

REMARKS OF SENATOR JOHN HEINZ
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APRIL 16, 1982
PALM BEACH, FLORIDA

Thank you, Bob Coleman, for that kind introduction. After such a wonderful introduction, I'll disappoint you, and not talk about myself

I do want to say first off that it is a pleasure not only to be in Florida, but to be invited here by ATMI. Of all the trade associations in Washington, ATMI has stood out in its third-of a century of existence...stood out because of the willingness of industry executives like you to pitch in and give of themselves to strengthen an industry on which 2.6 million American jobs depend and on which a whole nation depends for its high standard of living.

Before I embark on my remarks, I'd like to join you in thanking Bob Coleman, ATMI's outgoing President, for the superb job he has done in getting out the word about the textile industry. His safety campaign, for example, has been a boon for the industry's image.

I'm confident that the incoming President, Bill Klopman, will continue ATMI's tradition of excellent leadership. As head of the world's largest textile company, he has an excellent overview of the industry and its problems. His interest in trade issues is absolutely critical in today's world.

Since I think Fritz Hollings will be talking later about our domestic situation, it's trade and related economic issues that I want to focus on today.

I must say as I begin that, looking around at all the true experts in this room, I feel a little like the man who came home after having a few too many drinks. As he stumbled into the house, a wall jumped out to meet him. The man slithered down it and sank to the floor, whereupon he saw two burly fullback's legs march into view. He looked at his wife sheepishly and said, "Under the circumstances, I think I'll dispense with my prepared remarks and just take questions from the floor...."

Today I want to discuss trade. I'd like to start by recognizing two basic facts: First, because we live in an increasingly interdependent world, a strong U.S. domestic economy can't exist without a free market both here and abroad.

Second, Ronald Reagan's overwhelming 1980 election victory marked a watershed in American political history. It meant an end to business as usual. An end to government as usual. And because of that, we stand at the threshold of restoring America's stature in the world militarily, economically, and spiritually. We will never have a better chance and we better not blow it.

High interest rates and recession are the biggest most urgent, most immediate problems we face. (Fritz Hollings will solve this when he speaks to you in a few minutes!) But the biggest long-term economic challenge we face is the preservation of the non-communist world's free market system. And as I stand here today, I fear for the future of this country. I see us being outflanked and overrun by countries that preach the free market, throw up a maginot line of non-tariff barriers, and practice socialism - subsidizing their industries that could otherwise not compete.

Unless we confront this trend, we too will ultimately be swept along and the American enterprize system, as we know it today, will cease to exist. Let me explain by stepping back 3 years to 1979 when we enacted the 1979 Trade Agreements Act. I was an author of many provisions in it, and I was optimistic that the Tokyo Round might indeed succeed in its purpose of further liberalizing world trade and achieving greater discipline over unfair practices. But by last year -- within 2 years -- I came to the conclusion that much of the hope for progress was illusory and that the world trading system was getting out of control. And, that's why, when I spoke to the National Foreign Trade Council last November, I went so far as to propose a new Bretton Woods Conference to build new institutions and rules that would work better.

The reason I made that proposal is best illustrated by one example that came to my attention during a hearing I held last month.

In 1979 the Japanese announced they were relaxing their foreign investment laws. However, 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 invoked to halt investment in such crucial cases as a cosmetics company and a silk cocoon producer!

There are many more examples that are public knowledge -- beef and citrus quotas and laborious testing requirements in Japan. Restrictions on transborder data flows in Europe. Canada's energy program. Subsidies to inefficient industries that result in the export of other nations' unemployment to the United States. Earlier this year, the European community approved new steel industry subsidies of \$1.3 billion. And they took this action after American steel firms had filed dumping and countervailing duty complaints. All this demonstrates 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 protectionism is the rule elsewhere in the world.

Congress has noticed and in this instance, it is Congress that has been the first to react. Our reaction can best be summed up by the term reciprocity legislation. I introduced the first reciprocal market access bill two months ago, quickly to be followed by Jack Danforth's very similar bill. Congressmen Frenzel, Jones and Conable have introduced a similar bill on the House side. My and Danforth's bill were the subject of hearings just a few weeks ago.

Our bills are intended to provide the President with broad discretionary authority and a range of new tools to attack trade barriers. They do not force action. They do not require automatic sector-by-sector retaliation. They are intended to open others' doors, not shut ours. They will do so by giving the President the means - the leverage - to translate tough talk into tough action.

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 is our best leverage.

The time has come to provide American exporters with tough, retaliatory recourse against unfair foreign trade practices that cost this country thousands of jobs and discriminate against American trade, investment, and services in overseas markets. And I predict the Senate will overwhelmingly pass this legislation by early summer at the latest.

Critics say that reciprocity amounts to a denial of the most-favored-nation principle, that it "bilateralizes" trade. Reciprocity is not such a bilateral, regional, or sectoral approach. It means free trade and open markets not just for the U.S. but for all nations. I not only want the U.S. to compete in Japan. I want everybody to get into the Japanese market so they have to compete at home.

Dangers of the MFN principle are inherent, however, in the Administration's Caribbean Basin initiative. I think the goal of the program is absolutely right, but I have reservations about a policy that explicitly rejects MFN in favor of unilateral concessions to one region for whatever reason. Textiles and apparel are excluded from the CBI one-way free trade zone, as they should be. But we are now seeing the Administration trying to compensate for that through more generous bilaterals. And that should concern us all.

I also have strong reservations about a policy whose objective is to get U.S. firms to move offshore to take advantage of low-wage rates and send their production back here. Too many industries, including yours, have already been victims of this tactic. Furthermore, what's proposed invites far east producers to move into the Caribbean to take advantage of growing quotas. Especially at the height of so deep a recession we don't need a policy that promotes development elsewhere at the expense of employment here at home.

I am concerned about preserving the fabric of our international trading structure. Above all, we need a national consensus on trade policy. Yet even on reciprocity the Administration doesn't seem fully committed. They appear to be for reciprocity, but they refuse to endorse specific legislation to enforce it.

Our situation reminds me of the Priest and the Rabbi who go to a prize fight together. As the boxers are about to go to the middle of the ring, the Rabbi notices one of the boxers crossing himself. Puzzled, he turns to the Priest and says, "Father what does that gesture mean?" "Rabbi," says the Priest, "It doesn't mean a thing if he can't fight."

We need to get our act together. We need to fight and we need a consensus that we have to battle to save nothing less than the American enterprize system. If it is restricted to the 50 states of the union, we will wither and die. We need you, as both exporters and victims of imports, to be deeply and urgently involved in helping answer what I believe is the central trade question of today, and the central economic issue of the decade.

Even in the short term, the consequences of failure or delay are potentially catastrophic. It will mean more and higher barriers abroad. It will mean larger U.S. trade deficits. It will mean sacrificing our competitive advantages. And it will fan the growing fires of outright protectionism in the Congress. Already stringent local content legislation for automobiles has gathered 160 House cosponsors. Other bills reminiscent of Smoot-Hawley have been introduced to drastically increase tariffs on Japanese products.

Congress is determined there be action to open up markets and halt other nations unfair practices. And we should be. But whether it is responsible action may be up to you.

Another reason why Congress is deeply troubled and under pressure to act is the fate of adjustment programs in this Administration. An integral, traditional part of this Nation's free trade policy has been the government's responsibility to assist the victims of import-induced changes, to give them time, and help, to adjust to changed circumstances. This has been a commitment of previous Administrations, Republican and Democrat.

The Reagan Administration's policy has been both to eliminate trade adjustment assistance because of budget pressures and to reject the U.S. International Trade Commission's "escape clause" recommendations as well.

Both these programs are buffers against protectionism. They are the quid pro quo that those affected have asked for -- and successive administrations have given -- in return for the support of trade liberalization measures such as the Tokyo Round. Removing adjustment programs gives affected industries nowhere to go but the Congress, and nothing to ask for but protection.

I've talked a lot about reciprocity. It is particularly important in the services and investment sectors and to our exporters. But we also need to attack more vigorously the subsidies and other unfair practices of nations that swamp us with imports. It's time to stop issuing carefully worded press releases. It's time we were willing to use the tremendous leverage we have.

Those of you who know me, know that I have been fighting for this since I came to the Senate.

And when Congress reconvenes next week, I plan to introduce a new omnibus trade bill that will get our trade policy in shape for the challenges of these difficult times.

I might summarize this legislation in one sentence: It's intent is to send the signal that this country will no longer tolerate the use of subsidies, trade barriers, and dumping practices that now characterize the policies of our international trading partners and that such means to export their unemployment to our shores will be halted.

Some of its provisions will be familiar to you and I appreciate the support you have already given for

- a new GSP system that graduates those countries that are no longer underdeveloped, like Hong Kong, Korea, and Taiwan;
- a new way of dealing with imports from non-market economies;
- a requirement that countries signing the Subsidies Code implement a real plan to end their subsidies before we give them the injury test.

The major new provision will amend the so-called escape clause mechanism to make it easier for companies to get import relief when they are injured, and to make sure that when they "win" before the International Trade Commission, they get real relief and not lip service.

Obviously, if Peter Murphy and his colleagues succeed in negotiating no-growth bilaterals, this industry may not need to use this new escape clause provision. I think highly of Peter and I take some encouragement from his Hong Kong results. But there are more difficult talks ahead, particularly with the Chinese, and there is the continuing danger that what we win in Asia we will more than give away in the Caribbean.

On several occasions we have had to remind the Administration of the President's commitment in 1980, reaffirmed by the President's Chief-of-Staff -- Jim Baker -- last year, to limit import growth to domestic industry growth. We aren't going to be passive in the months ahead. I can assure you we won't let them forget it this year any more than last year.

Today I've outlined what I believe are our immediate and long term challenges in international trade. The fundamental challenge of maintaining free market principles gets harder with each passing month.

Success in defending the world trading system so important to our country is as important to our long-term survival as is our national security policy and defense capability. You here today know better than anyone what we are up against. Our choice is to demonstrate leadership, or to wither and decline.

Those who doubt our ability to lead the world toward a freer market overlook this country's extraordinary strengths: our national resources in energy, agriculture, technology, an educated workforce, and management talent and know how unequalled anywhere else in the world. We are the largest, richest, freest market in the world. With such basic economic

strength, all we need is to demonstrate our will to lead.

This country has faced incredible threats and challenges over the last 200 years. We didn't succeed by running away and hiding.

Our country became great because we faced adversity with our sleeves rolled up and our feet planted firmly on the ground. That's the spirit in which we built the world trading system that has served us and the peoples of the world so well over the last 40 years.

Together, in that same spirit, let's roll up our sleeves again, and meet today's threats as we have met and overcome so many others in the past.