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I am particularly pleased to be here today to speak to you about international trade and the critical trade issues facing the 98th Congress. It is particularly appropriate that we should be discussing these issues on the eve of the Economic Summit here in Williamsburg, for international trade has become one of the most critical issues facing our nation during the balance of this century.

Growing Problem of World Protectionism

The trade agenda of the 98th Congress and, certainly, one of the major problems to be addressed at the Summit during the next few days is the alarming erosion of commitment to the free market and the rules that govern it, not only among the economically depressed members of the developing world but also among some of the most prosperous members of the developed world as well.

Like all of us, I believe in free trade, but I also believe we Americans are the only nation left that practices it.

For example, in 1979 the Japanese announced they were relaxing their foreign investment laws, but their individual ministries retained authority to impose restrictions on foreign investment in Japanese companies if, among other things, national security would be affected. Thus far national security has been used to restrict investment in truly critical industries involving a cosmetic-pharmaceutical company and silk cocoon producer. Japanese trade agreements have exactly the same force and credibility as the Human Rights provisions of the Soviet Constitution

Taiwan last year arbitrarily banned imports of soda ash, a product where we have a clear competitive advantage, in violation of both general and specific trade agreements.

Another rapidly growing problem is outright theft of American designs and technology. Apple Computer, for example, recently filed complaints against 20 companies for pirating its computer technology. We have had similar problems with other kinds of sophisticated equipment as well as cases involving products like Pac-Man and Rubik's Cube. Apparently, if it sells well here, you can be sure it will be illegally -- and often poorly -- copied in Hong Kong or Taiwan and sold at sharply reduced prices here or in third markets.

There are many more examples that are public knowledge -- beef and citrus quotas and laborious testing requirements in Japan. Restrictions on trans-border data flows in Europe. Canada's energy program. They all demonstrate that the basic principles of an open world trading system are being deeply and dangerously undermined. It may be the exception in the United States, but I'm afraid protectionism is the rule elsewhere in the world.

We are seeing a head-long rush to protectionsim and beggar-thy-neighbor policies. We are rapidly approaching a near total breakdown of the international rules of fair trade. Indeed, it is difficult to find anyone in Washington, D. C., who doesn't decry the rising tide of world protectionism. It is also difficult to find much commitment to doing something about it.

Last year, both Senator Jack Danforth of Missouri and I decided it was time to stop talking and introduced reciprocal market access bills in the last and now again in this Congress. The Senate passed this legislation unanimously last month.

Reciprocity legislation is intended to provide the President with broad discretionary authority and flexible new tools to attack trade barriers. It will not force action. It will not require automatic sector-by-sector retaliation. But, it will open others' doors (not shut ours) by giving the President the means to translate tough talk into tough action.

As the nation with the most open, developed economy in the world, we have few barriers left to trade away. Our leverage with those who want trade to be a one-way expressway to U.S. markets is our open market. We should demand a two-way street, and threatening to slow the traffic down until we get it is not only our best leverage, it is our only leverage.

That is what reciprocity is all about -- providing leverage and a means to use it in order to expand open markets and fight protectionsim. What has happened to reciprocity? First, it was renamed, because the idea of reciprocal market access was offensive (it is now the International Trade and Investment Act). And although it was passed unanimously by the Senate, the key House leaders condemn it as outright protectionism and then wonder why the local content bill keeps picking up more cosponsors although everyone agrees it is terrible policy. Where else can we fish?

Well, one largely overlooked but effective means we do have to combat protectionism is the international monetary fund. Created in 1944 to help stabilize the world trading and financial structure, the IMF is just as important today as a source of stability and a force against protectionism.

I am happy to report to you that, after a series of exhaustive hearings in my Subcommittee, the Banking Committee reported the quota increase to the full Senate without a dissenting vote. I expect that bill, which contains a number of necessary reforms of international lending and bank supervision, to be taken up and passed by the Senate at the conclusion of the Memorial Day break.

As the Floor manager of this legislation, I was pleased with the overwhelming vote of the Banking Committee, because there were a number of skeptics at the beginning of the hearing process who had been won over to importance of the IMF quota increase by the end of that process. One individual of note was Senator Proxmire, who had so vigorously opposed what he saw as "bailouts" in the past but who vigorously defended the IMF quota increase during the Committee markup.

The Banking Committee--less the 3 members who voted present--came to see the IMF as an absolutely vital part of the effort to stabilize the international trading system during this time of stress. Until they look closely at the statistics, many Senators and Congressmen don't realize how vital international trade is to the U.S. economy. I needn't remind this audience that 40 percent of farm production and 20 percent of industrial production is accounted for by the export market. What is particularly significant, however, is that almost 40% of that market is in the developing world, with almost half of that in Latin America where the most significant debt problems exist.

In the absence of an effective IMF adjustment program, countries such as Mexico, Brazil, and Argentina would almost certainly turn to increased protectionism and subsidy programs along with abrupt cut-offs of imports from our country. Last year, for example, exports to Mexico, our third largest market dropped by $6 billion, causing the loss of almost 200,000 U.S. jobs compared to 1981. The IMF adjustment programs are our best insurance against protectionist solutions and percipitous export cut-offs. Moreover, the IMF seal of approval conveyed by a successful adjustment program is the signal which the international banking community demands as the prior condition for the continued extension of credit to these troubled economies to keep them from going over the edge into default. Unfortunately, many of our Senate colleagues have not been able to follow this process as closely as the Banking Committee, and Floor action will be much more contentious and difficult. In the end, however, I think my colleagues will agree that the alternative of doing nothing is self defeating and irresponsible.

Shooting Ourselves in the Foot

The resumption of a healthy and growing international market is not just around the corner. But when international opportunities strengthen they will do us no good if we do not restore our international competitiveness here at home. Getting the deficit down is a necessity for continued recovery -- and, by reducing real interest rates, would reduce the value of our overpriced dollar, which has been killing us in world markets. Combined with rigged yen interest rates, this has made the Japanese especially deadly.

The other significant step which we must take in the 98th Congress, however, is to remove our own barriers to exports. Adlai Stevenson, my predecessor as Chairman of the International Finance Subcommittee, used to claim we had a tendency to shoot ourselves in the foot. Accurate as that observation is what has always amazed me is our ability to quickly reload and keep firing!

The real question, though, is: will our aim ever improve?

Every President since John F. Kennedy has commissioned studies on how to increase exports. And every study has made the same recommendations, over and over again. Why the same recommendations? Because so few of them have been implemented. Now, after a frustrating 20 years, it is time to take action.

The 97th Congress

Already we have made some progress. Two vital pieces of trade legislation were passed during the last Congress. Sections 911 and 913 of the Internal Revenue Code were revised so that Americans working abroad are no longer penalized in a way which virtually invites American businesses to employ foreign management personnel, who, in turn, are more likely to write specifications for -- and order equipment from -- foreign sources.

The Export Trading Company Act, which I was proud to have introduced and to have managed through the legislative process, was signed into law last October.

The Commerce Department and the Federal Reserve Board have moved quickly to write regulations for the banking and the antitrust titles of the legislation. Several banks and major corporations have announced plans to create their own ETCs, one bank application has already been approved, and I am confident that the positive effects of this legislation on the U.S. economy will soon be felt.

Current Agenda: Foreign Corrupt Practices Act

We could also improve our aim by revising the Foreign Corrupt Practices Act. That is why the Senate acted to clarify the ambiguities in the Foreign Corrupt Practices Act, S. 708, in the last Congress. However, the House did not act, and this year I have again reintroduced the Senate-passed bill, S. 414. That bill was reported 17-1 on May 24 by the Banking Committee, and I expect quick and favorable Senate action on it in the near future.

Export Administration Act

Another serious problem area relates to last year's Presidential decision to impose export controls on goods related to the Yamal Pipeline. The resulting broken contracts and unprecedented extraterritorial extension of U.S. law created deep and serious doubts abroad as to the reliability of American suppliers. Frankly, we cannot expect people to buy from us if neither they -- nor we -- ever know with certainty if we will be permitted to sell.

I am pleased to report that the Senate Banking Committee yesterday took favorable action on a bill to reauthorize and revise the Export Administration Act. That bill is a joint proposal by Senator Garn and myself. Two of its changes should be of particular interest to this audience. Both relate to the foreign policy section of the Act.

The first reflects my belief that foreign policy controls should be imposed only as a last resort not as a first option. That is why the Committee bill has a rigorous set of criteria against which the President must make determinations and report to Congress in advance of imposing foreign policy controls. Moreover, after 6 months controls must be ended unless the President reconciles foreign availability with the reasons for the controls, or unless he has been able to get allied cooperation.

These tougher criteria will ensure that any decision to impose controls will be made only after the most careful consideration of their economic impact on our own country, the extent of allied support, and likelihood the proposed controls will achieve their objectives. These are absolutely critical questions -- which have been given too little consideration in the past.

The other important change is the provision for contract sanctity with regard to foreign policy controls. The President, of course, would still have the power to cut across existing contracts under the International Emergency Economic Powers Act, but he would have to justify such action as a national emergency. Had this measure been in effect last year, the divisive and destructive disputes with our allies over extraterritorial application of U.S. law could have been avoided.

These are only two of some 50 amendments to the Act. I would not try to claim that this bill solves all the problems exporters have with the Export Administration Act of the Banking Committee bill. But I would argue that it is a positive step in the direction of re-establishing the United States as a reliable supplier to the world market, and that is no small accomplishment, given our recent history.

Export-Import Bank

Finally, let me make a few comments about the Export-Import Bank, whose charter is up for renewal this year. As most of you know, this is not a new battle for me. I fought for increased funding and expanded programs at a time when there was little support for the Bank among my colleagues, or within the Administration. Finally it looks like we may be making progress. I am pleased with the recent increase in support for the Bank, both by the President in his State of the Union address and among a number of potential Presidential candidates, who seem to have discovered the significant job-creating characteristics of the Bank. Even the labor unions have gotten behind it within the last year.

All of this is gratifying, but most of it is still rhetoric. Translating the President's promises and the offers of support from others into more dollars for the Bank and a more aggressive policy from the Bank's directors is not yet a reality.

But achieving those goals is one step closer with the Banking Committee's recent reporting of S. 869. Among other things, our bill provides fixed, staggered terms for bank directors to give the board policy independence and continuity. It establishes more timely and predictable action under Section 1912 of the Act, for the Bank to provide assistance to U.S. producers facing subsidized competition in our domestic market. Another provision grows out of my belief that the surest way to avoid foreign export subsidy competition is to demonstrate our ability and willingness to respond. Sometimes restraint is taken for lack of will. That is why we have created a program that will develop a U.S. counterpart to foreign mixed credit programs, which have had an alarming growth in recent years as the export credit arrangement has shut off other means of subsidy. The President would also be directed to enter into negotiations to bring the foreign aid component of mixed credits up to 50 percent of any such package. In such a case, mixed credits would really become foreign aid and would lose their status as a sweetener in export credit competition. We estimate that the pernicious practice of foreign mixed credits cost us as much as $500 million in lost sales in 1982, and we have to stop it.

All of these initiatives in our bill are important, but the most critical provision of the Banking Committee bill is the one which clarifies the competitive mandate of the ExImBank. That mandate has been interpreted by the Bank's current leadership as giving equal weight to the twin objectives of providing competitive financing and keeping the Bank self-sufficient. In times of high interest rates, that interpretation has lead the Bank to unilaterally raise its rates above that of the competition, no matter what the cost of lost sales. It also means that the Bank directors can arbitrarily decide not to support certain classes of sales -- such as wide-body jumbo jets -- even when such U.S. products are in clear competition with foreign products in many places in the world.

My bill makes it absolutely clear that the first and overriding mandate of the Bank is to be fully competitive in all of its programs. The Bank fails to fulfill its very reason for existence when it provides loans at uncompetitive rates because it fears temporary losses. But that is just what it did last year. I have been told by Chairman Draper that the Bank must be self-sustaining. Self-sustaining for what? If the Bank fails to fulfill the mission for which it was created, there is no point to sustaining the Bank.

The Congress must make absolutely clear its determination that the Bank was created to provide competitive financing for U.S. exporters. This is its primary mandate.

Conclusion

I am glad to have had this opportunity to discuss world trade issues and the Congressional agenda. On the eve of the economic summit which will attempt to deal with many of these critical issues, I ask you to join with me to fight for a freer world trading system and a more competitive U.S. trade policy. I urge you to dedicate -- or rededicate yourselves -- to these twin goals. You know as well as I, that the two go hand in hand, but neither will be achieved without hard word and intelligent policy decisions on the part of the Administration and the Congress. I urge you to speak out on these issues while you can still make a difference in the outcome.