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International Club

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REMARKS TO

NATIONAL CENTER FOR EXPORT-IMPORT STUDIES

I'M PLEASED TO BE HERE TODAY TO DISCUSS THE EXPORT ADMINISTRATION ACT. IT IS THE FIRST OPPORTUNITY I'VE HAD TO ADDRESS THE ACT IN DETAIL PUBLICLY. THE INVITATION IS PARTICULARLY TIMELY, SINCE THE SENATE WILL CONSIDER RENEWAL LEGISLATION VERY SHORTLY.

MY EXPERIENCE WITH THE ACT IS RELATIVELY SHORT. FOR ALMOST SEVEN YEARS I HAVE SERVED FIRST AS RANKING MINORITY MEMBER AND NOW AS CHAIRMAN OF THE INTERNATIONAL FINANCE AND MONETARY POLICY SUBCOMMITTEE. TO PUT THAT IN PERSPECTIVE, ONE WITNESS AT OUR HEARINGS EARLIER THIS YEAR DISCUSSED HIS MORE THAN 30 YEARS ASSOCIATION WITH THE ACT AND ITS PREDECESSORS.

(THAT BROADER PERSPECTIVE. . .)

THAT BROADER PERSPECTIVE CAN BE HELPFUL, SINCE IN MANY RESPECTS THE ACT MIRRORS OTHER CHANGES IN POST-WAR U.S. FOREIGN RELATIONS:

--THE ADVENT OF THE COLD WAR AND U.S. DETERMINATION TO DENY CRITICAL TECHNOLOGY TO THE SOVIETS AND OTHER EASTERN BLOC NATIONS.

--THE GROWTH IN IMPORTANCE OF TRADE AND THE INTERNATIONALIZATION OF OUR ECONOMY.

--GROWING PRESSURE IN THE UNITED STATES TO INCREASE EXPORTS.

IN PAST YEARS ONE OR ANOTHER OF THESE CONSIDERATIONS WAS PARAMOUNT. THE 1979 EXPORT ADMINISTRATION ACT, FOR EXAMPLE, IS MUCH MORE AN EXPORTERS' BILL THAN EARLIER VERSIONS. AND THAT IS A TRIBUTE TO MY PREDECESSOR AS CHAIRMAN, ADLAI STEVENSON.

TODAY WE FACE RENEWAL OF THE ACT IN A PERIOD OF UNPRECEDENTED CONFLICT OVER ITS BASIC PRINCIPLES. EVERY PROPOSAL TO AMEND THE ACT IS CONTROVERSIAL, AND RENEWAL

PROMISES TO BE LONG AND DIFFICULT.

YET THE NEED FOR RESOLVING THESE CONFLICTS IS GREATER THAN EVER. OUR TRADE DEFICIT THIS YEAR WILL TOP \$70 BILLION, ALMOST DOUBLE LAST YEAR'S. AT THE SAME TIME, OUR GROWING BUDGET DEFICIT AT HOME HAS PRODUCED EXCESSIVELY HIGH INTEREST RATES AND AN OVERVALUED DOLLAR.

MARTIN FELDSTEIN MAY NOT BE THE MOST POWERFUL OFFICIAL IN THE GOVERNMENT, BUT HE HAS A MAJOR ADVANTAGE OVER THE OTHERS -- HE'S RIGHT. WHEN HE ASSERTS THAT THE DOLLAR'S VALUE OVER THE PAST 3 YEARS HAS BEEN INFLATED NEARLY 50 PER CENT DUE TO HIGH INTEREST RATES, HE IS LAYING OUT THE SINGLE MOST IMPORTANT CAUSE OF OUR TRADE DEFICIT AND DEMONSTRATING CLEARLY THE LINK BETWEEN THE DOMESTIC ECONOMY AND THE WORLD MARKET, AND HE IS REMINDING US THAT ONLY BY REDUCING OUR OWN BUDGET DEFICIT CAN WE REDUCE INTEREST RATES AND ULTIMATELY OUR TRADE DEFICIT.

THIS OVER-VALUATION IS APPARENT IF ONE EXAMINES WHAT HAS HAPPENED TO THE U.S. MARKET SHARE IN SEVERAL KEY SECTORS:

BEFORE DISCUSSING HOW...

IN 1982 COMPARED TO 1981, COMMERCIAL AIRCRAFT EXPORTS WERE DOWN 47 PERCENT: IN THE FIRST HALF OF 1983 COMPARED TO THE FIRST HALF OF 1982, CONSTRUCTION MACHINERY EXPORTS WERE OFF 44 PERCENT, MACHINE TOOLS WERE OFF 42 PERCENT. IN FACT, TOTAL EXPORTS DECLINED 10 PERCENT OVER THAT SAME PERIOD, AND THAT WAS ON TOP OF A 9.2 PERCENT DECLINE IN 1982 COMPARED TO 1981.

BEFORE DISCUSSING HOW TO SOLVE THESE PROBLEMS, I'D LIKE TO TAKE A FEW MOMENTS TO REVIEW HOW WE GOT WHERE WE ARE AND WHAT WE HAVE AT STAKE. PERHAPS IT WOULD BE HELPFUL TO REVIEW THE LESSONS OF CHANGING ECONOMIC AND POLITICAL REALITIES DURING THE POST-WAR ERA.

THE FIRST THING WE'VE LEARNED AS A RESULT OF THE WAR WAS THE CLEAR LINK BETWEEN ECONOMIC POLICY AND FOREIGN POLICY. THE ALLIES WON THE WAR IN LARGE PART BECAUSE OF THEIR STRONGER AND LARGER ECONOMIC BASE, AND WE HAVE BEEN LEARNING EVER SINCE THAT WE CAN PROJECT OUR POLITICAL POWER THROUGH ECONOMIC POWER. POSITIVELY, THROUGH AID AND TRADE, AND NEGATIVELY, THROUGH CONTROLS AND EMBARGOES.

SECOND, OUR INTEREST IN ECONOMIC WEAPONS HAS BEEN ENHANCED BY THE GROWING DESTRUCTIVENESS OF MILITARY WEAPONS. WITH THE ADVENT OF NUCLEAR WARFARE, MILITARY CONFLICT WOULD LIKELY BECOME A FINAL CONFLICT. NATIONS BEGAN TO

(SEARCH FOR MEASURES . . .)

SEARCH FOR MEASURES SHORT OF WAR THAT THEY COULD USE TO SHOW THEIR DISPLEASURE OR TO FORCE ANOTHER COUNTRY INTO BETTER BEHAVIOR.

THIRD, WE HAVE WITNESSED THE GROWTH OF A TRUE WORLD MARKET. THE INCREASED SOPHISTICATED AND SPEED OF TRANSPORTATION AND COMMUNICATION PERMIT A NEW QUANTITY AND VARIETY OF GLOBAL TRADE. COMPANIES THAT NEVER THOUGHT OF EXPORTING NOW DO IT AS A MATTER OF COURSE. OTHER COMPANIES WHO THOUGHT THEIR DOMESTIC MARKET POSITION WAS SAFE ARE FINDING THEMSELVES BURIED BY IMPORT COMPETITION.

FOURTH, THAT WORLD MARKET IS MORE IMPORTANT THAN EVER BECAUSE OF DECLINES IN THE RATE OF GROWTH OF OUR DOMESTIC ECONOMY. AS OUR ECONOMY MATURES, EXPORTS ARE MORE IMPORTANT TO IT BECAUSE THEY ARE THE LAST MAJOR GROWTH AREA.

FINALLY, WE ARE COMING TO THE REALIZATION THAT THESE DEVELOPMENTS DO NOT HAPPILY COMPLEMENT EACH OTHER. IF WE EXPORT MORE, WE INCREASE THE RISK OF TRANSFERING

(CRITICAL TECHNOLOGY TO . . .)

CRITICAL TECHNOLOGY TO OUR ADVERSARIES. WE MAKE IT HARDER TO USE EXPORT CONTROLS AS WEAPONS BECAUSE WE HAVE BROADENED THE PRO-EXPORT CONSTITUENCY IN THIS COUNTRY.

ON THE OTHER HAND, IF WE CONTROL OUR EXPORTS MORE, WE GROW LESS. AT A TIME WHEN WE NEED ALL THE ECONOMIC GOOD NEWS WE CAN GET.

YET AT THE SAME TIME WE HAVE REACHED A POINT WHERE OUR POLICY MAKERS ARE INCREASINGLY TEMPTED TO USE ECONOMIC WEAPONS -- BECAUSE THERE IS NO SAFE ALTERNATIVE -- AT THE VERY TIME WHEN SUCH WEAPONS HURT US THE MOST AND HELP US THE LEAST, THANKS TO NONCOOPERATIVE ALLIES.

THE FOUR YEARS SINCE THE ACT WAS LAST RENEWED HAVE SEEN TWO MAJOR EFFORTS TO IMPOSE ECONOMIC SANCTIONS -- THE CARTER GRAIN EMBARGO IN THE WAKE OF THE SOVIET INVASION OF AFGHANISTAN, AND THE REAGAN PIPELINE CONTROLS. NEITHER ACHIEVED ITS POLITICAL OBJECTIVES AND BOTH CAUSED US CONSIDERABLE ECONOMIC DAMAGE. IN AGRICULTURE WE HAVE LOST MARKET SHARE WHICH WE WILL NEVER RECAPTURE. IN INDUSTRY

(WE HAVE LOST . . .)

WE HAVE LOST OUR REPUTATION AS CREDIBLE, RELIABLE SUPPLIERS,  
AND AS POLITICIANS SHOULD KNOW BETTER THAN ANYONE,  
CREDIBILITY IS THE HARDEST QUALITY TO RESTORE.

YET EARLIER THIS MONTH PEOPLE WERE SERIOUSLY SUGGESTING  
WE TAKE THE SAME ACTIONS IN RESPONSE TO THE SHOOTING DOWN OF  
THE KOREAN AIR LINES 747. THE PRESIDENT WISELY CHOSE NOT TO  
TAKE THOSE STEPS, BUT THAT CONTROVERSY SHOWS THE CONFLICTS  
REMAIN.

AND WHAT ARE THOSE CONFLICTS THAT HAVE COME TO A HEAD,  
WHICH A RESPONSIBLE AND RESPONSIVE EXPORT ADMINISTRATION ACT  
SHOULD ADDRESS?

FIRST, THE CONFLICT BETWEEN THE RIGHT TO EXPORT AND  
OUR NEED TO RESTRICT EXPORTS FOR NATIONAL SECURITY PURPOSES.

SECOND, THE CONFLICT BETWEEN THE NEED TO ESTABLISH OUR  
EXPORTERS AS RELIABLE, CREDIBLE SUPPLIERS AND PRESSURES TO  
MAKE POLITICAL STATEMENTS WITH ECONOMIC WEAPONS.

THESE PRESSURES ARE SOMETIMES FROM THE RIGHT -- TO  
IMPOSE RESTRICTIONS ON COMMUNIST REGIMES. BUT THEY ARE  
EQUALLY OFTEN FROM THE CENTER AND LEFT -- TO DEMONSTRATE  
U.S. DISAPPROVAL OF RACISM, TERRORISM, AND HUMAN RIGHTS  
VIOLATIONS



AND THE REASONING IS SIMPLE. OBVIOUSLY WE ARE NOT GOING TO DECLARE WAR AND INVADE IRAQ BECAUSE IT SUPPORTS TERRORISM. BUT HOW DO WE SHOW OUR DISPLEASURE? HOW DO WE PRESSURE THEM TO CHANGE THEIR BEHAVIOR? WE REFUSE TO SELL THEM COMMERCIAL AIRCRAFT, AMONG OTHER THINGS. THAT SENDS A MESSAGE -- AND MAKES US FEEL BETTER (EXCEPT FOR BOEING), ALTHOUGH IT PROBABLY DOES NOT MAKE MUCH DIFFERENCE TO THE IRAQIS, WHO JUST BUY FROM AIRBUS.

IN SAYING THAT, I DON'T WANT TO BELITTLE OUR POLICY, TERRORISM IS EVIL. WE ALL DEPLORE IT AND WANT OUR GOVERNMENT TO FIGHT IT IN EVERY WAY POSSIBLE. WE WANT TO SHOW THE WORLD OUR DISAPPROVAL.

THAT IS WHAT MAKES THESE CONFLICTS SO DIFFICULT -- BOTH SIDES HAVE A POINT. OF COURSE WE SHOULD EXPORT. BUT WE SHOULD NOT LET THE SOVIETS BUILD THEIR WAR MACHINE WITH OUR EQUIPMENT. OF COURSE WE SHOULD BE RELIABLE EXPORTERS, BUT AS THE LEADER OF THE FREE WORLD WE SHOULD STAND UP FOR OUR PRINCIPLES AND DEMONSTRATE

(OUR DISAPPROVAL OF . . .)

OUR DISAPPROVAL OF UNACCEPTABLE BEHAVIOR.

RIGHT NOW, THE HOUSE, THE SENATE, AND THE ADMINISTRATION ARE ALL WRESTLING WITH THESE CONFLICTS. EACH HAS PRODUCED A BILL, AND EACH DESERVES SOME COMMENT.

### THE ADMINISTRATION BILL

THE ADMINISTRATION BILL, IN MY JUDGMENT, REPRESENTS A FAILURE TO CONFRONT THESE ISSUES AND THUS POSTPONES DEALING WITH THE SERIOUS PROBLEM OF THE DEFICIT.

ALL THE CONFLICTING VIEWS I HAVE JUST DESCRIBED ARE WELL REPRESENTED IN THE FEDERAL BUREAUCRACY. THE DEFENSE DEPARTMENT, NOT UNEXPECTEDLY, EMPHASIZES NATIONAL SECURITY CONCERNS. COMMERCE, BY AND LARGE, IS SYMPATHETIC TO EXPORTERS. STATE SEEMS MOST CONCERNED ABOUT HOW OTHER NATIONS WILL REACT TO CONTROLS. TREASURY CARES ABOUT THE ROLE OF THE CUSTOMS SERVICE.

THESE DIFFERENCES ARE NOT NEW OR UNUSUAL. NEITHER IS THE FAILURE TO RECONCILE THEM. THE ADMINISTRATION BILL REPRESENTS A LEAST COMMON DENOMINATOR APPROACH. IT

(INCLUDES ONLY MINOR. . .)

INCLUDES ONLY MINOR ISSUES AGREEABLE TO ALL PARTIES, AND  
IT AVOIDS THE MAJOR ISSUES.

--THE BILL DOES NOT DEAL WITH HOW TO IMPROVE ALLIED  
DISCIPLINE ON CONTROLS.

--IT DOES NOT DEAL WITH THE FOREIGN AVAILABILITY  
QUESTION, A CRITICAL ELEMENT IN THE EFFECTIVENESS OF ANY  
CONTROLS.

--IT IGNORES EXPORTERS' CONCERNS ABOUT LOOSENING  
CONTROLS ON WEST-WEST EXPORTS AND ON PROVIDING CONTRACT  
SANCTITY.

--IT DOES NOT DEAL WITH THE SERIOUS QUESTIONS THAT  
HAVE BEEN RAISED ABOUT ENFORCEMENT.

IN OTHER WORDS, IT COPS OUT. THE WHITE HOUSE HAS  
NOT YET FORCED AGREEMENT ON THE TOUGH ISSUES, THOUGH  
THAT MAY STILL HAPPEN.

UNTIL IT DOES THERE WILL BE NO TRULY EFFECTIVE  
ADMINISTRATION PRESENCE ON THE EXPORT ADMINISTRATION ACT.

THE HOUSE BILL

(THE HOUSE FOREIGN . . .)

THE HOUSE FOREIGN AFFAIRS COMMITTEE, TO ITS CREDIT,  
HAS GRAPPLED SERIOUSLY WITH THE BASIC CONFLICTS.  
UNFORTUNATELY THE BILL IS FLAWED IN ITS TILT TOWARD EXPORTERS  
TO THE POINT OF IGNORING OUR NATIONAL SECURITY INTERESTS.  
LET ME CITE SOME EXAMPLES.

--THE HOUSE BILL REMOVES VALIDATED LICENSE REQUIRE-  
MENTS FOR ALL EXPORTS TO COCOM NATIONS REGARDLESS OF THEIR  
MILITARILY CRITICAL NATURE. THIS IGNORES THE MIXED EFFORT  
OUR ALLIES HAVE MADE IN PREVENTING DIVERSION TO THE EAST,  
AND IT ELIMINATES ANY POSSIBILITY OF MAINTAINING A PAPER  
TRAIL TO TRACE AND STOP SUCH DIVERSION.

--THE HOUSE BILL PROVIDES FOR PUTTING AN ITEM ON  
GENERAL LICENSE IF ALL APPLICATIONS FOR A VALIDATED

(LICENSE HAVE BEEN. . .)

LICENSE HAVE BEEN APPROVED IN THE PRECEDING YEAR. THE TYPICAL BUREAUCRAT'S RESPONSE TO THIS PROVISION WILL BE DENIALS ON THE 364TH DAY IN ORDER TO PRESERVE THE BUREACRACY'S OPTIONS.

FINALLY, IN SHARP CONTRAST TO ITS SACRIFICE OF OUR NATIONAL SECURITY INTERESTS, THE HOUSE BILL SURPRISINGLY DEALS EXPORTERS A SEVERE BLOW ON THEIR MOST IMPORTANT ISSUE -- SANCTITY OF CONTRACTS. LIBERALS CONCERNED ABOUT TAKING STRONG STANDS AGAINST HUMAN RIGHTS VIOLATIONS AND CONSERVATIVES WANTING MAXIMUM FLEXIBILITY FOR ANTI-SOVIET RETALIATION TEAMED UP TO PROVIDE EXPLICIT AUTHORITY TO BREAK CONTRACTS IN A WIDE VARIETY OF CIRCUMSTANCES.

THESE ARE NOT THE ONLY PROVISIONS OF THE HOUSE BILL, BUT THEY DEMONSTRATE AN UNACCEPTABLE TILT AGAINST OUR NATIONAL SECURITY INTERESTS AND AGAINST OUR EXPORTERS IN THE VITAL AREA OF CONTRACT SANCTITY.

(THE SENATE BILL. . .)

THE SENATE BILL

THE SENATE BILL REPRESENTS A MORE BALANCED COMPROMISE IN PART BECAUSE OF THE DIFFERENT PROCESS THAT DEVELOPED IT.

OUR EFFORT BEGAN LAST FEBRUARY WHEN SENATOR GARN, THE FULL COMMITTEE CHAIRMAN, AND I INTRODUCED SHARPLY DIFFERING BILLS. HIS CREATED AN INDEPENDENT OFFICE OF STRATEGIC TRADE TO HANDLE LICENSING AND ENFORCEMENT, WHICH WAS ADMITTEDLY DESIGNED TO TIGHTEN THE PROCESS. MY BILL, IN CONTRAST, WAS MORE CLEARLY REFLECTIVE OF THE INTERESTS OF EXPORTERS.

WE DECIDED ULTIMATELY TO COMPROMISE THOSE TWO BILLS. PARTLY BECAUSE WE WANTED TO AVOID A PROLONGED AND BITTER BATTLE. PARTLY BECAUSE NEITHER OF US WAS SURE HE WOULD WIN A CONFRONTATION.

INSTEAD, BY WORKING TOGETHER WE HAVE PRODUCED A STRONGER, BETTER BALANCED BILL WITH RESPECT TO BOTH NATIONAL SECURITY AND FOREIGN POLICY CONTROLS.

(IN THE NATIONAL . . .)

IN THE NATIONAL SECURITY AREA, THE SENATE BILL IS  
DESIGNED TO ACHIEVE FIVE SPECIFIC OBJECTIVES:

1) INCREASING MULTILATERAL DISCIPLINE AND COOPERATION.

IN ADDITION TO SEEKING TO UPGRADE COCOM TO TREATY STATUS,  
THEREBY GIVING IT MORE CREDIBILITY, THE SENATE BILL ALSO  
GIVES THE PRESIDENT DISCRETIONARY AUTHORITY TO DENY THE  
RIGHT TO IMPORT TO COMPANIES THAT VIOLATE EITHER OUR EXPORT  
CONTROL LAWS OR COCOM STANDARDS.

THIS PROVISION IS ESSENTIAL TO CONVINCING OUR ALLIES  
THAT WE ARE SERIOUS ABOUT AN EFFECTIVE CONTROL PROCESS  
AND DETERMINED TO ENFORCE IT AGGRESSIVELY.

2) SIMPLIFYING AND REDUCING THE LICENSING BURDEN, PARTICULARLY FOR HIGH TECHNOLOGY END-PRODUCTS GOING TO OUR ALLIES.

THE SENATE BILL CREATES A COMPREHENSIVE OPERATIONS LICENSE  
WHICH WILL PERMIT MULTIPLE EXPORTS OF TECHNOLOGY AND RELATED  
GOODS TO AN AFFILIATE ABROAD IF SATISFACTORY CONTROLS AND  
SAFEGUARDS ARE IN PLACE. IN ADDITION THE BILL PROVIDES FOR  
GENERAL LICENSE EXPORTS OF MOST ITEMS TO COCOM NATIONS.

(WE ALSO REDUCE. . .)

WE ALSO REDUCE LICENSING TIMES BY ONE-THIRD.

3) GIVING THE ISSUE OF FOREIGN AVAILABILITY A DETERMINING ROLE IN LICENSING DECISIONS. IT MAKES NO SENSE FOR THE UNITED STATES TO PROHIBIT AN EXPORT IF IT IS AVAILABLE ELSEWHERE.

4) CLARIFYING THE DEFENSE DEPARTMENT'S ROLE IN LICENSE REVIEW. IN AN EFFORT TO CLARIFY THE MURKY RELATIONSHIP BETWEEN DEFENSE AND COMMERCE IN LICENSE REVIEW, THE SENATE BILL PROVIDES FOR DEFENSE'S RIGHT TO REVIEW APPLICATIONS SUBJECT TO COMMERCE CONCURRENCE WHERE THERE IS A CLEAR RISK OF DIVERSION OF MILITARILY CRITICAL ITEMS. THIS PROVISION HAS BEEN THE SUBJECT OF SOME MISINTERPRETATION IN THE BUSINESS COMMUNITY. IN FACT, IT IS AN ACCURATE REPRESENTATION OF THE WAY THE 1979 ACT WAS SUPPOSED TO OPERATE, AND IT MAKES CLEAR DEFENSE REVIEW WOULD OCCUR ONLY WITH COMMERCE DEPARTMENT APPROVAL.

5) UPGRADING MANAGEMENT OF THE LICENSING PROCESS AND IMPROVING ENFORCEMENT. TO CORRECT EXISTING DEFICIENCIES,

(THE SENATE BILL. . .)



THE SENATE BILL TRANSFERS ENFORCEMENT RESPONSIBILITY TO THE CUSTOMS SERVICE, AN AGENCY WITH MORE RESOURCES AND MORE EXPERIENCE IN ENFORCEMENT THAN THE COMMERCE DEPARTMENT.

TAKEN TOGETHER I AM CONFIDENT THESE CHANGES PROVIDE THE NECESSARY BALANCE BETWEEN THE RIGHTS OF EXPORTERS AND OUR NATIONAL SECURITY NEEDS.

IN THE AREA OF FOREIGN POLICY CONTROLS, THE SENATE BILL FOCUSES ON OUR EXPORTERS' LOST CREDIBILITY. WE SEEK TO RESTORE THAT CREDIBILITY WITHOUT INHIBITING OUR ABILITY TO USE EXPORT CONTROLS FOR STATEMENTS OF PRINCIPLE. THE SENATE BILL ADDRESSES THE CREDIBILITY QUESTION IN THREE WAYS.

FIRST, BY REQUIRING MORE THOROUGH CONSIDERATION OF A HIGHER STANDARD BEFORE CONTROLS ARE IMPOSED. IN PAST CASES THE REQUIRED CONSULTATION WITH CONGRESS HAS BECOME LITTLE MORE THAN CONSULTATION A FEW HOURS IN ADVANCE OF A PRESIDENTIAL ACTION. CONSIDERATION OF THE STATUTORY CRITERIA FOR

(IMPOSING CONTROLS HAS . . .)

IMPOSING CONTROLS HAS BECOME PRO FURIA. BY  
THESE CRITERIA TO DETERMINATIONS THAT MUST BE MADE AND  
SUBMITTED TO CONGRESS IN ADVANCE, WE MAKE THE DECISION  
MAKING PROCESS MORE SERIOUS AND MORE CONSENSUAL, WITHOUT  
TYPING THE PRESIDENT'S HANDS.

SECONDLY, IT ADDRESSES THE CREDIBILITY ISSUE BY  
PROTECTING EXISTING SUPPLY RELATIONSHIPS THROUGH CONTRACT  
SANCTITY. THIS IS THE CORE OF THE SENATE BILL. BY MAKING  
EXPORT CONTROLS PROSPECTIVE WE SIMULTANEOUSLY RESTORE OUR  
EXPORTERS' CREDIBILITY AND RESPOND TO OUR ALLIES COMPLAINTS  
ABOUT THE EXTRA-TERRITORIAL APPLICATION OF U.S. LAW.

AT THE SAME TIME, THE PRESIDENT RETAINS AUTHORITY TO  
IMPOSE MORE SEVERE MEASURES, INCLUDING THOSE THAT BREAK  
CONTRACTS, UNDER THE INTERNATIONAL EMERGENCY ECONOMIC POWERS  
ACT. THE SENATE BILL AMENDS THAT LAW TO MAKE THAT CLEAR.  
WE HAVE FOLLOWED THIS ROUTE BECAUSE OF OUR BELIEF THAT IF  
THE IMPOSITION OF CONTROLS IS SO IMPORTANT AS TO REQUIRE  
(THE BREAKING OF . . .)

THE BREAKING OF CONTRACTS, WITH ALL THE DAMAGE THAT CAUSES OUR ECONOMY, THEN IT IS IMPORTANT ENOUGH TO WARRANT THE DECLARATION OF AN EMERGENCY.

THIRD, IT ADDRESSES THE CREDIBILITY ISSUE BY GIVING FOREIGN AVAILABILITY A DETERMINING ROLE IN ISSUING LICENSES OF ITEMS SUBJECT TO FOREIGN POLICY CONTROLS. AS IN THE CASE OF NATIONAL SECURITY CONTROLS, IT IS USELESS TO IMPOSE CONTROLS WHEN COMPARABLE PRODUCTS ARE AVAILABLE FROM OTHER SOURCES. THE KEY IS OBTAINING MULTILATERAL COOPERATION IN OUR CONTROL PROGRAM. THE SENATE BILL ENCOURAGES SUCH COOPERATION BY MAKING FOREIGN AVAILABILITY A MORE SIGNIFICANT FACTOR IN APPROVING A LICENSE SIX MONTHS AFTER CONTROLS ARE IMPOSED. THAT WILL PROVIDE TIME FOR CONSULTATION WITH OUR ALLIES ON AN EFFECTIVE CONTROL PROGRAM. AT THE SAME TIME IT WILL GIVE THE PRESIDENT SUFFICIENT FLEXIBILITY, EVEN AFTER THE INITIAL SIX MONTH PERIOD, TO IMPOSE CONTROLS IN CASES WHERE CIRCUMSTANCES WARRANT.

(THESE PROVISIONS ARE . . .)

THESE PROVISIONS ARE BY NO MEANS THE ONLY ONES IN THE BILL. ALL TOLD, THERE ARE OVER 80 AMENDMENTS TO CURRENT LAW IN THE SENATE BILL. THEY PRESENT, IN MY JUDGMENT, A FAIR COMPROMISE. SENATOR GARN AND I HAVE FOUND OURSELVES FREQUENTLY CAUGHT BETWEEN THOSE WHO WOULD EXPORT NOTHING FOR FEAR OF CRITICAL TECHNOLOGY FALLING INTO SOVIET HANDS, AND THOSE WHO WOULD SELL EVERYTHING REGARDLESS OF THAT RISK. WE HAVE LISTENED PATIENTLY TO THOSE WHO ACKNOWLEDGE THE NEED FOR EXPORTER CREDIBILITY BUT ALWAYS HAVE ONE OR TWO SPECIAL CASES THAT ARE SOMEHOW MORE IMPORTANT. WE HAVE CONTENDED WITH THOSE WHO WANT TO TILT THE EXPORT ADMINISTRATION ACT TO SUIT THEIR OWN SHORT TERM PURPOSES. THUS FAR WE HAVE BEEN SUCCESSFUL AT DEFENDING OUR COMPROMISE PACKAGE FROM ATTACK. TAKEN AS A WHOLE, THE SENATE BILL SERVES OUR NATIONAL SECURITY PURPOSES. IT PROTECTS THE ECONOMIC INTEREST OF OUR BUSINESSMEN AND FARMERS. MOST IMPORTANT, IT PRESERVES THE INTEGRITY OF THE ACT. I HOPE YOU WILL JOIN WITH ME IN DEFENDING IT.