports and Security Assistance, Inc., is a unique labor-management organization. Founded in 1977, it has as its charter and principal goal the development and implementation of policies to encourage American exports. The 34 corporations, employing over 800,000 workers, and the four international unions, representing 4.1 million American workers, in the ALESA membership firmly believe that the United States needs to adopt a national policy that encourages the production and export of American-made goods and services if we are to achieve the goals of (1) full employment; (2) price stability; and (3) preserving the integrity of the dollar.

We are delighted that you, Representative Long, have taken the initiative of consolidating trade policy functions in one existing organization. The experience of exporters dealing with the myriad of Federal bureaucracies simply to get a license has been deadly, time-consuming, and has cost U.S. workers thousands of jobs. Our Government, unfortunately, is the greatest nontariff barrier facing American exporters. We not only hope the Congress as a whole and the administration would join you in understanding the critical importance of exports to our economy, but that the various proponents of the bills would come together and agree to a rational plan such as you have introduced.

The economic strength of this Nation is rapidly being eroded by the vicious cycle of:



Since higher energy prices seem to be a certainty well into the future, it is imperative that a positive and extremely aggressive export policy be adopted. This would assist greatly in ending the vicious cycle described herein which has plagued our economy for nearly a decade.

We believe that any trade reorganization should incorporate the following principles:

(1) Consolidate existing disparate authorities under one roof;

(2) Give the agency explicit direction and clear authority to develop a positive export policy;

(3) Preserve certain independent trade functions of the International Trade Commission and the Export-Import Bank; and

(4) Limit the number of new people to be employed, thus avoiding an administrative nightmare such as the Energy Department experienced.

We cannot overemphasize the importance of maintaining the independence of the Export-Import Bank. The Bank is, with growing success, finally beginning to match our competitors' terms. We do not believe the Bank's ability to meet competition should be constrained by the noncommercial, that is, "foreign policy" considerations, which have been the bane of U.S. trade policy for a long time and have cost our Nation thousands of jobs.

More specifically, the State Department has tried to use export leverage to achieve human rights objectives abroad; the environmental agencies have tried to impose environmental impact statements on foreign lending activities of the Eximbank; tax reform enthusiasts have tried to unilaterally eliminate the modest U.S. incentives to export without even caring about the egregious incentives offered by foreign countries or their effects on U.S. jobs. The result: Lost markets, a devalued currency, inflation and unemployment at home. We are punishing U.S. citizens alone each time we cut off exports to friendly countries. When the President states that having a job is a fundamental American human right and then allows his human rights or environmental one-issue oriented agency enthusiasts to eliminate jobs through unilateral and inconsistent export restraints, it is confusing at best.

Congressman Long, I'd like to take this opportunity to quote from a memorandum that Ambassador Strauss and Mr. McIntyre, two of the Cabinet officers who are still with us, wrote to the President on this issue. They said:

> Although the United States is the only major industrial nation without a Cabinet level trade department, organization is not the primary cause of our trade problems. Rather, such competitive disadvantages as higher cost labor, inefficient facilities, lagging productivity, changing market demands, the attractiveness of the U.S. market—

And I emphasize—

> legal and policy disincentives such as antitrust, minimum wage, tax incentives, concern for human rights, the environment and national security—hamper U.S. industries' efforts to meet foreign competition.

I do not agree with them in citing high labor costs or minimum wage laws for our lack of competitiveness. The record will show labor costs in Europe and Japan have equaled or surpassed our own. But they are right on the self-imposed legal and policy disincentives. I assume in this open administration a memorandum that is not classified can go into the record, and if you so wish, it's available.

Representative LONG. It will be received and made a part of the record.

Mr. BEST. We don't have all the answers but we do know that: Every billion dollars' worth of exports create 40,000 to 50,000 jobs;

and every 1 million jobs creates in taxes (corporate and individual) $22 billion in revenue to the U.S. Treasury.

Those are estimates of the Congressional Budget Office used by Majority Leader Jim Wright. Assistant Secretary of the Treasury, C. Fred Bergsten, has, in his speeches, used even greater estimates of the job and income-creating effects of exports.

Given the multiplier and feedback effects of exports on jobs, income, and revenue, if we but increased the ratio of exports to GNP by 1 or 2 percentage points we would eliminate the fiscal deficits and gainfully employ another 1.6 million Americans. That's the best human rights program for American workers and investors we can propose.

In short, Congressman Long, your efforts to develop a more rational and more positive trade policy structure are to be commended. However, since H.R. 4995 was introduced less than a week ago, we have not had sufficient time to evaluate each and every paragraph and we would have to consult with all of our members to give you a total endorsement from the organization. But we do like the general approach.

We have noted briefly some important principles that we feel should be incorporated, such as keeping the Eximbank separate and completely independent. We also suggest that a strong and positive export policy receive greater and repeated emphasis in the first several titles of the bill.

Succinctly put, we have sufficient trade today, but too much of it is negative. Having said that, Congressman Long, we repeat—you are on the right track and we hope that a majority of both Houses will rally around a program which will create jobs for American workers through exports. Every nation in the world seems to understand the relationship between jobs and exports better than we understand that relationship here in the United States. Indeed, that is unfortunate at best, and tragic at worst.

Finally, Congressman, we submit for the record a memorandum we recently submitted to the President's Export Council which makes specific recommendations for a positive export policy.

Thank you, Congressman Long.

[The memorandums referred to in Mr. Best's statement follow:]

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., June 20, 1979.

Memorandum for the President

From: Jim McIntyre, Bob Strauss.
Subject: Trade Reorganization.

We recommend consolidating policy coordination and negotiations in STR and consolidating operational functions in a renamed and revitalized Department of Trade and Commerce (TAC). In addition, the Mandate of the Trade Policy Committee should be broadened substantially and a Trade Negotiation Committee should be created to manage all trade negotiations. This arrangement could bring about significant improvement in the management and effectiveness of the Government's trade activities and in our view comes as close as possible to meeting Congressional and private sector desires for organizational change—if a separate trade department is not feasible.

In addition to deciding whether to adopt our basic proposal, you may wish to review the individual transfers—described in the Appendix—that would be involved. We believe that most, if not all, of those changes are necessary to make the reorganization viable and acceptable.

The proposal will provide better accountability at home and abroad, and improved consistency and effectiveness in our dealings with Congress, the private sector, and other governments on trade matters. It would lodge in one Cabinet-level official responsibility for the operational side of most Government trade activities while strengthening current Executive Office leadership over trade policy and negotiations. We would also strengthen the interagency trade policy process that assure that different perspectives are represented and that the political considerations are adequately assessed. Finally, this plan provides for an overhaul of industrial analysis capabilities in the renamed Trade and Commerce Department. Better analysis is needed to monitor and anticipate trade problems in particular sectors and to analyze these problems and conflicts among trade and other government policies that impact on such sectors. This would be a positive factor with the business community and would correct serious defects in the existing government organization.

There are negative aspects to this proposal as there are to all of the other options. On balance, though, this appears to be the best viable, sensible alternative

BACKGROUND

Major U.S. trade functions are located in a number of agencies. The Special Trade Representative (STR) has a lead role in the trade agreements program, but many trade issues are handled elsewhere. In most instances trade is not the principal concern of agencies where trade functions are located. Our recent trade difficulties and—currently—the submission of the multilateral trade negotiations (MTN) package to the Congress have heightened public interest in trade and brought demands for changes in our trade organization.

Although the U.S. is the only major industrial nation without a Cabinet-level trade department, organization is not the primary cause of our trade problems. Rather, such competitive disadvantages as higher-cost labor, inefficient facilities, lagging productivity, changing market demands, the attractiveness of the U.S. market, and legal and policy disincentives (e.g., antitrust minimum wage, tax incentives, concerns for human rights, the environment, and national security) hamper U.S. industries' efforts to meet foreign competition. Further, some critics of current trade organization seek to move functions in the hope that the new setting will give their concerns a more sympathetic hearing.

On the other hand, reorganization should ameliorate some of the problems and would afford higher priority to trade. Also, with the MTN agreement awaiting approval in Congress, it is important now to signal the Government's commitment to tough enforcement of the new trade codes in the agreement. There is growing pressure from the Congress and from business to reorganize in the trade area; if we do not act, Congress probably will enact its own version of reorganization, possibly by creating a separate, additional trade department.

POLITICAL ASSESSMENT

Interest Groups

We have consulted intensively with the three major constituencies of trade reorganization—business, labor, and agriculture.

Business.—Business groups are primarily concerned about implementation of the MTN agreement. Groups like the Business Roundtable, Chamber of Commerce and Emergency Committee for American Trade (representing about 50 top multinationals on trade matters), as well as the leadership of such major trading industries as aerospace and chemicals, are firmly committed to a strong STR-like entity with policy coordination and negotiation responsibilities. Most business groups would agree with moving countervailing duties and dumping functions out of Treasury. Some also feel strongly that STR should have the enforcement responsibilities, a step we have not recommended. Business groups profess interest in upgrading the Commerce Department, and therefore also support the Commerce enhancement recommended herein. The NAM stands out as the one business group still strongly dedicated to a separate trade department or a Commerce-based trade department having the policy and negotiation functions we have proposed for STR.

While agreeable to the reorganization we are recommending, business groups other than NAM would likely support an independent trade agency built around STR if this became viable on the Hill.

Labor.—The AFL–CIO is primarily concerned that enforcement of trade statutes and agreements be kept separate from trade negotiations. They fear a tendency for a negotiator to compromise on matters of compliance to achieve other trade goals. Labor also sees benefits to a stronger sectoral analysis capability in Commerce—a capability they expect will lead to greater sensitivity to domestic opportunities for industrial growth and to domestic impacts of imports. For these reasons, labor would support the recommended proposal, which both separates negotiation from enforcement and strengthens Commerce's industry analysis capacity.

Agriculture.—Farm groups are chiefly worried that agricultural concerns be fairly treated vis-a-vis industrial, international political and other perspectives when it comes to trade policymaking and negotiating. For this reason, they are perhaps the strongest proponents of a "neutral broker" role being played by STR with respect to policy and negotiation. They would be stridently opposed to these two functions being placed in a Trade and Commerce Department, but have no objection to the enhancements of Commerce we are recommending.

Like business, however, agriculture probably would support an independent trade agency if that became viable on the Hill.

There are some nuances in interest group positions on the particular transfers proposed. Those most politically noteworthy are reported in appropriate discussion in the Appendix.

Congressional

There is significant support for trade reorganization in the Senate. Majority Leader Byrd, as well as Senators Ribicoff and Roth are active supporters of a separate Department of Trade. In the House, there is less active support for reorganization. However, as the MTN legislation has moved forward in the House, interest in reorganization has grown. Congressmen Jones of Oklahoma and Frenzel have announced that they will introduce a trade reorganization bill that is similar to our recommendation.

In both bodies, there is dissatisfaction with the current operation of certain trade programs—primarily countervailing duties (CVD), antidumping, and commercial officers.

There is a divergence of views among House and Senate members on whether Commerce is a suitable base upon which to build a Department of Trade. There is also dissatisfaction with the way Commerce programs are now run. Senators Byrd and Roth prefer an individual trade agency to the use of Commerce as a base. Congressmen Bingham and Brooks oppose an enhancement of Commerce, although it is not a firmly held view.

Congressmen Jones, Frezel and Bingham share the view that STR should be preserved and enhanced. Most Senators support moving STR to a new trade agency. Senator Long on the other hand prefers to leave STR within the EOP.

One comment is in order here. Trade interest groups have not yet been very active on the Hill on trade reorganization. Once hearings begin and lobbying pressure intensifies, many Congessmen may shift their views. Very few Congressmen have hardened positions on this issue yet, other than a general feeling that something substantial must be done.

RECOMMENDATION

Discussion

We recommend that STR be made the principal locus for trade policy coordination and negotiation, and that Commerce (renamed Trade and Commerce) become the principal locus for operational trade functions. Further, we suggest that the mandate of the interagency Trade Policy Committee (TPD) be broadened substantially and that a new Trade Negotiating Committee to coordinate trade negotiations be created.

STR would remain in the Executive Office, remain a Cabinet member, continue to chair the TPC, and become a member of the National Advisory Committee on International Monetary and Financial Policies (NAC). With a staff at or slightly exceeding its current level of 59, STR (renamed Office of the U.S. Trade Representative) would assume responsibility for:

Trade policy coordination (both industrial and agricultural).

The lead role in trade negotiations, including commodity negotiations, East-West trade, and MTN-related negotiations (including GATT representation). To ensure that all negotiations are handled consistently and that our negotiating leverage is used to the maximum extent feasible, a new trade negotiating committee, directed by STR and including State, Agriculture, and Trade and Commerce (TAC), will be created to manage such activities. The committee will be responsible for negotiation of particular issues and will coordinate the operational aspects of those negotiations. The TPC would continue to develop basic U.S. negotiating objectives.

STR would continue to have the lead policy role with respect to discretionary trade relief functions (escape clause, Section 301, and market disruption).

The Commerce Department would be altered as follows:

Its name would be changed to Trade and Commerce (TAC).

A post of Under Secretary for Trade would be created.

Import relief functions would be transferred from Treasury (antidumping, countervailing duties, embargoes, national security trade investigations), the International Trade Commission (unfair import practices under Section 337 of the Trade Act of 1930), and STR (staffing for Section 301 non-agricultural unfair trade practice cases [1]).

The TAC Secretary would become Chairman of the Board of the Export-Import Bank.

Commercial representation responsibilities would be transferred from State.

MTN implementation support, insofar as it relates to nonagricultural matters, would be located in TAC. (Agricultural matters would go to Agriculture.)

Commerce/TAC, especially sectoral analysis capability in the Industry and Trade Administration, would be upgraded.

The TPC would add the following to its coordinating responsibilities: [2]

Import relief policy (including antidumping and countervailing duties, to the extent legally permissible).

Energy trade issues.

East-West trade policy, replacing the inactive East-West Foreign Trade Board.

International investment policy.

International commodity negotiations.

Our proposal has the following pros and cons:

Pros

Retains and further consolidates trade policy leadership in the Executive Office.

Consolidates trade negotiation leadership in one place.

Strengthens Commerce Department.

Separates negotiation from "non-discretionary" enforcement (labor insists that this be done).

Acceptable to business, labor and agricultural interests.

Will satisfy many in the Congress, with less risk of escalation into a department than the State-Treasury option.

Creates no new agencies or boards.

Cons

Senate may object to the absence of a single trade leader.

Places operational responsibilities in Commerce, an agency perceived by many as weak.

While acceptable to most of the business community, NAM may oppose.

Movement of some import relief functions to Commerce, while likely to be popular on the Hill and among business and labor groups, may be viewed by some as leading to a protectionist bias.

We believe that this proposal is by far the most acceptable to the relevant interest groups and that it has a good chance to succeed on the Hill (it is similar to the approach taken by Congressmen Jones and Frenzel). We gave serious consideration to four other options, but rejected each:

Option 1.—A Department of Trade and Commerce including not only the functions listed above, but also negotiating responsibilities and the chairmanship of the TPC. A trade department probably would have a very difficult time coordinating among such powerful peers as State and Treasury. Also, this approach, which is similar to that proposed in the Roth-Ribicoff and Byrd bills, would meet very strong opposition from agricultural interests fearful of incorporation into an entity perceived as industry-oriented.

Option 2.—A new trade agency, outside the Executive Office and headed by a Special Trade Representative who would also retain his Executive Office hat. This agency would include most of the functions listed above and probably would be well received on the Hill; indeed, the Congress might build substantially upon it

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[1] Agricultural aspects of staffing on Section 301 unfair trade practice cases would go to Agriculture.

[2] STR recommends that export credit policy be added to the TPC, while OMB believes this policy oversight should continue with the current interagency National Advisory Committee. The Appendix seeks a decision.

and thus present us with a sizeable new bureaucracy, perhaps even an additional Cabinet department. Further, the AFL-CIO, which is dissatisfied with STR and believes that import relief should be separated from negotiating responsibility, would oppose this option.

Option 3.—Establishment of a U.S. Export Corporation, with two subsidiary corporations, reporting to the Trade Policy Committee. This option is described in detail in the attached State/Treasury memorandum and is their preferred option.

Pro

Could be sold as a novel and creative approach to address our export problems.

Cons

Creates two additional units of government.

Proposal for two corporation boards (one mixed and one full time government) reporting to a corporate shell and then through an interagency committee and the STR to you, creates a cumbersome bureaucratic control system.

Does not consolidate trade and trade related negotiations and policy coordination.

Does not address the most widespread and deeply felt political problems of trade reorganization—the intense Congressional and private sector interest in moving Treasury's antidumping and countervailing duties.

Strips Commerce of its major trade program and resources.

Export promotion alone does not satisfy most business and Congressional concerns.

Option 4.—An STR supervising two new agencies outside the EOP: a U.S. Trade Policy Administration containing some negotiation, most import relief and MTN followup coordination, *and* the U.S. Export Corporation discussed in Option 3 above. This option, which is described in the attached State/Treasury memorandum, has the following pros and cons. We believe the disadvantages far outweigh the advantages.

Pros

Comes close to creating a single trade spokesperson and leader, *if* STR can control two non-Executive Office agencies (one headed by his "deputy," the other by a "deputy" and two boards).

Builds on STR, which has a good reputation among big business and agriculture (but not with the AFL-CIO).

Gives the enforcement "stick" to our chief trade negotiator (wanted by many business groups).

May be perceived by Congress as a bolder initiative signalling greater real change than our recommendation.

Appears to give a new thrust to export promotion programs.

Satisfies Congressional interest in moving Treasury import relief.

Cons

Creates two new agencies and one new board.

Proposal for two mixed government/private Boards reporting to a corporation reporting to the Executive Office (through an interagency committee), creates a complicated bureaucratic control system.

If STR controls the U.S. Export Corporation, which is geared to promoting industrial exports, some agricultural groups are concerned that STR may overemphasize industrial export interests, thus compromising its neutral broker role. Conversely, if STR cannot successfully control the non-EOP agencies, this proposal takes trade almost entirely out of the Executive Office and creates two trade leaders instead of one.

The AFL-CIO will strongly oppose placing enforcement responsibilities in STR.

These new trade agencies may be transformed into another Cabinet department in the course of Congressional consideration.

Eliminates the most promising mission we could develop to revitalize the Department of Commerce and, in fact, weakens Commerce.

Does not bring international investment policy or energy trade policy under the TPC.

Decision

—— As recommended by OMB/STR.
—— As recommended, except for the units expressly excluded in the Appendix.
—— OMB/STR recommendation not acceptable; decision indicated in Treasury/State memorandum.

APPENDIX: INDIVIDUAL UNITS AND FUNCTIONS

As stated above, we believe that our recommendation represents a balanced, unified package, and that it is viable only if most or all of the recommended transfers are made. Should you wish to *exclude* any individual units or functions, please so indicate below. WE WILL INCLUDE ALL ITEMS PROPOSED IN THE ABOVE PACKAGE UNLESS YOU EXPRESSLY EXCLUDE THEM.

Export-Import Bank

The principal trade financing agency is the Export-Import Bank (Eximbank). Although generally credited with doing a good job, Eximbank has been criticized for supporting trade promotion where there is little foreign competition and where other commercial financing is readily available. Eximbank now has a full-time, Presidentially appointed Board. In addition, it receives policy advice from the National Advisory Council (NAC) composed of Treasury, Commerce, State and the Federal Reserve Board.

We recommend that the Secretary of Commerce/TAC become Chair of the Board of Eximbank (delegable no lower than the Under Secretary level); the Eximbank President would continue as chief executive officer and would chair the Board in the absence of the Secretary or his delegate. This change would increase consistency between Eximbank activities and our overall trade policy and would signal a strong commitment to export development. On the other hand, it might weaken an efficient decision-making process well suited to the financial world and could affect the objectivity of Eximbank's credit decisions should promotional consideration become paramount.

Present business customers of Eximbank will argue vigorously that the bank operates well and does not need to be bureaucratized by a tie-in to Commerce/TAC. There is no constituency pressing for change in Eximbank's status, although all of the legislation introduced thus far does change it.

Decision

——Secretary of TAC to chair Eximbank Board.

——No change.

State's Commercial Officers

The performance of the commercial officers is critized because this function is subordinated to economic reporting in State and does not attract the most capable Foreign Service Officers. Further, critics argue that the skills, training and career aspirations of diplomats are inconsistent with the job requirements for commercial officers. Those who disagree contend that economic reporting and commercial activities are handled jointly in our embassies and that separation would undercut our ability to conduct unified foreign economic policies.

We recommend that all of the commercial officers be moved to TAC.[3] This would put both domestic and overseas export promotion staffs under one agency that emphasizes expanding U.S. exports. Further, it would attract people interested in commercial representation, rather than career diplomats, and would be enthusiastically received by many in Congress (it is proposed in the Byrd, Roth-Ribicoff, and Jones-Frenzel bills). Those opposing such a move contend that it would result in wasteful duplication of effort and unnecessarily increase staff requirements. Also, the move would require a complicated personnel change that would take some time to effect.

Alternatively, the commercial officers could remain in State, but TAC and State would conduct a number of planning, program and review functions jointly, and TAC would have a formal, equal role in the selection, training and personnel management of commercial officers. This would avoid the disruption of moving personnel or positions from State. On the other hand, it is similar to previous unsuccessful agreements to improve State's commercial performance, would still leave State with primary control over the officers, and would not satisfy those on the Hill and elsewhere who want to see commercial representation in a trade-oriented agency.

We have yet to discover a constituency, other than the American Foreign Service Association, that does not strongly favor transfer of the commercial officers to Commerce/TAC and modeling them on the highly respected Foreign Agricultural Service in USDA. Many business groups are critical of the present arrangement, but some, including Reg Jones, argue for retaining them in State.

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[3] An alternative would be to move only the officers assigned to our major trading partners.

Decision

——Move all of the commercial officers to TAC.

——Move only the officers assigned to major U.S. trading partners.

——Retain the officers in State, but give TAC a formal, equal role in managing them.

Post-MTN Monitoring and Implementation

This is an important issue. What we have negotiated in the MTN will not be worth much if we do not aggressively monitor and implement the agreements. The Congress and the private sector are particularly concerned about how MTN is to be implemented.

We recommend that Agriculture, Commerce/TAC, and Labor be responsible for functions that are best handled by constituency oriented departments (e.g., educational and promotion programs, technical assistance to the private sector, consultations with private sector advisory committees, data base development and maintenance, staffing of formal cases, information dissemination, and analytical support).

We further recommend that STR manage formal cases, negotiations, and related GATT responsibilities.

Decision

——Approve.

——Disapprove.

IMPORT RELIEF

Import relief functions are directed by several agencies. The Trade Policy Committee and other interagency bodies with varying membership supervise some of these functions, while others are subject to little, if any, interagency coordination. Critics complain that this dispersion of responsibilities greatly complicates and retards efforts to obtain import relief. Further, export functions are in large measure separated from import functions, even though trade relations (including negotiations) with other nations frequently encompass both import and export matters.

We propose changes in three areas of import relief:

Antidumping and Countervailing Duty (CVD) cases

The most criticized import administration activity is countervailing duty (CVD) and antidumping cases, in which foreign producers are accused of receiving subsidies or selling at less than fair market value. The new CVD and antidumping codes resulting from the MTN will require changes in procedures and increases in manpower. Congressional satisfaction with the Administration's plans to enforce these codes will be a critical element in securing MTN passage.

Of special note here is the difference of opinion among business groups on the handling of Treasury's import relief functions. All seem to concede the political imperative to move the functions. However, some business interests want to give them to STR (read: free trade policies combined with more effective use as a negotiating stick), while others would transfer them to Commerce/TAC (read: stronger concern for and execution of statutorily mandated relief functions in an objective process). As noted earlier, the AFL–CIO strongly shares the latter view.

Transferring these functions to TAC would increase the likelihood of faster, more vigorous enforcement, help satisfy severe Congressional and private sector criticism, and locate import and export controls in the same place. It should be noted, though, that some critics of Treasury disagree not with its administration of these functions, but with its reputation for non-protectionist policies. We recommend these functions, along with the Customs unit that investigates dumping and CVD cases,[4] Treasury's Office of Foreign Assets Control (15 persons), and Treasury's responsibility for administering national security import cases.

Decision

—— Transfer.

—— Do not transfer.

Unfair import practice cases (International Trade Commission)

Section 337 of the 1930 Tariff Act authorizes the ITC to apply sanctions for unfair import practices. ITC recently has expanded its activities and has been

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[4] You have recently proposed a 1980 budget amendment that more than doubles the size of this unit. This increase should ease some of the complaints about Treasury's slowness in handling these cases.

entering into some agreements that are inconsistent with U.S. trade policy or duplicative of other enforcement functions, but that the Administration can review only after they are concluded. Senator Long's interest in the ITC focuses on functions other than this one, and the Roth-Ribicoff bill proposes to move it to a new trade department. Transferring this authority to TAC would bring it under Executive branch control and would be an appropriate part of a consolidation of trade functions, but it might run into some opposition in Congress and the private sector. We would transfer the ITC's tariff nomenclature functions (included in the Roth-Ribicoff bill) along with Section 337.

Decision

——Transfer.
——Do not transfer.

Negotiation of commodity agreements

This function now is handled by State and subject to an interagency mechanism different from the TPC. We believe that it should be placed in STR and made subject to the new negotiation coordinating committee discussed above. This would increase the consistency of overall trade policy and would assure that all affected interests have a voice in decisions. On the other hand, it might complicate the foreign policy aspect of commodity issues, which to some degree are exercises in North-South relations.

While the agricultural community would enthusiastically applaud transfer of this responsibility from State, maintaining the status quo would not lose our overall proposal any support.

Decision

——Transfer to STR; coordinate through negotiation coordinating committee.
——Retain in State; coordinate through TPC.
——No change.

TRADE POLICY COORDINATION

Much, but not all trade policy is coordinated through the TPC and two committees functioning beneath it (all chaired by STR). While policy coordination has worked adequately on the whole, some complain that important trade policy issues are not addressed through the TPC mechanism. We have presented our recommendation for adding commodity negotiation policy to the TPC; we recommend that you bring in the following additional coordinating responsibilities.

Import relief

Since antidumping and countervailing duty aspects of import relief are in some measure adjudicatory, TPC review would center about coordination with other trade matters, precedents, etc., rather than case-by-case fact-finding.

Decision

——Include under TPC.
——Do not include.

International investment policy

There is no overall coordinating mechanism in the government for international investment policy (i.e., U.S. investment overseas and foreign investment in the U.S.). Investment and trade are often linked, and the Roth-Ribicoff bill proposes a Department of International Trade and Investment. Significant policy issues need to be addressed. State, Treasury, Commerce, Labor, and even Defense play roles, and there are several interagency committees with varying degrees of formality and membership. We do not propose any transfers of functions or units, but recommend that the formulation of international investment policy be brought within the purview of the TPC.

Decision

——Include under TPC.
——Do not include.

Energy Trade

These issues are now resolved by Energy and are the subject of complaints for lack of coordination. These are included in the Byrd bill for consolidation into a trade department (i.e., total removal from DOE rather than merely coordination with other agencies), but some argue that the special nature of energy issues calls for only special DOE expertise.

Decision

——Include under TPC.
——Do not include.

East-West trade

The East-West Foreign Trade Board, mandated by the Trade Act of 1974, is inactive, and East-West trade issues are handled on an ad hoc basis rather than in a single trade-related forum. We recommend abolishing the Board and transferring its functions to the TPC.

Decision

——Include under TPC; abolish Foreign Trade Board.
——Do not include.

SECTORAL ANALYSIS FUNCTIONS

The government often makes trade and other decisions without adequate knowledge of how they may affect individual industries and services, and productive resources such as labor. One reason for this shortcoming is that our industrial sectoral analysis capability is generally weak, and not well tied to policy makers. Commerce has a substantial number of sectoral analysts in its Industry and Trade Administration (ITA), but some consider them less capable than some of the analysts found elsewhere in the Executive branch. Getting Commerce's sectoral analysis capability up to the challenges of the post-MTN period will require a thorough overhaul and housecleaning. And one of the Secretary's early and prime responsibilities will be to revitalize this area.

COORDINATION OF EXPORT CREDIT POLICY

There is one area in which the two of us disagree—export credit policy. OMB recommends you leave such policy under the policy guidance at Treasury and the interagency National Advisory Committee, while STR recommends you move that responsibility into STR and the Trade Policy Committee. OMB's rationale is that the NAC's charter does and should include all international financial policy, and that ***Treasury acts as an effective damper on the Export-Import Bank's lending activities.*** STR feels that export credit policy is so closely related to other trade policy issues that it should be in the same policy structure and that our national export objectives would be better served by this shift.

Decision

——Retain in Treasury/NAC.
——Transfer to STR/TPC.

U.S. TRADE FUNCTIONS

Agency	Fiscal year 1979		Functions
	Budget (thousands)	Personnel positions	
EXPORT EXPANSION			
Export-Import Bank:			
Program activities	$10,080,000		Direct loans, loan guarantees, and insurance to support exports; limited market information program.
Administration expenses	13,740	423	
Treasury Department: Office of Trade Finance.	145	5	Provide general policy guidance to Export-Import Bank and recommend U.S. positions for international negotiations on terms and extent of official trade financing.
State Department: Commercial attachés	21,700	[1] 905	Trade promotion and overseas services to American business.
Commerce Department: Industry and Trade Administration.	45,528	1,099	Export development, East-West trade promotion, domestic business development and field operations.
Department of Agriculture:			
Foreign Agricultural Service	21,800	[1] 738	Export promotion and service for U.S. agriculture through agricultural attachés and domestic market development activity.
Commodity Credit Corporation	1,752,315	115	Stabilize and protect farm income and prices, assist in maintaining balanced and adequate supplies of agricultural commodities, and facilitate orderly distribution of commodities.
IMPORT RELIEF			
Treasury Department:			
Office of Tariff Affairs	250	11	Administer Countervailing Duty Law and Antidumping Act except for injury determinations.
Customs Service, dumping investigations	1,000	20	Conduct investigations of dumping (sales at less than fair value) complaints.
Office of Foreign Assets Control	175	6	Administer trade embargoes (as well as assets control).
International Trade Commission	5,369	151	Investigate injury when Treasury has found dumping or—when the new code takes effect—subsidies; administer unfair trade complaints under sec. 337 of Trade Act of 1930.
Special Trade Representative	1,350	21	Administer generalized system of preferences, escape clause actions, market disruption cases, and unfair trade complaints under sec. 301 of Trade Act of 1974.
Department of Agriculture: Foreign Agricultural service.	16,082	10	Administer agricultural import controls.
Department of Commerce:			
Industry and Trade Administration	9,078	255	Administer trade controls, watch quotas, foreign trade zones, et cetera.
Economic Development Administration	97,000	25	Trade adjustment assistance to business and communities.
Department of Labor: International Labor Affairs, and Employment and Training Administration.	271,122	238	Trade adjustment assistance to workers.
Special Trade Representative	1,350	21	Administer trade agreements program, direct U.S. participation in multilateral trade negotiations, chair the interagency trade process.
Department of State: International Trade Policy.	1,653	49	Participate in formulation of U.S. trade policy, conduct bilateral trade negotiations with Communist countries.
Department of Commerce: International Economic Policy and Research.	7,560	199	Participate in the formulation of U.S. trade policy.
Treasury Department: International Trade	561	17	Do.
Department of Agriculture, Department of Defense, Department of Interior, Department of Justice, Department of Labor.			Do.

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[1] Tentative proposal; as of June 18, 1979, not yet introduced.

SUMMARY OF TRADE DEPARTMENT PROPOSALS

[Functions included]

Agency	Roth-Ribicoff (S. 377): Department of International Trade and Investment (additional to Commerce)	Byrd,(W. Va.) (S. 891): Department of International Trade (additional to Commerce)	Jones-Frenzel:[1] Department of Commerce and International Trade (incorporates Commerce)	OMB–STR proposal: Department of Trade and Commerce (incorporates Commerce)
Agriculture Department.	No change	Foreign Agricultural Service.	No change	No change, except that Agriculture to participate in a new trade negotiating committee, chaired by STR.
Commerce Department.	Export promotion, foreign investment, export administration, foreign trade zones, other trade activities (e.g., East-West trade).	International commercial activities of Industry and Trade Administration.	Would be enhanced by addition of MTN implementation, commercial attachés, import relief and Eximbank; Secretary to chair Eximbank and OPIC Boards.	Would be enhanced by addition of MTN implementation, commercial attachés and import relief; Secretary to chair Eximbank Board.
Energy Department	No change	Direct U.S. participation in multi- and bilateral trade negotiations on energy matters.	No change	Include Energy Trade Policy under TPC.
Export-Import Bank	Include all; abolish Board.	Responsibility for minimizing competition in Government-supported export financing.	Transferred to CIT and CIT Secretary to chair the Board.	TAC to chair Board.
Overseas Private Investment Corp.	Include all	New Secretary would be OPIC Board Chairman; OPIC's mission would include promoting U.S. trade position.	Transfer to CIT and Secretary to chair Board.	No change, except that investment policy to be under TPC.
Special Trade Representative.	do	Include all	Import relief transferred to CIT; STR to receive all negotiating authority.	Coordinates trade policy; staff to remain at approximately 60; lead role renegotiations; chairs negotiation committee.
State Department	Commercial attachés; all trade agreement activities, including commodity agreements; and international investment policy; but excluding economic reporting.	Bureau of Economic and Business Affairs, commercial attachés, trade and commodity agreements, fisheries, information on foreign commercial and labor trends.	Commercial attachés and international investment policy to CIT; commodity and trade agreement activities to STR.	Transfer commercial attachés to TAC; commodity negotiation lead to STR, subject to negotiating committee and TPC.
Treasury Department.	International trade and investment; Customs Service; unfair trade and investment competition.	Trade and commodity agreements, Office of Assistant Secretary for International Affairs (except monetary policy, international exchange and bilateral and multilateral monetary institutions), dumping and countervailing duties, Customs Service.	OASIA, except for monetary affairs, Saudi Arabian affairs, international investment and multilateral development banks.	Transfer to TAC antidumping, CVD, embargo, national security trade investigations.
International Trade Commission	Sec. 337 of Tariff Act of 1930 (unfair trade), tariff nomenclature and statistics.	No change	ITC transferred intact as independent agency except its sec. 337, tariff nomenclature and sector analysts merged in CIT.	Transfer sec. 337, tariff nomenclature to TAC.
Proposed new mechanisms	None proposed	Department Secretary for Trade Negotiations; Director of Long-Range Policy Planning; Assistant Secretary for agriculture, industry and commerce, energy, law enforcement and investigations.	No change	New Trade Negotiations Committee (TNC); broadened mandate the Trade Policy Committee (TPC).

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[1] Tentative proposal; as of June 18, 1979, not yet introduced.

AMERICAN LEAGUE FOR EXPORTS AND SECURITY ASSISTANCE, INC.,
Washington, D.C., July 18, 1979.

To: Members of the President's Export Council.
From: Joseph E. Karth, President and General Manager.

The American League for Exports and Security Assistance, Inc., was founded in 1977. The 34 corporations employing over 800,000 American workers in all 50 states and four international unions, representing 4.1 million American workers, who are presently members of our organization share a common goal of encouraging jobs through exports. We are probably the first organization which has called to the attention of the Executive and the Congress the need for a positive national export policy and the only labor-management organization which has consistently argued for a comprehensive, positive export program for the nation. In an effort to best assist the Council, we are providing a point-by-point list of suggestions which we hope the Council will seriously consider in its recommendations to the President and the Congress. In addition we recommend the Council members study an excellent report on "U.S. Export Policy" submitted by the Subcommittee on International Finance to the Committee on Banking (March 6, 1979). That report resulting from more then a year-long study of the subject, including extensive hearings, is one articulate expression of Congressional views on export policy which are consistent with our own.

I. EXPORT INDUCING ACTIONS WHICH CAN BE TAKEN WITHOUT LEGISLATION

A. *Eliminate Disincentives*

(1) Require agencies to review all regulations with the goal of eliminating and/or reducing impediments to exports; competitive impact statements should be required for all Federal regulations and legislation.

(2) Remove artificial annually declining ceilings on high technology exports. Exercise control on a case-by-case basis legislative branch cooperation.

(3) Establish a "suspense system" on export licensing procedures to insure timely action by agencies with jurisdiction.

(4) Require periodic reviews on control lists to insure that they do not include items which are widely available on an uncontrolled basis from other suppliers or which are not sensitive technology or lethal military hardware.

(5) When controls of sensitive technologies or military equipment is deemed desirable, seek multilateral cooperation before imposing unilateral controls. If multilateral cooperation is not forthcoming in a reasonable period of time, abandon automatic and unilateral controls.

(6) Retain sectoral advisory bodies established during the multilateral trade negotiations and invite quarterly reports on new barriers imposed against U.S. exports or failure to remove barriers in accordance with MTN codes.

(7) Require Treasury (new trade department) to publish annually, all export and investment tax incentives utilized by other major trading nations together with recommendations to Congress for appropriate legislation to achieve equality of treatment for U.S. exporters.

(8) Require Treasury (new trade department) to report *all* barriers to U.S. imports by other major nations.

(9) Provide a clear, coordinated enforcement procedure for administration of revised unfair trade practice statutes and new international agreements.

(10) Encourage commercial attaches in U.S. embassies to cooperate with U.S. industry and make U.S. export development opportunities a primary function.

(11) Eliminate discouragements to exports and research and development in the U.S. in present regulations (such as IRS 861 regs, complexity of DISC, 911 regulations) or in proposed regulations on 901, 903 of Internal Revenue Code.

(12) Continue policy of making Eximbank aggressive, competitive financing institution, and preserving quasi-independent status of Bank in any government reorganization of trade policy functions.

B. *Create Incentives to Export*

(1) Exports should be declared a national economic priority by both the President and Congress through joint resolution of both Houses.

(2) Establish central coordination of trade policy in the Special Trade Representative's office with accountability to Congressional Committees having primary jurisdiction over trade matters.

(3) Commerce Department should develop computerized information system to assist U.S. industry in assessing foreign market potential on an industry-by-industry, area-by-area, basis.

(4) Participation by American companies in trade centers, exhibitions abroad should be encouraged by the U.S. government and existing directives discouraging embassy assistance should be terminated.

(5) Require foreign nations to end discriminatory trade treatment or face retaliation by the U.S. (this has particular applicability to sectors exempted by Europeans under government procurement code (heavy electrical, telecommunications and transport equipment) but is also applicable in many Japanese trade practices).

II. EXPORT INDUCING ACTIONS WHICH REQUIRE LEGISLATION

A. *Eliminate Disincentives*

(1) Review and repeal or amend laws which directly and indirectly discourage U.S. exports such as:

(a) current ceiling on commercial sales of military equipment;

(b) embargoes against exports (not imports) to certain countries for human rights or other non-security foreign policy objectives;

(c) lack of clear guidelines on antitrust statutes as they apply to export trade, and as they impair ability of U.S. firms to compete against foreign conglomerates and cartels; and

(d) strictures on Eximbank lending related to foreign environmental impact statements, human rights or emigration policies.

(2) Revise Export Administration Act along lines of bills reported by House and Senate Committees (Bingham-Stevenson bills) without crippling floor amendments. (NOTE: The Administration's failure to support the Committee bills and lobbying by certain Federal agencies concerned with jurisdictional interest has jeopardized a sound approach embodied in the Committee bills).

B. *Create Incentives Consistent with International Agreements and Domestic Employment and Inflation Goals*

(1)Establish incentives for more rapid modernization of plant and equipment through appropriate depreciation writeoffs or tax credits.

(2) Simplify, improve existing incentives to export including DISC, 911 and foreign source income provisions.

(3) Encourage small and medium size firms to export through Export Trade Corporations.

(4) Require cost benefit analysis of Federal paperwork requirements on exports for corporations.

(5) Negotiate Western Hemisphere Common Market, under the continued authorities contained in the Trade Act of 1974, with benefits of *Access to Markets*, Technology and Raw Materials.

These are suggestions which we believe would provide a sense of direction to U.S. trade policy together with appropriate policy coordination within the U.S. government, and would substantially assist the U.S. and world economies overcome the current stagflationary effects of continued massive U.S. trade deficits. We sincerely hope they will assist you in carrying out the important reponsibilities of advising the President and the American people on what step should be taken to encourage development of a positive national export policy.

We would be delighted to meet with members of the Export Council or with your staff to provide additional details of these proposals.

Representative LONG. Thank you very much, Mr. Best.

Mr. Wolff, we are particularly pleased to have you. We know of your deep involvement in this question and your dedication to it, and can we please hear from you at this time.

STATEMENT OF ALAN WM. WOLFF, FORMER DEPUTY SPECIAL REPRESENTATIVE, OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, WASHINGTON, D.C.

Mr. WOLFF. Thank you very much, Congressman Long.

The reason that we are here today to address the questions of trade reorganization in part stems from the fact that we have a new set of trade agreements. We have received approval from the Congress in the last few weeks of the Trade Agreements Act, in which, Congressman, you played no small role. It was a great source of solace and strength to our office to have your support for Bob Strauss and myself and Dick Rivers and Al McDonald, as we moved through this process.

I appreciate very much the opportunity to testify before the subcommittee today on H.R. 4995, which I believe is extremely important and timely, and, I believe, well designed to improve the U.S. Government's performance in the trade field. We have not always done very well in the trade field. We have a record of failure in many areas. We have, as an executive branch, failed to receive approval of most of trade agreements over the last four decades. The International Trade Organization failed in the 1940's. We have never had approval of the General Agreements on Tariffs and Trade. We tried to have a World Trade Organization in the 1950's, tried to pass nontariff agreements of the Kennedy Round in the 1960's, and the Congress has not yet approved the U.S.-U.S.S.R. Trade Agreement of the 1970's. So it's quite remarkable to see a vote of 395 to 7 in the House and the Senate vote of 90 to 4 for this set of trade agreements, which changes the basic way in which we will conduct our trade relations.

When we were deliberating how to reorganize the executive branch, we held a very large committee meeting of all the agencies involved.

We sat around a large room and every agency described what it felt would be the best organization for the conduct of trade policy, and Bob Strauss said, "You know, it's amazing—there's an amazing coincidence here—everybody seems to speak up just on the subject that is within his own jurisdiction and in favor of retaining that jurisdiction. In other words, the status quo." And he just attributed it to coincidence, but there was a remarkable coincidence present there.

We now have to move quickly with reorganization and move well or we will lose some of the benefits we have worked so hard and long on in Geneva.

Organization does affect policy. I have a bias. People in the Department of State or Treasury or Commerce or Labor or Agriculture, they all have biases. They are supposed to. They have a particular constituency that they are interested in. Trade needs a stronger voice in the administration and that's what your bill would provide, and it needs a forum where that voice can be heard, and often there is no forum for many of the trade issues that are currently under consideration.

We also have to attract good people. Russell Long, at the signing ceremony of the Trade Agreement Act last week, said, "You would not have had Bob Strauss if I did not make the STR a Cabinet level position," and I think that's true, although the President responded that Bob Strauss always thought he was above the Cabinet, not just equal to it.

But now your bill would provide the responsibilities for the job of Special Trade Representative which will be necessary to attract high-level, competent people for the post-MTN—multilateral trade negotiation—period.

There's no need for radical departures from the current organization. I think we should build on the strengths of the current system, and your bill in fact does that: in a somewhat different fashion, so does the administration's proposal.

We have a number of existing strengths. We have a single negotiator for industry and agriculture, the STR. We have a Trade Policy Committee for coordination of agency views—USDA, Labor, State, Treasury, Commerce, and the other agencies—and we ought to build on that as your bill does.

We have responsibility and accountability to the Congress in a way that has never existed before, a partnership, which resulted in the passage of the Trade Agreements Act, and we have a private sector advisory mechanism and public procedures, Mr. Rashish and Mr. Best are examples of the strengths o' bringing the private sector into the trade process, and listening to them, which is extremely important.

I'd say the principal requirements of trade reorganization are to locate policy coordination for all trade issues in a single broadly representative body; to establish a single chief negotiator for trade issues, to be the chief trade spokesman at home and abroad, responsible to both the President and Congress, with an adequate private sector advisory mechanism; to place enforcement of trade laws in an agency where trade is its primary concern, not a secondary interest, and provide it with adequate resources for that enforcement effort; to strengthen the Government's positive role in export promotion and minimize export disincentives; to improve U.S. representation abroad of commercial interests in key capitals and GATT; and to enhance the Government's analytical capabilities of key industrial sectors.

What I will attempt to do is to summarize, rather than have more extensive testimony, if I might, on each of those points, and then have my prepared statement entered into the record.

We have had, I think, a series of disadvantages in the current organization. I think we are not well organized to deal with state-trading countries, with Eastern Europe. That is a rather haphazard affair.

People have to shop for a remedy around town, often going to the wrong place and getting the wrong answers because remedies are fragmented in various agencies, including, but not limited to the USITC. They will find that the type of commodity they are dealing with will radically change the agency that they have to deal with; whether it is wheat or steel or rubber or cocoa, they will end up in a different agency; and whether there is a product or service involved will change who they have to deal with, and if it's a service, often there is no place for them to go at all.

It is no answer to say that our trade has not been clearly impaired by this Rube Goldberg design because I think we have lost in our position with Western competitors in our trade with Russia. We have lost in developing countries, through this fragmentation, and in a variety of areas we have given confused signals to the private sector as to what our export policy is. The time has come to remedy this.

Our balance-of-payments position requires it. Our newly ratified trade agreements to be truly meaningful, require it. Therefore, this hearing and your bill are extraordinarily timely.

On the first point, central policy coordination, there is none for East-West trade right now. The East-West Trade Board does not in fact meet, and both your proposal and the administration proposal would remedy this by putting this subject matter into a new inter-agency mechanism.

Commodity policy is not dealt with as a part of a coherent trade policy. It is often considered primarily foreign policy rather than essentially part of this country's trade interests, and I really can't understand that at all. It seems to me sugar can't be primarily foreign policy, nor wheat or copper, nor any of the other commodities, even if we don't produce them, things like rubber or cocoa. We are interested in an economic sense as consumers.

I don't mean that there isn't a foreign policy element which should be considered, but I would say that our commercial interests have to be given adequate weight.

Again, the proposals before this committee today go far to cure these defects. I'd say also that you might consider adding in, Congressman Long, policy coordination for trade services; for trade finance meaning the Ex-Im Bank, which I think should be coordinated in your Trade Coordinating Council rather than under the National Advisory Committee for International Monetary and Financial Policies—the NAC—which is a Treasury body more concerned with limiting risk, limiting exposure than with giving financing. This committee is often more concerned with whether financing is available anyplace else and errs on the side of caution rather than trying to promote exports.

I would add to your bill policy coordination for fisheries, which is an extremely important element in our commercial relations with others. For the first time we have been able to sell additional fish in Japan because we related fishery negotiations with trade negotiations. Other countries have done this years before we were able to.

Aviation policy should also be related to our commercial policy, as with maritime affairs, export control issues, as covered by your bill. International investment policy, which is in the administration's proposal, is also very important and should be related to trade. In several cases, color televisions, in automobiles, the prospect of bringing new foreign investment here, adding jobs to the United States is directly related to our trade policy.

This country is widely regarded as the greatest commercial power in the world and the odd thing is that when it comes to utilizing the supposed leverage that we have we find that it's used against us, rather than our having an advantage.

We have to recognize the interrelationships between our various policies, our defense offset agreements, our pipeline deals with other countries. We ought to recognize that we might just be able to source some of the, say, pipe for a pipeline, in the United States. This is an important commercial interest to us.

I think the idea of a separate staff of the Trade Coordination Council is extremely important and a very good idea, as long as it is subordinate to the chairman of the Council, of the STR.

I think it's obvious there should be a single trade negotiator in this country and your bill would do exactly that.

Turning now to the question of enforcement of remedies, we suffer from having remedies enforced in a variety of departments where really trade is not just a secondary concern, but about the sixth interest in order of importance. It doesn't mean that the policy is necessarily the wrong one, but it does mean that inadequate resources are assigned. It's very odd, when it comes to environmental regulations or occupational safety and health, there are plenty of resources in the U.S. Government. When it comes to the enforcement of our unfair trade laws, we find maybe a half dozen or a dozen people are all that can be spared for some of the important matters that have to be dealt with.

These unfair trade practices are basically the center of commercial policy or trade policy, and I think that your proposal which brings enforcement into the Office of the Special Trade Representative is a very useful idea. Alternatively, one could bring the major policy decisions which basically involve negotiation into the STR.

The next major topic to be addressed is U.S. representation abroad. In this regard, I have to mention Mike Mansfield since his portrait is staring down on us from the wall over there. Ambassador Mansfield was a great partner of ours and still is in dealing with the Japanese. He recognized that our long-term relations with the Japanese, amicable relations, were fundamentally dependent on their opening their market and dealing with us on the basis of equity and reciprocity. His view is not necessarily characteristic of the entire Foreign Service.

Foreign Service officers generally do not view—and they are quite right in this—a commercial position as the best means for their career advancement. You don't automatically become an ambassador by handling commercial matters abroad. That means the most talented in the Foreign Service do not seek these positions as their first choice appointments. So I think that removing commercial offices from the State Department makes a good deal of sense.

I would add explicitly to your proposal, Congressman Long—or urge that you add the idea—that the U.S. Mission to GATT in Geneva which is responsible for the followthrough of our trade agreements be managed by the Office of the Special Trade Representative. The agreements have been negotiated by the STR's delegation in Geneva, and this worked well. I would also urge that in key capitals there be STR representatives, such as in Japan. I would think we need a substantial trade office in Japan because wherever there are elements of state trading, and in Japan there are some, then the U.S. Government has to be the partner of the U.S. private sector in opening up the market.

One twist I might add with respect to the commercial offices is to put them in an export corporation, a U.S. Export Corporation or Service, to remove them largely from the civil service laws so that people can be brought in on limited tours of duty from the private sector. I think we erred by going too far in the direction of isolating the Government from the private sector and preventing interchange between the two, due to exaggerated fears of conflict of interest. We have to begin to rely on the integrity of individuals. I think if a career GE man joined the government for a few years and went out and represented us in Japan he could represent Westinghouse and other electrical generating equipment firms as well as a career government employee, having sworn to serve the country as a whole.

This committee's focus is on export expansion and, of course, you held a series of hearings that have had a much broader focus than just trade reorganization. With respect to trade reorganization, one of the things that we ought to do in the interagency forum that you would create is review, from the trade point of view, the tax structure of this country, tax aids for capital investment, accelerated depreciations, tax credits for research and development—all of the matters—antitrust policy, export finance and defense offset agreements, et cetera, all of the matters that can't be determined solely from the point of view of trade but where trade interests ought to have a role in the establishment of policy.

Similarly, I would urge that the Department of Commerce strengthen its industrial sector analysis capability so when we adopt, say, an environmental regulation we can know what it does to the copper industry or to the textile mills or the sugar mills or anybody else in our economy. There ought to be a capability to know what the Government's policy impact will be.

In conclusion, Congressman, I regard the administration's proposals and your own as very constructive. I helped draft the President's proposal. I favor it. Like your own, it is a result of a number of compromises needed to meet the legitimate concerns. While there are a few details that I would change and these generally move in the direction of your bill, I wholly support the administration's basic proposal and I urge this committee and the other committees of the Congress addressing this subject to work along these lines. Thank you.

Representative Long. Thank you, Mr. Wolff. We will make your prepared statement a part of the record.

[The prepared statement of Mr. Wolff follows:]

Prepared Statement of Alan Wm. Wolff

Thank you, Mr. Chairman, I appreciate the opportunity to testify before you this morning on U.S. Export Policy and Reorganization of the Trade Functions of the U.S. Government, and more specifically the proposal tabled by Congressman Gillis Long, contained in H.R. 4995.

I personally appreciate very much the opportunity to testify on H.R. 4995 which in my view is an extremely important and timely measure well-designed to improve the U.S. Government's performance in the trade field.

In some ways, fifty years of unfortunate history was reversed one week ago today when the President signed the Trade Agreements Act of 1979. The list of failures by the Executive Branch to obtain Congressional approval of the President's trade agreements has been extensive: the International Trade Organization in the 1940's, the World Trade Organization in the 1950's, the nontariff agreements of the Kennedy Round in the 1960's, and the U.S.-USSR Trade Agreement in the 1970's. The passage of the Trade Agreements Act represents for the trade field a marked departure from the feuding and distrust between the Executive and Legislative branches and between the Government and the private sector that characterized these last decades. The House vote of 395–7 and the Senate vote of 90–4 fundamentally establishes, I hope for all time, the reputation that U.S. trade negotiators can deliver on their commitments.

Much credit is due to the people involved and the substance of the agreements reached, to be sure, but there will be other, more appropriate occasions to discuss those issues. Today's subject is the organization of the U.S. Government in trade policy.

My purpose in citing the last week's success is to analyze the lessons it holds for reorganizing the institutions dealing with trade policy. We should build on the strengths of the current system. Radical departures are unnecessary. There are, however, a number of weaknesses in the current structure that require a cure. H.R. 4995 would accomplish much of what needs to be done. It differs in several respects from the Administration's constructive proposal. which I will outline below.

I would outline the principal requirements of trade reorganization as follows:

(1) Locate policy coordination for all trade issues in a single broadly representative body.

(2) Establish a single chief negotiator for trade issues, to be the chief trade spokesman at home and abroad, responsible to both the President and Congress, with an adequate private sector advisory mechanism.

(3) Place enforcement of trade laws in an agency where trade is its primary concern, not a secondary interest, and provide it with adequate resources.

(4) Strengthen the Government's positive role in export promotion, minimizing export disincentives.

(5) Improve U.S. representation abroad of commercial interests, in key capitals and in the GATT.

(6) Enhance the Government's analytical capabilities of key industrial sectors.

It is my strong belief that the Government ought to have a single framework for policy coordination, negotiation, and enforcement, whether the trade involved is in goods or services, whether it is industry or agriculture, whether the commodity is steel or rubber, whether the foreign country involved has a market or a non-market economy, or whether it is developed or less-developed, or whether the issue is deemed "bilateral" or "multilateral" in nature.

The current organization chart for trade matters reflects as much accident as it does planning. Which Department handles trade problems with an Eastern European country depends on which Secretary was most influential six or eight years ago (Treasury, Commerce, or State), or on the nature of the remedy (STR or Treasury); or upon the type of commodity (wheat or steel), or on whether it is a product or a service. (For services, the lack of organization is greatest; for insurance matters, one might seek help at STR or State, Treasury or Commerce; for shipping, STR, State or Commerce.)

It is no answer to say that our trade has not been clearly impaired by this Rube Goldberg design. I think a good deal of damage has been done, in our commercial relations with Russia and China, where we have lost position to our Western competitors; in our commercial relations with developing countries—the markets of the future—which deserve so much more attention; in the commercial aspects of energy and defense arrangements which have received insufficient attention; and in our impact as a Government (both the Executive and Congress) on export activities, where we have given a series of confusing signals to the private sector.

The time has come to remedy this. Our balance of payments position requires it. Our newly ratified trade agreements, to be truly meaningful, require it. There is a crying need to put our house in order. This fact is recognized by this hearing, by the Administration proposal, and by Mr. Long's bill.

CENTRAL POLICY COORDINATION

One of the key benefits of the Long bill, shared by the Administration's proposal, is the bringing together of trade policy coordination. It was my responsibility, as Deputy Special Trade Representative over the last two and one-half years, to see that trade agreement decisions were made taking into account the interests of each sector of the economy. The inter-agency format brings out for consideration the effect of a trade action on the industry immediately concerned (Commerce), on workers (Labor Department), on the economy as a whole (Treasury, CEA), on consumers (CEA, Council on Wage and Price Stability), on agriculture (USDA), on competition (Justice) and so forth. The Cabinet and the President, when his decision is necessary, can then make their judgments on the basis of a broad range of policy considerations.

Today, this process is absent from the whole area of East-West trade, dealing with non-market economies. This is technically the responsibility of the East-West Trade Board, which does not meet.

For other areas the process is fragmented. Commodity policy is not dealt with as a part of a coherent trade policy. It is often considered primarily foreign policy, rather than essentially part of this country's trade interests. The policy-making process and the degree of policy coordination differ substantially depending on whether the product concerned is steel, copper, rubber, beef, or wheat. The proposals before the Committee today go far to cure this defect.

Still missing, however, are policy coordination for trade in services, trade finance, fisheries, aviation, maritime affairs, export control issues, and international investment policy.

The United States is widely considered the greatest commercial power in the world. Our leverage is considered vast, both in commerce and through our political-foreign aid, and military interests. In my experience, these latter, essentially political categories of influence not only do not provide leverage (and in my view they are not well-adapted nor particularly useful for that purpose), but are susceptible for use as leverage against the United States on occasion.

The interrelationships that should exist among our commercial interests, that are utilized by many foreign governments, go unrecognized in this country. In my experience as a negotiator for the United States over this last decade, I saw a serious need for the commercial policies of this country to be coordinated. Aviation, banking, insurance, shipping, construction contracting, fishing rights, the sale of gas or oil pipelines, the provision of export finance, the taxation of U.S. exports and U.S. entities abroad engaged in exporting, antitrust policy affecting exports, other policies that result in substantial disincentives to exports, export controls, and foreign investment policy, are all part of U.S. commercial policy.

They are interrelated in fact, whether recognized as such or not. The threads should be gathered together. The provision in the Long bill for an independent Trade Coordination Council, with a separate staff, is a very useful innovation. The Council should be lean, located in the White House separate from the Trade Agency, and chaired by the STR. It should perform purely a staff function, not substituting its judgment for the collective judgments of the Cabinet officers chiefly concerned with trade. The Executive Director of the Council should have solely a staff role, supporting the STR as Chairman of the Council.

A SINGLE TRADE NEGOTIATOR

This country needs a single voice, at home and abroad, which speaks for the President on trade issues. Unfortunately in recent years, responsibility for trade has tended to become fragmented. Increasingly bilateral commissions and mechanisms governing trade relations between a given foreign country and the United States, have been established. There is no single person responsible for trade with all countries. Nor is any one Cabinet officer responsible for all trade issues with any particular country, given the split in jurisdiction by subject. This undermines our negotiating position for all subjects through our inability to relate one commercial interest to another. Some interests, particularly in service industries, have no representation at all.

The lack of a single focus for trade also results in a lesser degree of responsibility to the Congress and to the public for some trade decisions. The ability to have a meaningful input into trade decisions requires established channels. We had this for the Multilateral Trade Negotiations (MTN), both with the Congress and with a thousand statutory private sector advisors, as well as with the public more generally. Fragmentation of responsibility deprives the Congress and the public of an effective voice on many other trade issues.

ENFORCEMENT OF REMEDIES

One of the principal areas of criticism that brought about the decision to reorganize the trade functions of the Government was the broad public perception that the administration of our trade remedies was being given inadequate attention. This is in some ways a fair criticism. While Government resources devoted to many aspects of regulation of economic activity have increased dramatically, the number of people assigned to providing remedies, particularly for unfair foreign trade practices, has remained excessively lean. This is due to a variety of factors, including the low order of budgetary priority assigned the remedies within a large Department, and the desire to keep the Executive Office of the President small.

Both the Administration and the Long proposal rectify this. The Administration's bill puts the trade remedies for most unfair practices in a new Department of Trade and Commerce. Problems of injurious import competition and international remedies are placed in the U.S. Trade Representative's office. This is a reasonable division of responsibility, if it is felt that trade negotiation and the political process must be kept separate from the administration of trade remedies. Another reason for the split, to keep the Executive Office small, should not be a determinative factor.

Good points can be made on both sides of the argument on whether the provision of remedies should be divorced from trade negotiation. In the final analysis, I do not believe that these functions can be isolated from each other. While routine cases will not require policy guidance beyond the application of precedent, the cases which raise the most fundamental questions are inescapably political in nature, both in terms of the domestic political process and U.S. economic relations with other countries.

The countervailing duty case against the rebate of European value added taxes was doomed to failure regardless of what the supposed intent of the 1897 Congress was on this kind of tax. This kind of case will never be a matter simply of legal precedent. Nor does the fact that these are political issues necessarily work against the interests of domestic producers either—the creation of the trigger price mechanism for steel and the system of multilateral and bilateral agreements for textiles can nowhere be found spelled out in our statutes.

This argues for the bringing of major trade policy decisions, in all trade cases, into the hands of the Special Trade Representative, and the Trade Policy Committee structure. This is consistent with the basic approach of H.R. 4995. This could be done by bringing the 75–125 officials needed to enforce the countervailing duty law and the Antidumping Act into the trade agency. Alternatively, cases raising serious policy issues (which often require a negotiated solution) could be the responsibility of the STR, in consultation with the Trade Policy Committee. The key trade issues of the next decade surround the administration of these laws, and handling them in isolation in another Department can fundamentally weaken this nation's trade posture.

U.S. REPRESENTATION ABROAD

Both the Administration proposal and H.R. 4995 remove the Commercial Officers from the State Department, and I believe that this is a positive step. Our trade representation abroad is very uneven. Foreign service officers generally do not view a commercial position as the best means for career advancement. This results in the most talented and senior officers seeking other appointments. (This is another manifestation of the fact that trade is a secondary issue to every department. In the State Department, issues are considered to be of either high or low policy, and commercial interests are most often relegated to the latter category.)

Certainly the STR should directly control and staff the U.S. Mission to the GATT in Geneva. This is provided for in the President's proposal. It is extremely important to the follow-through on our trade agreements in Geneva. The United States has a history of wanting to bring the troops home prematurely as soon as peace is declared. Our delegation is closed, our negotiators are dispersing. This action should be reversed, urgently.

A reasonably good case can also be made for the Special Trade Representative to have trade policy officers abroad in key capitals who are responsible to him. This is a separable function from that of market development for U.S. exports.

In addition, U.S. commercial representation abroad for market development should be upgraded. I believe this should be put in a separate new U.S. Export Corporation or Service, subject to the direction of either the Secretary of Commerce or the Special Trade Representative. It would be useful to give added flexibility to the management of this function by being able to bring talented people in from the private sector for limited tours of duty. Our export interests would best be served by halting the increasing trend toward isolating the Government from the private sector, which prevents interchange between the two due to exaggerated fears of conflicts of interest. In addition, consideration could be given to associating the Export-Import Bank in this format.

EXPANDING EXPORTS

Fundamentally, U.S. export performance depends on our competitiveness, not on U.S. Government intervention. We need most to increase the rate of new investment and technological innovation, to increase the growth in productivity, and to reduce the rate of inflation.

We have learned that we cannot rely fully on exchange rate adjustment to keep U.S. products competitive in world markets. The health of the international economic system depends on a dollar in which there is confidence, in the face of the huge strains caused by the rapid and disruptive increases in the price of energy. While adjustments in individual currency relationships may well tend to preserve competitiveness in a particular market, exchange rate actions will not be a ready tool for export policy.

There are obviously a number of policy decisions that bear directly on U.S. export performance, even if they are not explicitly designed for that purpose. Tax aids for capital investment, accelerated depreciation, and tax credits for research and development are all of great importance. As noted above, a series of other policies should be reviewed from time to time from a trade point of view—antitrust policy, defense offset agreements, gas and oil pipeline agreements, taxation of individuals abroad, etc. An interagency Trade Policy Council should perform this role. It should also be the body that gives basic guidance to our export finance programs, both of the Export-Import Bank and the Commodity Credit Corporation.

INDUSTRIAL SECTOR ANALYSIS

One of the glaring weaknesses in the formulation of policy within the Executive Branch is the absence of expertise within the Government of our basic industrial sectors. Thus, while an industry's problems may be due to a variety of causes—perhaps antitrust policy or environmental regulation, the only remedies which the Government has at hand are restrictions on trade at the border.

Logically, the Commerce Department should know enough about basic industrial sectors of the U.S. economy to be able to estimate what the impact would be of a given antitrust policy or a new set of antipollution standards. What is needed is not industrial planning by the Government, but an informed awareness of the impact that other policies of the Government can have on an American industry. The President's plan appears to envisage an enhancement of the sectoral analysis capability within the Commerce Department.

CONCLUSION

The need for reorganization of the trade functions of the Government is real and not just political. Dissatisfaction with the federal Government's handling of a wide variety of trade matters could be assuaged through the improvements embodied in Congressman Long's bill or the Administration proposal. I believe that the efficiency of Government would be substantially improved under either proposal. I believe that STR as an institution has been remarkably successful in conducting U.S. trade policy and that we should build upon that success. H.R. 4995 would do just that, with the introduction of some of the changes that I have noted:

For the Trade Coordination Council

Review issues of trade in services as well as goods.

Replace the National Advisory Council as the interagency forum giving guidance to the lending activities of the Export-Import Bank (I believe that this would be preferable to making the STR Chairman of the Eximbank Board) and the Commodity Credit Corporation.

Coordinate policy for other governmental commercial matters, e.g., in aviation, fisheries, shipping, and energy, tax and antitrust policies as they affect trade, and export controls.

Coordinate Government policy with regard to foreign investment.

For the Special Trade Representative

Provide direct control of our representation to the GATT and the new Codes of Conduct in Geneva.

Assign responsibility (or policy control) for enforcement of all the unfair trade practice laws (included in H.R. 4995, given to the new Department of Commerce and Trade in the Administration's proposal).

For the Commerce Department

Enhance its capability to analyze and assess the impact of Government programs on the competitive position of our basic industries.

Create a U.S. Export Corporation or Service

The State Department's Commercial Officers would be transferred to a new Federal entity or service, free to hire from the private sector, to represent U.S. commercial interests abroad. (It could be considered whether Eximbank might be associated with or included in this entity.) The entity would report either to the Secretary of Commerce or to the STR.

Mr. Chairman, the Administration's proposal and your own are aimed at the same problems. They represent major steps forward toward solving the organizational problems affecting trade issues. I helped draft the President's proposal. I favor it. Like your own, it is the result of a number of compromises needed to meet legitimate concerns. While there are a few details that I would change, and these generally move in the direction of your bill, I wholly support the Administration's basic proposal. I urge this Committee, and the other committees of the Congress addressing this subject, to work along these lines.

Representative LONG. The restraints that seem to have been imposed in the administration's proposal, I'm afraid, are more political than they are substantive. For example, I don't think the Office of Special Trade Representative has been strengthened to the degree that it should be in order to accomplish the comprehensive job that needs to be done. And while I recognize political considerations—and it's something we have to live with—it seems to me as though it's the responsibility of the Congress, in this regard, to move even further than the President did in consolidating these functions.

Would each of the three of you be good enough to give me the benefit of your views as to that general statement?

Mr. BEST. I would agree with the statement. I think it's consistent with Mr. Wolff's very comprehensive analysis of why all trade issues in the administration ought to be coordinated and brought within one roof.

I think once you create a double-headed monster and separate out policy from administration, the frictions that will develop will more than offset what you accomplish in the initial reorganization.

Representative LONG. That's my fear. Mr. Rashish.

Mr. RASHISH. I think we have a consensus among the three of us and with you on that point. We are, after all, a government of checks and balances. What the executive branch finds difficult to do because of the constraints that operate within it, the Congress can resolve despite the constraints that operate within the Congress. That is to say, it seems to me that the process of negotiating between the Congress and the executive over a trade reorganization plan may very well produce a result that is better than that produced by the executive negotiating amongst its various constituent elements.

I found one feature of the administration proposal, or at least the absence of a feature in the administration proposal a bit upsetting, and it comes to mind as a result of what Alan Wolff said about the need for the industry sector analysis and a better export program.

It seemed to me that the administration proposal, as I already indicated, conveys to the Commerce Department certain responsibilities which appropriately belong in the Special Trade Agency, that is the Office of Special Trade Representative enlarged and embellished.

I think that its proposal would have been much better had it conveyed that authority to the Special Trade Agency and had it also delineated a series of functions, a charter so to speak, for the Department of Commerce. While the Department may not be the hound you want to send after the possum, still it's a dog that ought to hunt. It's been searching for a mission for a great many years. It's a bit sad to reflect on the fact that the last man who had a vision of what the role and function of the Department of Commerce ought to be in our government was the Secretary of the Department, Herbert Hoover.

It does have functions, being one among several constituency agencies, its constitutency being the business and industrial community of the United States.

It has become over the years a constituent agency that is responsive to the people in its constituency who have problems, people who are, if you like, the least aggresive in their performance, the least efficient, the most sensitive to import competition, and those that seek import protection.

As a result, the Commerce Department has developed a reputation for being "protectionist." I don't think that's a necessary function or role for the Department of Commerce.

It seems to me if the Department of Commerce were to become the missionary to the business community, spreading the gospel of efficiency, productivity, adaptation and so on, it would perform a very positive and essential function in our system.

One way to approach that mission is from the export end because you can't have good export performance unless you're efficient, competitive, innovative, and adaptive. I would see giving the Commerce Department a major role in the administration of various export programs. Alan Wolff has talked about this and Bob Best has a long agenda of proposals directed at export promotion.

In addition, it seems to me that, as a natural corollary of that function, the Commerce Department can improve its analysis and reporting responsibilities generally in the economic area and particularly in the foreign trade area. Businessmen are used to using sources of information that are valuable and I suspect that the Commerce Department could increase and improve the value of its product.

Third in this area of industry sector analysis that Alan Wolff has mentioned and which was referred to in the President's message. It seems to me that's a very valuable function. It's a function whose full scope has not yet been delineated, but I think the best way to know what to do is to start doing it, and if the Commerce Department got engaged in this and these other functions over time I would hope that it can develop a function and a role in the U.S. Government that's quite valuable.

Mr. WOLFF. If I might add a word or two, Congressman Long. One of the major activities I had in the last 6 months with the administration was wrestling with the question of trade reorganization, and I know Mike Rashish has done that for two decades. I've done it for the last decade. I don't mean to——

Mr. RASHISH. Since I was in grade school.

Mr. WOLFF. There's his 25 years of testimony on this subject before this committee.

Mr. RASHISH. Yes.

Mr. WOLFF. Twenty-five years ago I was not very concerned with this at all, but I was concerned with this in the transition period between administrations—in December of 1976 and January of 1977—and made some recommendations at that time.

There are difficulties and there are, as you say, Congressman, political constraints. There is no enthusiasm for establishing a new department now and it's difficult to stop short of that. Where do you stop centralizing functions? The Department of Commerce has the district export councils in this country, the local offices, that really get the information from Washington that has been obtained abroad and disseminates throughout the United States. The Commerce Department's supporters would argue that to take export policy, as your proposal would do, out of the Department makes the Department even more lackluster because you take a central and exciting element out.

Another constraint is the consideration of how large the executive office should be. This agency you would create would be outside the Executive Office of the President. Where does it fit in the Government?

I think that the administration proposal carries us a good deal beyond where we are now. It would result in a basic strengthening of the trade function.

Representative LONG. Mr. Wolff, in that regard I want to refer to the statements that Mr. McIntyre has been making as he has been going around the Hill in the last couple weeks, in anticipation of the administration's position and then in promoting the administration's position. He's been making an interesting argument. It seems to me that it really gets to the heart of the question. He's been saying, in effect, that it's necessary to divide this trade authority in order to maintain the STR's position and reputation as—maybe I'm even quoting his words—as a fair trade broker.

It seems to me that what we need in trade relations in this country—in this position and at this particular time—is not a trade broker or a trade arbiter really, but a trade advocate. If you become an arbiter, you can't become an advocate, and this seems to me to be the more important thing, and really points out the weakness of the administration's plan.

Mr. Wolff. I think that you have to have a bias, no matter what agency you serve in. You have to have some advocacy position.

The Commerce Department is seems to me ought to advocate the interests of the industrial sector in this country and they don't, and I think that's a weakness in our system. There's a voice missing at the table.

Representative Long. I think that's right. There was a story in the Washington Post this morning, for example, about Malcolm Forbes walking into Moscow and throwing his briefcase on the table of the Russian Minister, and it said, "A Capitalist Tool." Basically, just as the Department of Agriculture in the U.S. Government is an advocate for the agricultural community, the Department of Commerce ought very well to be an advocate of the capitalistic system, of the way our industrial system operates.

Mr. Wolff. I think the transfer of the commercial officers from the State Department to the Commerce Department makes a heck of a lot of sense. This would be accomplished both by your bill and the administration's proposal. I think that will make a real difference.

Representative Long. Mr. Rashish.

Mr. Rashish. I think the Special Trade Agency, if that is, as it should be, the principal voice or authority in the executive branch on trade has to be both an advocate and an arbiter. I think that it's part of the job description as Mr. Wolff just suggested. It should be an advocate because its business is trade and it's going to be measured in terms of our performance in the trade area, but it also has to be an arbiter because of the fact that we have a government of departments and agencies, each with its own perspective, each with its own advocacy role. It seems to me the particular genius of the construction that you have in your bill of having a Trade Coordination Council at the Cabinet level, statutorily based, chaired by the Special Trade Representative as well as the Special Trade Agency, gives you a system under which the Special Trade Representative through the Trade Coordination Council can be the arbiter and through his agency can be the advocate.

But I think he has to perform both functions and it's inevitable.

Representative Long. I do, too.

Mr. Rashish. But he does it with a certain amount of body English from his own bias, which I think is the right bias, and as you say, that's a bias which you wish consciously to build in.

Representative Long. Also, he has to do it from a position of strength and authority.

Mr. Rashish. Yes.

Representative Long. And what this would do is give him this position of authority and strength in which he can be a successful arbiter as a secondary position, important as it may be, to a primary position as an advocate.

Mr. RASHISH. I agree with that.

Representative LONG. I think it's immensely important and I think it goes to the essence of the difference of the two approaches to the legislation.

Mr. Best, do you have something you want to say?

Mr. BEST. I would agree and I think what's needed is a very clear articulation from the Congress and from the Executive of precisely what we are going to advocate. What is going to be the trade policy of the United States? Is it going to be an export-oriented policy which would drive toward eliminating a lot of self-imposed, unilateral disincentives and creating better incentives? Is it one that is going to vigorously enforce the codes that have been negotiated in Geneva? Is it going to be one where we know where we can go to get those answers and one where the head of the agency is accountable to the key committees of Congress or is it going to continue to be a tugging and pulling between different interests which often leads to a least common denominator or very ad hoc policy or, even worse, a politicized policy where a particular industry has a certain amount of clout with any particular administration and it's going to get its problems resolved while the smaller industry which doesn't have the clout, doesn't get theirs resolved?

I think we have to look at the policy as well as the organizational structure because I find in both the Executive and the Congress there's a tugging and pulling between agencies and between committees who have different interests.

There are committees in the Congress that think we should just absolutely cut off exports to certain countries we don't like because maybe some staff member doesn't like a particular country, and that happens in the Executive. So that's why I stress the clarification of the policy and then the implementation through a unified body.

Representative LONG. Related to that but not directly on the point, in your statement you said, "We also suggest a strong and positive export policy receive greater and repeated emphasis in the first several titles of the bill." I think that's a very valid point.

Then, you say, "Succinctly put, we have sufficient trade today but too much of it is negative."

Tell me what you mean by that.

Mr. BEST. Well, essentially we believe the United States and some other countries face a long-term structural trade deficit due in large part to the OPEC cartel, and the only way that we think these deficits can be overcome is through an aggressive export policy. We can't complain that the levels of trade in the world are shrinking, that we are heading toward some kind of a massive depression. What we see is a massive shift of resources from developed oil consuming countries and developing oil consuming countries to a cartel and no recycling through the trade structure. The only way you're really going to get recycling is by having the importing countries become aggressive exporters.

Now the Germans and the Japanese recognize that full well. They are dependent far more on oil imports than the United States, yet they have massive trade surpluses because their governments and their industries and their labor cooperate to push their exports and, in doing that, they become very competitive. Their rates of inflation are rather modest, particularly the Germans, and even the Japanese, and they achieve recycling through trade policy.

We don't like it because we get the brunt of their exports because we have a fairly open market, and instead of complaining about it we ought to adopt the same policy, take a chapter out of their book.

Representative **Long**. One other point, Mr. Best. Let me say first that I agree with that, and I know that that's the way Germany, particularly—they just do a very efficient job.

Mr. **Best**. For example, in today's Wall Street Journal, the lead article is about how one major corporation—and then it lists a number of other corporations—lost an export transaction into the millions which they had worked on and had negotiated and they had the price all agreed to—everything was ready to go—and suddenly the Germans stepped in and got the contract. The allegation was that the German industrialists, presumably with the acquiescence of the Government, made some kind of a financial transaction with the buyer.

Now we would say, "Oh, we don't want to bribe anybody. We're holy. We don't want to bribe anybody." Maybe we don't want to bribe anybody, but we ought to get some policy that's consistent among the industrialized countries on that issue instead of unilaterally clobbering American exporters with a lot of rules that tie their hands.

Representative **Long**. Mr. Wolff, someone in the last few days stated to me that the administration is putting a sense of urgency with respect to their particular reorganization plan. The proposal is needed in order for the implementation of the recent trade agreements and consequently we need it here and in force and in effect before the end of the year.

Do you know of any sense of urgency with respect to this? A sense of urgency in setting long-range goals sometimes worries me and I don't want to unduly delay it and I'm not suggesting that, but I'm suggesting that I don't see the necessity of doing anything within the next 45 days or just automatically accepting the administration's proposal without making some changes in it which might take another month or so.

Mr. **Wolff**. First of all, I think Bob Strauss and Jim McIntyre recognized when they sent up the proposal that there were a number of different views of how best to organize, and the reason it was not sent up initially as a reorganization plan was to allow for consultation with the Congress to shape the plan that might eventually be sent up. There is certainly a recognition the initial proposal is not perfect.

I think there is some urgency in getting organized and there are some steps that the administration can take now, administratively, and I hope they would. We have closed down our delegation in Geneva. We have nobody to follow through over there at this point and it would really take just a decision by the President at this stage to open a larger office. It is also within his own power to expand our presence in Tokyo, to assign additional resources to that position. There is urgency. We are losing people daily. We had a negotiating team of 45 and it's the natural thing when a project is done to have people go on to different things, but we are going to lose a lot of that team and a lot of that expertise unless there's a bit of certainty as to which direction we're headed.

I think, on the enforcement side, we ought to as early as possible—January 1 is the date when the new law takes effect—have those increased resources in place in the Department or agency that's going to be their home. So in that sense, I think there's urgency.

Representative **Long**. But from the standpoint of the urgency of these two immediate problems, like the problem in Geneva, is that something that really could be done under the authority that the President of the United States has at the present time?

Mr. **Wolff**. A number of steps could be taken in terms of encouraging people—the best administrators of counterveiling and antidumping—to stay in the Government. It would be good to give them some feeling of where their home is going to be.

Representative **Long**. Let me pursue that point if I may. With your departure, and of course with the imminent departure of Mr. Strauss from the Office of STR, and I think there's probably one or two others there at the very top level of the Office of STR—do you think it's going to be necessary that the direction that we're going here in the reorganization is going to be required to be ascertained prior to the filling of those vacancies?

Mr. **Wolff**. I would think so. Nothing but a caretaker group would come in unless someone has a feeling that the agency is going to be there for a while. Your proposal would build on STR, but there are other proposals that have been made that would call for a Department of Commerce and Industry. The NAM supports such a proposal for industry and investment, and that would change the structure of the Government vastly and it's hard to get people to commit themselves to a temporary assignment.

Representative **Long**. I recognize that and that's the reason I raised the question, but I certainly don't want to make a bad mistake that will have long-range implications upon American trade policy when we, for the first time in many, many years, are in a position where we can make major organizational changes just in order to be expedient, and I think it's something we've got to watch very closely.

Mr. **Wolff**. I don't think anybody ought to be stampeded into accepting one proposal or another and I would hope, and I assume, that what Mr. McIntyre intended was that we work out a rational plan as quickly as possible, not just a complete endorsement of his proposal.

Representative **Long**. Mr. Rashish.

Mr. **Rashish**. I would share your view and that of Mr. Wolff's, that is, that I would be willing to trade off a little time for a better result.

Representative **Long**. That's the point I was attempting to make and leading up to indirectly.

Mr. **Rashish**. Right, but I would add one additional consideration: That if competent and able people are appointed to fill the vacancies that already exist or that are imminent within the next 30 or 45 days, then these people themselves will become engaged on behalf of the President in determining what that reorganization proposal should be. They must inevitably become engaged in it because nobody will take a position at an executive level 1 or executive level 3 or 4 without having some sense of what it is he's going to be an executive of.

So I think, organically, there's a relationship between getting good people appointed to the positions that are vacant and the result that may very well emerge out of the process of consultation between the Executive and the Congress on trade reorganization.

Mr. **Best**. One way of giving it some careful consideration, it would seem to me, is to get some type of a diagram of all the various proposals that have been made, and I assume that these proposals will be debated before primarily the Government Operations Committee, but Ways and Means, and Finance and Commerce, and others have an interest—the Joint Economic Committee—and for the various staffs of these committees to go over this schematic diagram and try to come up with a solid set of recommendations so that perhaps the members could sit down in some ad hoc joint way and go through it and attempt to work out their differences.

Otherwise, I'm afraid what will happen will be precisely—the constituent agencies will lobby their constituent committees.

Representative LONG. I think that's correct. I think this makes it important, Mr. Best, that you representing a major organization as you do—an organization in the field representing both industry and labor—take a position on this matter and make your influence felt on it. It would be helpful to everyone concerned.

Naturally, I hope you come down on the side of what I have proposed. We are not firmly wedded to everything that I have set forth here. I have been in this field for 2 or 3 years. You gentlemen have been in it for a long period of time. But we have picked the brains of what we consider to be some of the best people, and we are not suffering under the inhibitions or the limitations or the constraints of having any constituency anywhere. We don't have the Department of Commerce as a constituency. We don't have the Department of the Treasury. We don't have the STR as a constituency. From where I sit, not related directly in the field, it gives us an opportunity, I think, to look at it more objectively than most of the others are able to look at it.

Mr. BEST. Yes. Well, the principles that I outlined in my statement would be consistent with your approach.

The only reason we haven't been able to come out and say our organization totally endorses it is because there are a number of questions, for example, the energy trade policy, should that be in this or in the Energy Department? We just created an Energy Department and do we want to take the trade policy out of the Energy Department and put it in the new trade organization? Also the issue of the Eximbank; I'm concerned that the Eximbank will become subject to a lot of noncommercial considerations. It probably is now.

Representative LONG. We put it in and took it out three times because it's a very tough question.

Mr. BEST. There are a number of questions that should be resolved, but the main philosophy of a unified agency with a positive export-import mandate that I think I can safely say our group adheres to is incorporated in your bill, with a few changes that I have outlined, beefing up the export part.

Representative LONG. Do any of you gentlemen have anything else you would like to add? I think we have covered the major points. I have a number of minor ones we could cover, but we have covered the major points.

I'm very appreciative that you have taken the time to prepare these most enlightened statements and for coming to be with us today. Thank you.

The subcommittee stands adjourned.

[Whereupon, at 11:15 a.m., the subcommittee adjourned, subject to the call of the Chair.]

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