GATT: A FACT CHECK (Senate - October 07, 1994)

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Mr. HOLLINGS. Mr. President, On Wednesday, October 5, Ambassador Mickey Kantor appeared before the Committee on Commerce, Science, and Transportation to testify on the Uruguay round of the General Agreement on Tariffs and Trade [GATT].

I have been friends with Ambassador Kantor for over 20 years, and we continue to be good friends. But he and I draw different conclusions about our trade policy, and about the direction of our economy. Ambassador Kantor was very generous with his time on Wednesday, but due to the large number of Senators in attendance at the hearing, I did not have time to fully debate every point with him. Today, I would like to outline some of the differences of opinion I have with the Ambassador based on his testimony.

First, sovereignty. Ambassador Kantor claims that our sovereignty is `more protected under the Uruguay round and this implementing legislation than it has been for 47 years.' I wholeheartedly disagree with this assessment, and in fact I think it is a very dangerous and misleading assessment.

Ambassador Kantor claims that our sovereignty is protected because section 102 of the implementing bill provides that no provision of the Uruguay round nor the application of it that is inconsistent with any law of the United States shall have effect. That is just palaver. The dispute resolution panels under the World Trade Organization [WTO], meeting in secrecy in Geneva,

will not care one hoot about what section 102 of our implementing bill says. A WTO panel can declare our Federal, State, and local laws inconsistent with the rules of GATT, and--unlike the current GATT regime--there will be two powerful incentives for the United States to change our laws. First, we will no longer be able to block a panel decision because under the new WTO rules there must be consensus to block a decision. And since the United States is always the good Boy Scout of the world, we know that there will be strong political pressure to fall in line with whatever the WTO says. Second, the new WTO rules will authorize cross-retaliation, so that, for example, if another country brings a successful challenge against a U.S. environmental regulation, that country can retaliate against U.S. intellectual property. We all know that the result will be a massive lobbying effort by the U.S. intellectual property industries to lobby the Congress to weaken environmental laws.

The pressures to change our laws are great even under the current GATT rules, despite our current ability to block panel reports and despite the current unavailability of cross-retaliation under GATT rules. I happen to be chairman of the committee that authorized the Marine Mammal Protection Act [MMPA], and I am well aware that there were voices within the current administration arguing that the United States should amend the MMPA to conform to the two GATT panel decisions finding it GATT-illegal.

In further defense of the WTO, Ambassador Kantor points out that the first sentence of article IX of the WTO rules says that the WTO will operate by consensus. He needs to read a little further, because the second sentence provides that, `where a decision cannot be arrived at by consensus, the matter at issue shall be decided by voting.' Here is where I have tremendous concern over the procedures of the WTO. The WTO will be a commercial United Nations, with each of the 117 nations having one vote. But unlike the United Nations, where the United States has veto power in the Security Council, the United States will have the same voting power as Cuba, or Sri Lanka, or Macau. In other words, Castro's vote cancels out our own vote. Furthermore, over half of these 117 nations have voted against us three quarters of the time in the United Nations.

Second, manufacturing jobs. Ambassador Kantor stated before our committee that the number of manufacturing jobs in the United States has increased over the last 11 months. This is a very clever way for him to put it because the truth of the matter is that we have fewer manufacturing jobs today than when President Clinton took office. In January 1993, we had 18,094,000 workers in manufacturing; the latest figures from the Bureau of Labor Statistics show 18,077,000 in manufacturing.

More important is the long-term decline in manufacturing jobs. Since 1960, our manufacturing sector has dropped from 26 percent of our work force to 16 percent. And when we passed the last round of the GATT, the Tokyo round in 1979, we were promised a great renaissance of American industry, but instead we have lost 3.2 million manufacturing jobs and have racked up a total trade deficit of $1.4 trillion.

As President Clinton himself has said, `most people's wages aren't going up because they're set in a competitive global economy.' That's couching it in soft terms. Most working Americans have seen their wages decline by about 20 percent in real terms over the past 20 years. Worst of all, the gap between the rich and the poor in the United States is the widest documented since the Census Bureau started keeping these statistics following World War II. During the 1980's, the incomes of the richest 1 percent of Americans grew 63 percent, while the bottom 60 percent of families experienced a decline in income. These are the devastating effects of deindustrialization.

Third, the CAFE decision. If you picked up a newspaper in Europe last Saturday, you would have read that the United States lost the case before a GATT panel on our corporate average fuel economy [CAFE] standards for automobiles. However, the headlines in the United States read that we won. Why? Because the office of the U.S. Trade Representative did not release the decision to the public until it had done a snow job on the members of the press corps, who evidently didn't care to take time to read the opinion themselves.

Our fuel efficiency standards, which save the Nation some 2.5 million barrels of oil each day and save consumers some $40 billion per year in gasoline costs, apply equally to U.S. and foreign car manufacturers. Nevertheless, the Europeans challenged our CAFE laws at the GATT, claiming that they discriminate against their less fuel-efficient cars. Despite what U.S.T.R. says, the GATT panel severely weakened our CAFE laws

by finding that the method used to calculate penalties is discriminatory and therefore GATT-illegal. And while Ambassador Kantor downplayed the importance of adverse GATT decisions before the Commerce Committee by saying that the tuna-dolphin case would have cost us only $250,000, I would like to point out that fines against the United States for our CAFE law could run over $291 million, and we all know that Japanese manufacturers already have expressed their intentions to challenge under the WTO any future United States policies designed to increase CAFE standards.

Fourth, effect of delaying GATT. I am flabbergasted to hear Ambassador Kantor report that the Department of the Treasury claims that delaying implementation of GATT in the Congress will cost us $70 billion in economic growth. How can that be when no other major industrialized country in the world has ratified GATT? How can this be when the World Bank's estimate of GATT's increase to U.S. GNP is $160 billion over 10 years? Does Secretary Bentsen really believe that we will lose $70 billion of that $160 billion in the next few months--months in which no country is even obligated to implement the Uruguay round? And let me remind Ambassador Kantor and Secretary Bentsen that the $160 billion figure has been termed overly optimistic by most economists--even the pro-GATT economists. The Institute for International Economics has estimated the gains of GATT to be $42 billion over 10 years, while the Economic Policy Institute projects a lower gain of $7 billion over 10 years. The wizards at Treasury somehow get a 70 billion dollar loss out of this before any major country ratifies GATT--and, of course, it is all the fault of Congress because we have decided to take the time guaranteed to the congressional committees under fast track to examine the 641 pages of the implementing bill and the 455 pages of the statement of administrative action. Instead of fast track, the administration wants instant track.

Fifth, the stock market. Before our committee, Ambassador Kantor attributed Tuesday's drop in the stock market to rumors that the House would delay a vote on the GATT. This interpretation was contrary to every news analysis I heard, each of which attributed the drop to inflation. Furthermore, I would like to point out that the day I announced that the Committee on Commerce would hold the GATT implementing bill for its full 45 days, the stock market rose 14 points. And the market dropped precipitously last month upon release of figures from the Department of Commerce indicating that the United States is racking up its largest yearly trade deficit ever.

So I could well draw conclusions opposite of those of Ambassador Kantor on what is important to Wall Street. Perhaps the more important point is that by engaging in this sort of debate, we only encourage Wall Street to act on the rumor of the day. Our debate about GATT should be about the long-term economic interests of this country and not about unfounded temporary jitters of Wall Street.

Sixth, GATT as a `tax cut.' The administration has characterized the GATT as a $36 billion `tax cut' for Americans. Before our committee, Ambassador Kantor agreed that we would be more accurate in describing tariff cuts as decreases in costs to the consumer. The problem with this analysis is that it assumes that the savings will indeed be passed on to the consumer. My office is filled with clothes whose prices prove the consumer rarely gets the savings. Instead, the retailer gets to pocket the mark-up. For example, I have two identical women's jackets, one made in the United States where labor costs are around $8 per hour, and the other made in El Salvador where the labor costs are around 60 cents an hour. Yet both jackets cost $108. The retailers are pocketing the difference, sticking it to the consumer, and putting the consumer out of a job all at the same time.

Seventh, textile exports. Ambassador Kantor may be correct in saying that textile and apparel exports have increased 7.58 percent for 1993 and 1994, while imports have increased 4.45 percent. This is only half of the math problem, though. Since imports are at $36.07 billion while exports are at $10.3 billion, the truth is that imports are up $1.6 billion while exports are up $781 million.

A close analysis of apparel exports shows what is really going on in the global market. In 1993, the United States exported $4.9 billion of apparel. Of that, $143 million was simply reexports of foreign apparel. Of the remaining $4.8 billion, $3.1 billion consisted of exports of cut parts. In other words, the fabric was cut here and sent to low-wage countries to be sewn. Of the $1.7 billion of exports of finished apparel, over 95 percent went to Canada, Europe, and Japan. Only a paltry amount of $77 million went to the rest of the world.

Eighth, the future of trade policy. Ambassador Kantor said on Wednesday, `The definition of insanity is doing the same thing over and over again and expecting a different result.' But that is exactly what we will be doing if we pass the Uruguay round. As Sir James Goldsmith testified immediately following the Ambassador, the WTO will continue the current policy and take it from a trot to a gallop. It will intensify the deindustrialization of the United States by making it even easier for U.S. manufacturers to move off-shore. And it will not open new markets for the United States to the extent claimed by the administration because the GATT is structured on an Anglo-American free market system while there is a whole other world out there operating under a different economic system. The GATT will knock down United States tariffs and subsidies, while leaving intact the structural, nontariff barriers favored by Japan and other competitors. Case in point: If the GATT is so great, why do we need a new bilateral trade agreement with Japan? It is time to abandon our current high-minded, self-sacrificial free trade policy and unabashedly rebuild the industrial strength of this Nation.

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