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U.S. Congress Prepares Trade Legislation Sure To Receive Presidential Veto

by LADB Staff
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While President Reagan promotes a particular vision of achieving world trade balance at the Venice economic summit this week, the US Congress has a decidedly different perspective. The administration's plan envisions stimulation of domestic demand by West Germany and Japan, liberal trade reform through multilateral negotiations, and gradual reduction in the US federal budget deficit. Inspired by concern over the huge US trade deficit, Congress is meanwhile proposing mandatory action against unfair trade practices in order to force US trade partners to implement trade reforms. Reagan has promised to veto a trade bill which even hints at protectionism. According to Sen. Lloyd Bentsen (D-Tex.), "If the president wants to throw down the gauntlet on trade, then we'll fight to override his veto. I think we'll win."

On April 30, the House passed a trade bill with strong bipartisan support. One provision of the House bill welcomed by the Reagan administration would provide the president with renewed authority to negotiate trade agreements tariff and non-tariff, bilateral and multilateral. Such authority would give the White House increased credibility in participating in the Uruguay round of multilateral trade talks being held under the auspices of the General Agreement on Tariffs and Trade (GATT). The same provision would limit the role of Congress. Under "fast-track authority," Congress must act within 60 days to accept or reject any negotiated agreements without amendment.

On the other hand, the House bill contains several provisions considered undesirable by the administration. The most important of these are summarized in the following: The Gephardt amendment: Aimed at Japan, South Korea and Taiwan, it would require retaliation against countries that export 75% more to the US than they import from same, and who engage in unfair trade practices. Retaliation would be equivalent to the damage done to US businesses by the unfair practices. The amendment would further require the imposition of US tariffs and quotas for reducing the bilateral trade imbalances 10% per year as long as these countries continue any unfair practices.

Another section of the House bill would require negotiations with foreign governments to establish a "competitive exchange rate" for the dollar and to create a multilateral agency for resolving the debt crisis afflicting the developing world. The Bryant amendment: Requires that foreigners disclose any sizable investments in business and real estate in the United States. The "buy American" provision: Prohibits the US government from purchasing anything from companies in countries that restrict purchases from US companies. The Senate version of the trade bill is still in process.

Thus far, the Senate Finance, Agriculture, Labor, Banking and Judiciary committees have completed their bills. The Foreign Affairs, Commerce, Governmental Affairs and Small Business committees will complete their bills in coming weeks. Sen. Bentsen, chairman of the Senate Finance Committee,
achieved a 19-1 vote of support for a bill that would constitute the centerpiece of any Senate trade legislation. Like the House version, the Finance Committee approved authority for the president to engage in trade negotiations with the fast-track limitation on Congress. However, it also approved another provision for withdrawing fast-track authority if Congress determines the White House has failed to consult it adequately over trade policy. This provision is opposed by the administration.

Other major elements of the Finance Committee bill threatened with presidential veto are summarized below: Mandatory retaliation against countries violating trade agreements except in limited circumstances. Limits imposed on the president's discretion for giving temporary relief to an industry hurt by fairly traded imports. However, the bill would also permit the president to cancel continued relief if the industry fails to make necessary economic adjustments. Like the House bill, it would define worker rights as an unfair trade practice liable for US retaliation. The bill approved by the Senate Labor committee resembles the House version in its approval of spending $980 million per year to assist workers laid off their jobs because of foreign competition.

Unlike the House, it would require large US plants to give advance notice to employees of layoffs or shutdowns, another provision opposed by the Reagan administration. The Senate Banking committee approved provisions similar to ones opposed by the administration in the House bill, including the proposal for a multilateral agency to resolve the debt crisis. Another provision, aimed at Japan, would prohibit the Federal Reserve giving status as a primary dealer in US government securities to companies from any country that does not offer reciprocal opportunities to other countries. The Senate Foreign Relations Committee is expected to conclude work on its trade bill June 9. On June 4, the Committee approved by a 10-9 vote an amendment that, according to opponents, will virtually preclude US participation in the World Bank affiliate, the Multilateral Insurance Guarantee Agency (MIGA).

The Reagan administration has voiced opposition to this amendment as well. MIGA would provide insurance to foreign companies in developing countries against non-commercial risks, such as expropriation by the local government. Under the existing accord, the US would exercise 20% of voting power, equivalent to its proportional contribution to the affiliate. The amendment, introduced by Sen. Terry Sanford (D-NC) would authorize the participation of the US in MIGA, but only under a number of special conditions. Sanford's bill would prohibit MIGA from insuring investments that would derive from shifting investment resources from the United States to foreign countries, or from insuring companies that would manufacture products which would compete with US industries.

Next, the legislation would prohibit support for MIGA projects in countries that do not impose performance requirements for investment or that do not recognize workers rights. According to Sanford, since MIGA would insure only economically solid investment projects, it would not aggravate existing world surpluses of the agricultural, steel and textile products, and thus, US industries would not confront these threats anew via MIGA actions. The trade omnibus bill passed earlier by the House authorizes US participation in MIGA without meeting prior conditions. Debate on a combined trade bill in the full Senate is likely before July. If the Senate passes a bill, any differences between it and the House bill would have to be resolved in a conference. Each house would then have to vote to accept the conference bill.
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