

REMARKS OF SENATOR JOHN HELMS  
NATIONAL FOREIGN TRADE COUNCIL  
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WASHINGTON, D. C.

Mr. Anderson, Mr. Roberts, Friends:

It is indeed an honor and privilege to be asked here today to speak to such a distinguished audience.

The National Foreign Trade Council membership is known nationally and internationally for its active and aggressive involvement in trade. Your policies and positions are the products of hands-on experience, of classic American entrepreneurial skill.

And I am here today to urge you to test that skill again. The world in which Americans trade is fast changing, and we have to run to catch up. I am concerned that the basic principles of an open world trading system are being deeply and dangerously undermined. America commendably still respects the principles of free market access and reciprocity.

Other partners in world trade are increasingly ignoring these principles.

While this poses obvious threats to American economic interests, what I fear most is the increasingly heavy blows to the free market principle that we know and believe the best.

That's why I believe our trade policy is at a crossroads.

The Multilateral Trade Negotiations and the Trade Agreements Act that grew out of the MTN really represent a watershed for American trade policy. They signal the end of the postwar era of Western European and American domination of the international economic system.

Today, we face a new economic world with new economic realities and new challenges for the United States.

Economic growth is no longer a luxury of the Western Industrial nations. As the world economic pie grows, others are taking larger and larger slices.

Economic power is no longer located just in the industrial west. We now live in a multipolar world in which new economic centers are becoming more and more powerful.

No longer are non-Western nations silent. The level of rhetorical confrontation is rising. The new international economic order is not the idle dreaming of Third World bureaucrats anxious to justify their nations' own selfish policies. It is a case of the "have nots" realizing how much more the "haves" have. And there is frustration at the lack of institutional means of changing that.

As Third World economic power and control of resources inevitably grow, impatience will grow with it -- and the LDCs' capacity to do something about it. While the U.S. and Western Europe are still leading economic forces in the world, we can no longer control events through a simple exercise of will.

As a great power, the United States has a responsibility to face this new world and its challenges four-square.

As I see it, we must do two things for the economic well-being of ourselves and of the whole world. First, as a world leader we must consistently promote the twin principles of the free market and reciprocity. And second, we must build more effective economic institutions that promote these principles.

This morning I want to share with you, first, some thoughts on how the Reagan Administration is managing trade policy given the new realities ... and then, second, some thoughts on how the U.S. can take the lead in establishing a freer and fairer world trading system.

But before I do so, I want to point out the number one problem facing world trade, and that problem is growing -- soaring -- world protectionism.

Ironically, one reads in the press that our number one trade problem is growing American protectionism. In fact, our number one problem is the protectionist extremism practiced by others -- both by our developed and less developed trading partners in the form of non-tariff measures, subsidies, performance requirements and other such trade distorting practices. These activities are growing, and they allow nations to avoid facing their real economic problems.

A good example is the Japanese practice of severely restricting our market access until their industries are big enough to threaten us. To many Americans, it may sound trivial that NTT, which recently bought 100 Motorola pagers, will not allow the purchase of any more until they complete a year of so-called testing. But when this is multiplied by autos, computers, and other semiconductors, the result is massive protectionism. And it certainly is

neither free market economics nor reciprocity, and it's time for people to wake up about this.

The Reagan Administration is beginning its attack on protectionism by breaking down our own self-imposed barriers to exports and trade. Every President since John F. Kennedy has commissioned studies on how to increase exports. And the equivalent of the P.E.C. of each of the last four Presidents has made the same recommendations, over and over again, because so few of them have been implemented. Now, under the leadership of the Reagan Administration, we are finally acting.

Export trading company legislation has passed the Senate, and I am optimistic it will pass the House and be signed into law in this Congress. It will create new exporters and help small ones expand by giving them access to bank capital. It will also protect exporters from uncertain antitrust enforcement.

Amendments to the Foreign Corrupt Practices Act (S.708) have been reported by the Senate Banking Committee and should shortly be on the Senate Floor. I personally urged Congressman Tim Wirth on the House side, about the need for action, and I am hopeful we will soon proceed to a bill.

On another front, we have enacted reforms in the tax treatment of Americans working abroad, Sections 911 and 913, that will solve the problems created by the 1976 Tax Reform Act.

I submit we have made a good start -- the best start in the last 20 years. If we succeed in enacting this body of legislation into law, we will **allow American companies** to become far more aggressive -- in short, to compete again in the world market.

Adlai Stevenson, my predecessor as Subcommittee Chairman, used to say we always shot ourselves in the foot. I have always been amazed at our ability to quickly reload and repeat the process.

The question still remains whether our aim is even going to improve,

While I have nothing but admiration for the Administration's policy of allowing our own companies to compete more freely abroad, I am less enthusiastic about its face-to-face dealings with other countries.

We have an Administration, as evidenced by statements to the World Bank, the International Monetary Fund, and the Cancun Summit, that has correctly and forthrightly advocated the private sector, private investment and free-market principles as in the best interest of LDC development.

Ironically, at the negotiating table, this Administration, like others before it, has too often forgotten its own free-market prescription. It has, as in the subsidy case involving toy balloons from Mexico, succumbed to the tendency to subordinate law -- and principle -- to political expediency.

At other times, as in its decision on LDC subsidies to grant India the injury test in the wake of the Carter Administration's similar move on Pakistan, the Administration has taken the path of least resistance -- in this case in cleaning up problems created by the previous Administration.

In still other areas, like the debate over DISC, it has fallen into the old trap of maintaining smooth relations with our trading partners at the expense of our legitimate rights. Why should we give up DISC while other countries rebate the VAT? Diplomats from other countries usually criticize American negotiators for being both too impatient and too intent on reaching agreement. The former causes us to concede too much too soon. The latter causes us to measure success in terms of the number of signed agreements we bring back -- rather than in terms of their contents.

It is still unclear what will happen to DISC. But I do know that regardless of GATT action, Congress will not repeal it without enacting a substitute that is at least equivalent to it.

Finally, with respect to the Export-Import Bank, I believe we have failed to seize the initiative at the OECD. The European community has offered one-quarter of the loaf, and we have declared victory and come home.

Raising the interest rate floor from 7.75 percent to 10 percent when our prime rate is 18 percent or better, however, is no victory. And I fear the Administration still does not understand how to use assets like the Eximbank as leverage to bring other nations' practices in line with ours.

It is also ironic that the Administration, which has so skillfully moved our domestic economy toward a freer market, is making so many of the same old mistakes internationally. A freer world trading economy will take more than rhetoric. We have to be willing to use our clout to get the results we want.

I believe we need broad new legislation to deal with the growing problem of world protectionism. Important as the 1979 Trade Agreements Act was, I think we may already need a new trade bill.

Such legislation could, and to my mind should, include a better means of dealing with unfair trade practices by nonmarket economies, a program of trade incentives for the developing countries that does not discriminate against the poorest, a domestic adjustment program that is comprehensive and effective once injury has been found, a better governmental structure to give trade the emphasis it deserves in government policy making, and broad new authority to act against performance requirements and other limitations on the free market.

Needed though these changes are, I have to admit that a trade bill is nonetheless a unilateral initiative that can't do the entire job. We have a multilateral effort as well.

Frankly, the fabric of international trade rules is too badly torn at this point for modest repairs to suffice. The forthcoming GATT ministerial won't do the job. The Tokyo round won't do the job. And our other big world trade institutions generally are not up to this task. In part they have failed to build consensus. UNCTAD suffers from LDC domination and is perceived in the west as the revenge of the have-nots against the haves.

Conversely, the GATT is too legalistic, too representative of the past, and too much a creature of the developed world establishment to have broad credibility.

Clear solutions, however, don't spring full blown from the minds of Senators -- or anyone else. They develop through discussion and debate. It is time, therefore, for us to lead the way toward those discussions.

To do so, I think we should return spiritually and perhaps physically to Bretton Woods. The Bretton Woods Conference of 1944 produced an era of both consensus and remarkable prosperity.

This new Bretton Woods Conference -- I am proposing should be different from its predecessor in two ways. First, it should be broader. Representatives of all nations that want to participate will be welcome.

Second, it should be unofficial. Open exchange of ideas and narrowing of differences is the objective, not the development of a sterile communique in the official language of the bureaucracy. This means other officials besides government officials will be welcome. Economists, political scientists, and others will be part of the creative process.

What we should look for at a new Bretton Woods is the development of a new set of economic rules and a new institution to deal with them. The rules should embody the principles of the free market access and reciprocity that most countries already say they believe in. The institution, if it is to be successful, will have to be different from what we have now in two respects. It must operate on a non-consensual basis, and it must have the authority and resources to enforce its decisions.

Insistence on consensus -- unanimity -- in decision making is making policy -- I am talking about enforcement policy -- through the least common denominator and surrendering the initiative to the least responsible power. The right to make judgments that will make one or more parties unhappy is critical to success. Obviously trade rules must be based on a broad consensus. An institution, however, enforces those rules, and it can only succeed if it has enough authority to make decisions and make them stick.

Free market access and reciprocity -- these are the two principles upon which any trade policy and our institution to implement it must be based.

The world is rapidly changing. Maintaining world trading principles is harder with each passing month. But succeeding at that is as important to our long-term survival as our national security policy and defense capability. You -- with your long experience in the international marketplace -- know better than anyone what we are up against. Our choice is to adopt a bold strategy, or to economically wither and succumb.

I ask you to join with me to launch this process. I urge you to rededicate yourselves to fighting world protectionism -- so that we can preserve not just our own economic strength, but the free market system that we know from experience will better all the peoples of the world.