H-0468

EXECUTIVE COMMITTEE MEETING ON U.S.-CANADA FREE TRADE AGREEMENT

WEDNESDAY, APRIL 23, 1986

ORIGINAL

U.S. Senate

Committee on Finance

Washington, D.C.

The committee met, pursuant to recess, at Room SD-215, Dirksen Senate Office Building, the Honorable Bob Packwood (chairman) presiding.

Present: Senators Packwood, Dole, Danforth, Chafee, Heinz, Wallop, Durenberger, Armstrong, Symms, Grassley, Long, Bentsen, Matsunaga, Moynihan, Baucus, Boren, Bradley, Mitchell, and Pryor.

Also present: Clayton Yeutter, United States Trade Representative; Len Santos, Trade Counsel, Majority.

(The prepared written statement of Senator Mitchell follows:)

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The Chairman. The committee will come to order, please. I want to make a quick announcement. The Senate took up at 10:00--and I had indicated we would vote at 11:15--we are attempting to work out a compromise on this issue now.

We have until 12:00 to vote. So, for those that are doing the negotiating, I am going to try to give them another half an hour; but I intend to put this vote prior to 12:00, as a matter of good faith with everybody concerned.

So, I would assume at about quarter to 12:00, we will vote, with this possible--possible--exception.

Senator Dole is attempting to get an order to recess the Senate for the day at 3:00 or 4:00. In that case, we are perfectly at liberty to meet when they are adjourned; and we can meet on up to midnight if we need to, to attempt to work out a satisfactory agreement.

So, at the moment, we will simply stand in recess until about 20 minutes to 12:00.

(Whereupon, at 10:59 a.m., the meeting was recessed.)

AFTER RECESS

(11:47 a.m.)

The Chairman. I have conferred with the Parliamentarian and he has assured us that we can go until midnight tonight to make the decision.

The Senate will recess at 4:00; and consequently, we will have at least eight hours this afternoon up until

midnight if we want to consider this issue or reach a decision.

We are trying to reach an agreement now as to how to handle future trade procedures and issues. It is unrelated per se to the conclusion in the Canada case, but we will stand in adjournment until 4:15 and take up the issue of the Canada free trade agreement at that time.

(Whereupon, at 11:48 a.m., the meeting was recessed.)

AFTER RECESS

(4:17 p.m.)

The Chairman. The committee will come to order, please.

I hope the fact that we now have from now until midnight to decide this matter does not unduly encourage the members to expound at length.

We had a round of opening statements yesterday; a second round of secondary statements. And we are here again today for the third time.

I would like to call upon Senator Danforth first, if I might, and then others who would like to make statements.

Then, it would be my hope that we could vote.

Senator Danforth. Mr. Chairman, thank you very much.

I shall be brief, at least by Senate standards.

Mr. Chairman, I think that it is very clear to everybody that this has been a very, very hard fought battle and that it is going to be decided one way or another by an

extraordinarily slim margin.

Yesterday, I had the issue won by a vote of 11 to 9. Early this morning, I had the issue won by a vote of 11 to 9.

What happens when we call the roll this time remains to be seen, but it is clear that there has been enormous pressure brought to bear upon Senators by some very distinguished people.

We had a meeting at the White House this morning; it lasted the better part of an hour.

Present for the meeting were the President, the Vice President, the Secretary of State, the National Security Advisor, the Secretary of the Treasury, and the U.S.T.R.

I think that that list of personalities indicates one of the reasons that some of us have been concerned about how the Administration handles international trade.

They handle international trade as an adjunct to the foreign policy. Therefore, the presence of the Secretary of State and the National Security Advisor.

That is one of the reasons, Mr. Chairman, that some of us have been concerned about the Canadian negotiations themselves.

We have felt that we know too little about what the Administration hopes to accomplish. We believe that the Canadians have put a lot of emphasis and a lot of time on their negotiations.

We believe that the Administration has indicated a willingness to try to please the Canadians, even by refusing to put off for so much as 10 days our decision on this matter.

And we are concerned that we are going to come out of the Canadian negotiations with a very bad deal.

We have also expressed concern that, in granting fast track authority, the effect of that will be to grant the Administration a blank check, that there will be very little consultation with the Ways and Means Committee and with the Finance Committee, that there will be a significant departure from the sort of process that was pursued in 1979 by Bob Strauss when he negotiated the Trade Act of 1979, implementing the Tokyo round negotiations.

So, our concern is that the Administration has not really earned our confidence to proceed with negotiations with Canada and that various sectors in the United States --lumber among them and others--are going to come up with the short end of the stick.

A second and more general concern that we have expressed throughout these deliberations is that, as a general rule, we have been dead in the water with respect to international trade.

We, as Congress, have certainly been dead in the water, especially in the Senate. Eleven days ago, we held the first

hearings of 1986 on anything relating to trade, and that was in relation to the Canadian agreement.

We have held no hearings in the Finance Committee on trade legislation. We have marked up no legislation at all with respect to international trade.

And the Administration has taken the position that we in the Congress should do nothing with respect to trade; and that, I think, has been the most serious concern that many of us have had.

It has not been simply with respect to the Canadian agreement but to the broader concern that Congress has been left out in the cold and that our constitutional duty with respect to trade has been one that we have not been able to fulfill adequately because of the "stiffing," as Senator Bentsen has put it, of the Administration.

I have been concerned all along that some day some constituent will say to one of us or to the Administration: Look, we have got about $150 billion trade deficit; what are you doing about it in the Government?

And our answer to that, Mr. Chairman, if it is an honest answer, will be frankly: Nothing. We are not doing anything about it. We are just watching and hoping that somehow it will take care of itself.

Regardless of how this vote turns out today, I believe two things are quite clear.

One thing that should be clear to our Administration, even if they end up getting the authority to proceed, is that we on the Finance Committee--at least about half of us--are going to be watching these Canadian negotiations like eagles.

We are going to be watching very, very carefully what is being done.

Now, two years from now, if we grant this authority, the Administration is then going to come to us and say: Look, we have a negotiation; we have put our prestige on the line. You have to go along with us.

I want to serve notice right now that this Senator does not have to go along with what is negotiated. This Senator is going to be very, very hard to please when the Administration comes back to us for approval of what they have negotiated.

The second thing that I think has been made clear by this exercise is that the trade issue, at least as far as about half of us are concerned, is alive and well in the Senate Finance Committee, and that we are not prepared to just stand back and let things coast along, and that we are going to be far more vocal and far more insistent at forward motion in developing a fair deal for the American people in international trade in the future than has been the case in the last half-year.

Some people say that there is a mood of protectionism in the Congress. I don't believe that.

I do not believe that there is a mood of protectionism, but I also believe that there is not a move of passivity either, at least among those of us who have held tight with respect to the past 10 days or so.

We are not passive. We are not going to insist on protectionism, but we also are going to insist on a basic change in the ground rules.

It is not fair, Mr. Chairman, it is not fair if the Canadians keep our trucks out and we let their trucks in; if they don't let their advertisers broadcast on our stations; if they steal our patents with respect to pharmaceuticals; if they subsidize their lumber and ship it into our markets.

It is not fair and it is not right with respect to Canada, and we have similar complaints with respect to the rest of the world.

And I think that one thing that this has accomplished is to make clear, hopefully, to our Adminisrration, to our colleagues in the Congress who have taken a different position than we have, and to the American people that the trade issue is alive and kicking in the Senate Finance Committee.

The Chairman. Let me make a couple of announcements, and then I will call on Senator Bentsen.

Tomorrow, we will have the first of our private sessions

on taxation in the back room, limited to Senators only with the exception that I have asked Senator Long if he would like to have two or three Democratic staffers appear; and I would do the same simply so that, when we come out of the room and tell the staff what we have agreed to, there will be some staff that has been in the room so that they understand what we have agreed to, rather that what we tell them we have agreed to when we come out of the room.

And I have asked Mr. Brockway and one person from the Joint Committee to be there. And I have no objection--although I will put it to the members in the morning--of Secretary Mentz being there, if he would like to.

Senator Long?

Senator Armstrong. Mr. Chairman, if we are going to have that many people, I would like to have a member of my staff present as well.

The Chairman. Bill, I am not going to have personal staff because what happens is --

Senator Armstrong. Mr. Chairman, let me just respectfully point out that there are some of us who would like to be consulted about the schedule of the committee; and when votes are announced, we would like to have them.

And I think that the decision which you have just announced is a matter about which it would be reasonable to have the participation of members of the committee.

Senator Long. Mr. Chairman, if I might just speak to that?

I have an able staff person working on this; and all things being equal, I would like to have that person there.

But really, if every Senator insists on the privilege, we are going to have an awful lot of people in that room.

I take it that you do plan to have a closed meeting?

The Chairman. Yes.

Senator Long. And you want to explore what people really think. I really think Senators leak enough themselves without bringing an equal number of staff people there.

And I am going to go along with whatever you want to do about it, Mr. Chairman.

In fact, I will ask you how many staff people are you bringing for the majority? I will bring an equal number for the minority.

The Chairman. My preference would be that, rather than bringing all staff, we have no staff; we meet just by ourselves; but then I find a confusion when we get out as to instructing the staff as to what it is.

Russell and I can try, but then you are going to have to depend on Russell and me instructing the staff as to what it is we more or less agreed to?

Senator Baucus. Mr. Chairman?

The Chairman. Max?

Senator Baucus. Mr. Chairman, I would hope that you would more thoroughly explore your preference here--your second preference in having just Senators.

It seems to me that, if we are going to accomplish the purposes that you are striving for, you may more likely accomplish them if it is only Senators.

And if you get staff involved, I think each Senator should have a single staffer.

The Chairman. So long as you understand this: Somebody will say: Well, what will it cost if we only allow a 75 percent deduction of IRAs?

At which stage we have got to go outside and get Mr. Brockway or get Randy, and get them in here; and they won't have heard any of the discussion. It is going to slow us down a fair bit, but that is fine with me.

I would feel frankly perfectly happy with going with no staff at all. I have a reasonable feeling of the revenue estimates, and I will throw out what I think are the revenue estimates when we come to those.

Senator Bentsen. Mr. Chairman, I would like to support the suggestion that you have made and Senator Long has made.

I really think it ought to be limited to the members and then just commiteee staff members, the majority and the minority that could answer some technical questions for us and not serious policy questions.

The Chairman. That would be my first preference because it will double our speed if we have, one, a few people there who have some sense of what we are doing and two, some people who can answer questions--technical questions, that frankly very few of us--unless it is a particular subject we have studied--know the exact answers to in terms of a revenue estimate, just a simple revenue estimate.

Senator Long. If other Senators bring their staff persons, I definitely want mine; and I think every other Senator would say the same thing. So, the number we have around the table--that immediately puts another 20 people inside the room.

The Chairman. Why don't we do this? Why don't we limit it to one apiece. You take one and I will take one, but have a couple people there from the Joint Committee. Mr. Brockway and one other for revenue estimates.

Senator Grassley. Did you say Treasury is going to be there?

The Chairman. I have no objection. I will leave that to the committee's discretion, if you want to know what Treasury's opinion is on some of the things we are bringing up.

Senator Grassley. I would suggest that we make up our minds if we are going to be legislating or negotiating.

If you are going to be negotiating, then have them in there; but if we are going to do our constitutional function

and particularly if we are going to do it away from the eyes of the public, then we ought to be doing it ourselves.

The Chairman. Yes, you are right. The damned Treasury is always the leak. If we keep them out, nothing will get out of the meeting.

(Laughter)

Senator Long. What did you say?

The Chairman. I said if we keep Treasury out, nothing will get out of the meeting.

Senator Matsunaga?

Senator Matsunaga. By meeting privately, will we not be violating the Sunshine Law?

The Chairman. No. It is not a committee meeting.

Senator Dole. We will leave the window open.

(Laughter)

Senator Matsunaga. Oh. It is not a committee meeting.

Senator Long. Anyway, Mr. Chairman, as I understand it, you can always meet and have one Senator move that we go into a closed session.

The Chairman. I plan to do, Sparky, what Ways and Means did for about the last three and a half or four weeks of their markup.

Senator Matsunaga. Of course, violation of the law by another does not justify violation of the law by us, does it?

The Chairman. No, but we are not going to have a

committee meeting.

Senator Matsunaga. Oh, all right.

(Laughter)

Senator Dole. Mr. Chairman?

The Chairman. Senator Dole?

Senator Dole. I withdraw my substitute.

The Chairman. Withdrawn. Senator Bentsen?

Senator Bentsen. Thank you very much, Mr. Chairman.

Mr. Chairman, my concern is that everything we send in gets labeled by the Administration as "protectionism," and I hear the press talk about 3,400 bills that are protectionist bills in the United States Senate or in the Congress.

And amongst those bills, and I think most of them, is not protectionism really but the objective of trying to open up markets to our products.

Free trade really presupposes some reasonable balance of trade. When you get yourself an almost $150 billion trade deficit, that means you have an incredible transfer of wealth taking place; and you are impoverishing one nation and enriching the other.

And finally, we have more leverage than any other nation in the world. So, one of the ways we open up those markets is by exercising some of that leverage.

And I guess people from time to time say, well, that country is going to retaliate. They are not going to

retaliate against their number one customer. They are just not going to run him off.

And if we use that kind of leverage, then we have a chance of opening those markets and trying to keep the standard of living in our country and not erode the manufacturing base of our country.

Now, as we have tried to work toward that end, we have not had the cooperation of this Administration, and that has been a great concern to me.

But what we are talking about now in this particular instance, in my opinion, is sending a message to the Administration not that we are opposed to free trade with Canada.

As I have stated here before, I would prefer that we didn't have a Customs official on either side of that border with Canada.

And not because I have any dissatisfaction with our trade negotiator, Mr. Yeutter. I think he is excellent and a good choice, but I am concerned about those that might overrule him in what he tries to accomplish.

What I hope we say to the Administration with this vote this day is that they had better consult with this committee and that we want to be a partner and not a puppet in these negotiations.

We saw an instance in the past where President Johnson

went forth and negotiated a trade agreement, he thought; but he hadn't really cleared it with the Congress or this committee, and he came back to find it defeated on the floors of the United States Congress.

So, I would advise this Administration to seriously consult as we go along and see that this committee is a part of that process because they will not carry any agreement on the floor of the United States Senate, in my opinion, without the support of this committee, and they will need its cooperation.

So, I strongly urge that we carry out the process of consultation throughout the negotiation of agreement to see that the concerns of the members of this committee are addressed. Thank you.

The Chairman. Again, so that the members are not blind-sided, it has been three weeks now since I first announced we would be meeting Mondays through Fridays. I agreed that we would have no votes on Friday afternoons or Monday mornings.

So, we will have--in addition to the private discussions tomorrow--some further discussions on a couple more titles in the bill--no votes--but a couple more titles on financial institutions and research and development.

Friday morning, there is a Health Subcommittee hearing on nominations.

On Friday afternoon, we will have some discussions on compliance and the individual and corporate rates that are in the bill.

Then, on Monday we will finish up--Monday morning and afternoon--with discussions on the remaining titles, with the exception of two or three that we are simply going to have to decide when we decide the overall bill.

I would assume, then, from Tuesday morning onward, both as to mornings and to afternoons and possibly into the evenings and weekends, we will be involved in private discussions until we see if we can reach a bill.

Further statements on the Canadian-American free trade agreement?

Senator Moynihan?

Senator Moynihan. Just a very brief statement to reiterate something said yesterday, so that the Canadian side knows that we understand what the undertaking is.

And they have specifically said it is not a free trade agreement to be reached but a general agreement that will greatly free up trade.

The Chairman. Any other comments?

Senator Baucus. Mr. Chairman?

The Chairman. Senator Baucus?

Senator Baucus. Mr. Chairman, it is with regret and disappointment that I still feel constrained to vote against

this fast-track procedure at this time, and I do so because in spite of various maneuverings in the last couple of days, I still feel that we are not yet prepared to negotiate this agreement at this time with Canada.

I say that because there have been many opportunities when I and other members of this committee have asked the Administration--asked various officials of the Administration--what tactics they are going to pursue, what strategies, what the bottom line might be in various areas that may or may not be on the table.

And I reluctantly must say that so far I have heard virtually nothing, despite many, many attempts by me and many Senators to ascertain what the Administration's negotiating posture will be.

In fact, as you well know, Mr. Chairman, it wasn't so many hours ago today that they had a meeting at the White House, which I attended and you and others with the President, Secretary Baker, Secretary Shulz, Secretary Yeutter, and also Don Regan and others.

Senator Durenberger. There was what? Would you yield?

Senator Baucus. At the White House today --

Senator Durenberger. Today?

Senator Baucus. Today.

Senator Durenberger. Is that right? Who was invited?

Senator Baucus. I don't know. The point is this.

The point is this.

Senator Durenberger. No, wait a minute.

Senator Baucus. The Senator will have a chance to speak in just a minute here.

Senator Durenberger. No. You are my only source of information.

(Laughter)

Senator Durenberger. Nobody has talked to me in 24 hours about what is going on. There is some great mystery out there someplace.

Senator Danforth. They took your vote for granted.

Senator Durenberger. Yes.

(Laughter)

Senator Baucus. The point, Mr. Chairman, very simply is this. At that meeting and at virtually every other meeting that I have attended with the Administration on this, I have heard about concerns about Canada and Canada's reaction.

I have virtually heard of no concerns from the Administration about American interests: the American sawmill workers, for example, the hog producers, livestock producers, wheat producers. I don't hear about Americans, and that frankly gives me a cause for concern.

I, therefore, feel at this time that it still is appropriate not to proceed along the fast track.

I nevertheless further feel that, because this is going to be a very close vote, that probably the fast track procedure is strengthened.

I further think that, in all likelihood, the Administration will take us a little more seriously; and I hope that on down the road this committee continues to exercise its constitutional prerogatives more vigorously than it has thus far so that we can, in fact, end up with a trade agreement that has a broader national concensus and one that is more likely to be passed by the Congress instead of one on down the road that is not going to get very far.

The Chairman. Senator Mitchell?

Senator Mitchell. Mr. Chairman, we have all discussed this at great--perhaps excessive--length. I, I think, am more guilty than others, so I would ask that my statement be inserted in the record at this point.

The Chairman. Without objection.

Senator Dole has withdrawn his amendment. We are voting on the Danforth substitute.

And it starts out: "The resolution of the Committee on Finance, whereas on December 10 ..."

It is two pages and it ends on "... the statute provides," but it is a resolution of disapproval of the negotiations of the bilateral agreement.

Those who are in favor of the Danforth amendment would vote "Aye"; those who are opposed would vote "No."

The clerk will call the roll.

The Clerk. Mr. Dole?

Senator Dole. No.

The Clerk. Mr. Roth?

Senator Roth. No.

The Clerk. Mr. Danforth?

Senator Danforth. Aye.

The Clerk. Mr. Chafee?

Senator Chafee. No.

The Clerk. Mr. Heinz?

Senator Heinz. Aye.

The Clerk. Mr. Wallop.

The Chairman. No (by proxy).

The Clerk. Mr. Durenberger?

Senator Durenberger. No.

The Clerk. Mr. Armstrong?

Senator Armstrong. Aye.

The Clerk. Mr. Symms?

Senator Symms. No.

The Clerk. Mr. Grassley?

Senator Grassley. Aye.

The Clerk. Mr. Long?

Senator Long. No.

The Clerk. Mr. Bentsen?

Senator Long. Oh, wait a minute. Aye.

(Laughter)

The Clerk. Mr. Bentsen?

Senator Bentsen. Aye.

The Clerk. Mr. Matsunaga?

Senator Matsunaga? Pass. To kill the suspense, no.

The Clerk. Mr. Moynihan?

Senator Moynihan. No.

The Clerk. Mr. Baucus?

Senator Baucus. Aye.

The Clerk. Mr. Boren?

Senator Boren. Aye.

The Clerk. Mr. Bradley?

Senator Bradley. No.

The Clerk. Mr. Mitchell?

Senator Mitchell. Aye.

The Chairman. Mr. Pryor?

Senator Pryor. Aye.

The Clerk. Mr. Chairman?

The Chairman. No.

The Clerk. 10 yeas; 10 nays.

The Chairman. The motion is defeated, 10-10. The question recurs on the motion that I put yesterday. It was a formal motion of disapproval. I am going to vote against it,

and those who are in favor of allowing the fast track to continue would vote "No" on the resolution.

Senator Dole. Just like we did the last time?

The Chairman. That is correct.

And the clerk will call the roll.

Senator Dole. No.

(Laughter)

Senator Matsunaga. Mr. Chairman, will you repeat that statement?

The Chairman. What I proposed before the committee yesterday, although I don't support it, was a formal resolution of disapproval in very perfunctory legal language and the terms of the statute.

I am going to vote "No," and I suggest we vote "No" on it; but those who want to prohibit the Administration from going on in the fast track negotiations should vote "Yes."

Senator Baucus. Mr. Chairman, might I ask how this differs from the Danforth resolution?

The Chairman. I read it yesterday; you should have it in front of you. It is a one-page document, starting out: "Whereas on December 10, the President notified the committee ..." and ending with --

Senator Baucus. What is the effect of it?

The Chairman. The effect is the same as if we do nothing, and I am perfectly happy to say we are ready to adjourn and

we voted on the Danforth motion.

Senator Danforth. Mr. Chairman, I think we could just as well just go along with your vote, and that will put an end to it. We have given it our best shot.

The Chairman. All right. We will just have a record vote--I mean, just a voice vote, and then I will announce the result.

Again, I would encourage a "No" vote on the resolution that I have put before us.

All those in favor of my resolution would say "Aye."

(Chorus of ayes)

The Chairman. Those opposed, "No."

(Chorus of noes)

The Chairman. The noes appear to have it. The noes have it. We are adjourned until we have private discussions tomorrow morning.

(Whereupon, at 4:44 p.m., the meeting was adjourned to be reconvened at 9:30 a.m. on Thursday, April 24, 1986.)

C E R T I F I C A T E

This is to certify that the foregoing proceedings of an Executive Session of the Committee on Finance, held on April 23, 1986, in re: U.S.-Canada Free Trade Agreement, were held as appears herein and that this is the original transcript thereof.

William J. Moffitt

WILLIAM J. MOFFITT
Official Court Reporter

My Commission expires April 14, 1989.