

103

DRAFT GATT LEGISLATION

Y 4. F 76/1:T 67/18

Draft Gatt Legislation, 103-2 Marku...

MARKUP

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC POLICY, TRADE AND ENVIRONMENT

OF THE

COMMITTEE ON FOREIGN AFFAIRS

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

SECOND SESSIONS

—————
JUNE 21, 1994
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Printed for the use of the Committee on Foreign Affairs



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(No witnesses.)

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DRAFT GATT LEGISLATION

TUESDAY, JUNE 21, 1994

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON ECONOMIC POLICY,
TRADE AND ENVIRONMENT,
Washington, DC.

The subcommittee met, pursuant to call, at 3:15 p.m. in room 2200, Rayburn House Office Building, Hon. Sam Gejdenson (chairman of the subcommittee) presiding.

Mr. GEJDENSON. The subcommittee is meeting today to make recommendations for the GATT implementing language on the issues that are within the subcommittee's jurisdiction namely, agricultural export programs. Of those programs, only two need to be amended to come into compliance with GATT: the Export Enhancement Program, or EEP, and the dairy export sales program.

On EEP, we have taken the administration's language. That simply states that EEP shall be carried out in a manner consistent with GATT. We have added language to accommodate Mr. Bereuter's concerns. The language directs EEP to be funded at the maximum allowable limits to GATT.

We have also added language that requires that the egg exports to the Pacific Rim not be reduced by more than 10 percent a year.

On dairy, we have again taken the administration's language which reduces mandated minimum export sales to the level set by the GATT agreement.

As my colleagues know, these recommendations will become part of the larger package of recommendations that the Congress will make to the President on GATT implementing language. They are recommendations that the administration may accept or put aside as it prepares to write the final version of the implementing bill.

I now recognize the ranking minority member, Mr. Roth, for his comments.

Mr. ROTH. Thank you, Mr. Chairman. I was following closely your statement, and trying to pick up all the nuances. I come—

Mr. GEJDENSON. Weren't we kind enough to his dairy cows?

Mr. ROTH. I come to this markup with grave reservations. I have had a chance to look at this, Mr. Chairman.

For months, the GATT accords have been described only in generalities, and we had a man running around in this country saying that the devil is in the details; and so it is with GATT. Now we are beginning to see the real-world changes that GATT would cause in our trade programs, and I don't like what I see.

The Uruguay Round may have some good features for certain segments of American industry, but for most of American agriculture, there is very little good news. And I have gone through this thing with a fine-tooth comb.

I have a chart and this chart shows that when GATT is fully implemented, the Europeans still have far more subsidized farm exports than we will have. For example, six times higher than our grain exports, 10 times higher than our poultry exports, and worst of all, Europe will subsidize 20 times our dairy exports. That is under the Export Enhancement Program alone.

Then there are the proposed reductions in the dairy export sales program. Currently it is mandated to support 150,000 metric tons of dairy exports a year. Under this bill, that level would be cut by more than two-thirds to 48,000 tons. So when you combine together the reductions in EEP and our cutbacks in the dairy export sales program, the conclusion is inescapable that the American dairy industry was severely shortchanged by our GATT negotiators. And we are not even considering the changes in dairy import policy which are under Ways and Means jurisdiction.

The bottom line is that if these changes are made, the domestic price of our dairy products will drop and the level of dairy imports will rise.

I come from a dairy state; my district is the third largest dairy district in the country, and I cannot support legislation like this which so obviously singles out one sector of our farm economy for such severe reductions.

Thank you.

Mr. GEJDENSON. Thank you, Mr. Roth.

I think there are frustrations with any agreement. This is a comprehensive agreement. The basic assessment that you can make across the board on this is that it does take us steps in the right direction and that what we have here is an agreement that may need improvement; but the status quo is not as good for Americans as this step, and we need to take, clearly, additional steps down the road.

And I now recognize Mr. Bereuter, who I understand has a statement.

Mr. BEREUTER. Thank you, Mr. Chairman. I ask unanimous consent that my full statement be made a part of the record, and I will give some summary remarks.

Mr. Chairman, I agree with you that the proposed agreement is better than the status quo for agriculture and for all sectors, all general sectors. The agreement is substantially less than I had hoped for and expected until the end of the process. I think the French took us to the cleaners once again by their tactics. But, nevertheless, there is an improvement, especially as it relates to agriculture, which is the primary subject of our discussions today.

I believe that the Uruguay Round trade agreement, if implemented, will improve the world trade environment for the industrial sectors and service sectors and especially the agricultural sectors.

I have been a long-time proponent for efforts to include agricultural trade in world trade rules. As one of the world's most productive and efficient agricultural production centers, the United States

is going to fare very well under a more disciplined and enforceable set of trade rules. Nevertheless, despite the Uruguay Round agreement's overall positive effect upon U.S. agriculture, I am quite concerned by several actions recently taken by the administration to implement this important accord.

First and most important, the administration's recommendations for implementing perhaps the most contentious issue in the whole consideration of the Uruguay Round, the reduction of export subsidies for grain, simply gives them far too much discretion in utilizing the export enhancement programs at levels below those agreed to in the Uruguay Round.

So, therefore, I strongly support the subcommittee's recommendation that the implementing legislation be changed so the administration is required to use the Export Enhancement Program to the greatest or maximum extent allowable under the GATT agreement. I think this change is absolutely necessary to ensure that our wheat, vegetable oil, and egg exporters are given a level playing field from the negotiated GATT agreement.

Secondly, Mr. Chairman, it has been widely reported that the administration may attempt to make up lost tariff revenues from implementation of the Uruguay Round by enforcing unnecessary and imprudent budget cuts on the U.S. agricultural industry. While I believe that there is a strong justification for limiting the Budget Act's application to the Uruguay Round implementation legislation, because the increased economic activity generated under the enhanced trade from Uruguay Round would generate more corporate and more individual income tax revenue than the lost tariff fees, even in the first year, I urge the administration, at a minimum, to fund all U.S. agricultural export subsidy programs to the full extent permitted by the volume export subsidy reduction commitments under the Uruguay Round.

Finally, I support efforts by the coalition of food and agricultural interests to request that the administration shift current funding from the Uruguay Round reduced or disallowed programs to certain so-called "green box" subsidy programs which are permitted to be increased under the Uruguay Round agreement.

In this regard, I am especially pleased and grateful to you, Mr. Chairman, for including a recommendation from this member in the subcommittee's draft implementing language. This language ensures that GATT-imposed reductions in the agriculture export programs such as EEP will be redirected to other agricultural export programs, including general sales manager export credit guarantees, PL-480 food aid, market promotion programs and other long-term market development assistance programs which are considered by GATT to be legal or so-called "green box" subsidy programs.

Mr. Chairman, members of the committee, this initiative is especially important to assure that the United States maintains a viable and competitive \$18 billion trade surplus agricultural industry and will greatly help to promote U.S. medium-and high-value agricultural exports to emerging markets in the world's developing countries.

Over 24 agricultural organizations including the Coalition for Food Aid, the major commodity groups, and the major farm rep-

representative organizations support this initiative which I offer, as it will help to ensure the competitiveness of the U.S. agricultural industry.

Again, I would like to thank you for your cooperation in adding it to our recommendations.

Last week the *Wall Street Journal* reported that congressional and White House budget analysts have reduced the cost estimate of the accord from \$14 to \$10 billion because of new estimates of decreased farm subsidy spending as a result of the accord. So, Mr. Chairman, these new estimates fully reveal that the agriculture industry is doing its part to pay for the implementation of the Uruguay Round. Therefore, any further reductions in both agriculture domestic and export subsidies would seriously erode congressional support for the accord.

I thank you for consideration of these remarks and for your assistance, and I would have spoken to some of the issues related to the World Trade Organization, and the hyperbole that is used about that, but that is for another day. I support the legislation.

Mr. GEJDENSON. Thank you.

Mr. GEJDENSON. Ms. Cantwell.

Ms. CANTWELL. Thank you, Mr. Chairman.

We do have a vote pending, and I will submit my remarks, but I just want to say that I think that the Uruguay Round represents one of the most comprehensive trade agreements in history, and that U.S. consumers stand to gain significantly from the benefits of this agreement, not only in lowering trade barriers, but also improving quality in the widest choice of consumer goods.

And I applaud you, Mr. Chairman, for bringing this before the committee today.

Mr. GEJDENSON. Thank you.

Any other comments? Without objection—the gentleman from Ohio.

Mr. FINGERHUT. Briefly to say that I also agree that this agreement is important. It is important for us to move forward. It is also important for us to remember as we consider the agricultural components that our agricultural sector is a very diverse one and that provisions in this treaty would have different impact on different sectors.

Particularly, I am concerned about some of the smaller agricultural concerns, the smaller farmers of which I have a number represented in my district. They are looking for some clear information as to how this will impact them, and I hope that as we develop the information in these hearings, we will be able to convey this not only to the larger agricultural concerns in our country, but to the smaller farmers as well.

Mr. GEJDENSON. Thank you.

Any further comments?

Will the Staff Director please read the bill.

Mr. SCHEIBEL. Section 301 of the Agricultural Trade Act of 1978 is amended by adding at the end of the following—

[The information appears in the appendix.]

Mr. GEJDENSON. Without objection, the bill will be considered as read and open for amendment. Are there any amendments?

Hearing none, I now move the bill. All those in favor, signify by saying aye. All those opposed, say no.

The ayes have it. The bill is carried and reported to the full committee.

Any further comments? If not, the committee is adjourned.

[Whereupon, at 3:26 p.m., the subcommittee was adjourned.]

APPENDIX

PREPARED STATEMENT OF THE HONORABLE SAM GEJDENSON

The subcommittee is meeting today to make recommendations for the GATT implementing language on issues that are within the subcommittee's jurisdiction—namely agricultural export programs. Of those programs, only two need to be amended to come into compliance with GATT: the Export Enhancement Program, or EEP, and the Dairy Export Sales Program.

On EEP, we have taken the administration's language. That simply states that EEP shall be carried out in a manner consistent with GATT. We have added language to accommodate Mr. Bereuter's concerns. That language directs EEP to be funded at the maximum allowable limits under GATT. We have also added language that requires that egg exports to the Pacific Rim not be reduced by more than 10 percent a year.

On dairy, we have again taken the administration's language, which reduces mandated minimum export sales to the level set by the GATT agreement.

As my colleagues know, these recommendations will become part of the larger package of recommendations that Congress will make to the President on the GATT implementing language. They are recommendations that the administration may accept or put aside as it prepares to write the final version of the implementing bill.

1 PROPOSED LEGISLATIVE LANGUAGE TO IMPLEMENT
2 GATT

3 (e) EXPORT ENHANCEMENT PROGRAM.—Section 301
4 of the Agricultural Trade Act of 1978 (7 U.S.C. 5651),
5 is amended by adding at the end the following:

6 “(g) CONSISTENCY WITH INTERNATIONAL OBLIGA-
7 TIONS.—The Commodity Credit Corporation shall admin-
8 ister and carry out the program authorized by this section
9 in a manner that provides the greatest amount of export
10 bonus consistent, as determined by the President, with the
11 obligations undertaken by the United States set forth in
12 the Uruguay Round Agreements. In doing so, the Cor-
13 poration shall take care that the amount of export bonus
14 provided under this section for the export of table eggs
15 to members of the Asia Pacific Economic Cooperation
16 group shall not be reduced by more than 10 percent of
17 the prior year’s amount annually. To the extent provided
18 in appropriation Acts, any reduction in budget outlay for
19 carrying out this section that results from compliance with
20 this subsection shall be offset by increases in budget out-
21 lay for other Federal agricultural export programs carried
22 out in conformity with such obligations.”.

23 (f) EXPORT SALES OF DAIRY PRODUCTS FROM COM-
24 MODITY CREDIT CORPORATION STOCKS.—Section

1 1163(a) of the Food Security Act of 1985 (7 U.S.C. 1731
2 note) is amended—

3 (1) by striking “In each of the fiscal years 1986
4 through 1995” and inserting “During fiscal year
5 1995”;

6 (2) by striking “not less than 100,000 metric
7 tons” and inserting “not more than 42,989 metric
8 tons”; and

9 (3) by striking “not less than 20,000 metric
10 tons” and inserting “not more than 3,829 metric
11 tons”.

12 (g) PUBLIC LAW 98-332.—Section 106 of Public
13 Law 98-332 (98 Stat. 287) is repealed.

14 (h) PUBLIC LAW 98-151.—Section 101(d) of Public
15 Law 98-151 (97 Stat. 972) is amended by inserting
16 “(other than section 625)” after “such Act”.

17 (i) AGRICULTURE ACT OF 1956.—Section 203 of the
18 Agriculture Act of 1956 (7 U.S.C. 1853) is repealed.



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