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THE GATT DEBATE (Senate - September 30, 1994)

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Mr. MOYNIHAN. Mr. President, I rise briefly but with great satisfaction to note that the majority leader has worked out with the Republican leader an agreement under which we will return on Wednesday, November 30, to take up the implementing legislation of the Uruguay round of the General Agreement on Tariffs and Trade. The next day, December 1, will conclude the 20 hours the statute provides. This will be a moment deserving of some notice by the American people.

Fifty years ago at the Bretton Woods conference the allied nations gathered, recognizing that the economic failures of the peace treaty negotiated at the end of the First World War led directly to the Second World War, and thought to put in place three major institutions that would serve the purposes that had gone unserved with such disastrous consequences.

The first was the International Bank for Reconstruction and Development, which we know as the World Bank; the second was the International Monetary Fund--both headquartered here in Washington; and the third was to be the International Trade Organization. It was supposed to have its headquarters in Havana, as a matter of fact.

The first two institutions came into being. The third, the ITO, as it had come to be known, went down to defeat in no small part because of opposition in the Senate Finance Committee, and an informal arrangement was put together, the General Agreement on Tariffs and Trade, which refers not to an organization but just to a meeting that took place. And a British civil servant, Eric Wyndham-White, was recruited to be a kind of informal convener of these GATT conferences. And from time to time they have taken place, and some institutional structure has evolved.

Now, however, yesterday morning in the Finance Committee, by unanimous vote, we approved the implementing bill, including the proposal to establish a World Trade Organization, to be a real dispute settlement mechanism in trade matters. The disputes in trade matters of the 1930's were settled in the Second World War. There are better ways for doing this, and also to facilitate the gradual opening of the world trading system, of which the largest event in history to date will be the Uruguay round.

The numbers are startling, Mr. President. We will see tariff cuts on U.S. exports of 40 percent worldwide, and in the European Union, Europe, 50 percent. That is a cut in the cost of American goods sold abroad.

It will be the largest tax cut, if you like, in the history of the world, \$750 billion worldwide over a decade for American exports. It will be a \$35 billion U.S. tax cut over the next 10 years. We buy imported goods, and why ought we not? You cannot trade if you do not trade back and forth.

It is not always remembered because we are so used to the income tax, but a tariff is a tax. Up until the income tax came into effect, under President Wilson in 1913, the majority of the revenues of the Federal Government came from tariffs.

The first bill enacted by the new Congress in 1789 and signed by the President, concerned the oath of office for the new Republic in a world where monarchy was the norm. The second bill, among other things, imposed a 10-cent-a-gallon tariff on Jamaican rum. There was a whole list of tariffs by which revenue would be raised to manage our affairs.

We are going to cut those tariffs. It is a tax cut well deserved and welcomed because there is going to be an enormous increase in American exports.

The comment was made this morning that after the Tokyo round, signed in 1979, passed the U.S. Senate 90 to 4, the comment was made that U.S. jobs disappeared.

Jobs did not disappear. We have had the most extraordinary increase in jobs in the 15-year period since that I can recall. I do not want to be held to memory. But in 1979 there were 98.8 million persons in civilian employment. In 1993 that had grown nearly 21 million to 119.3 million. That is a solid 20 percent increase in a 15-year period.

I do not know where there has been such an increase at any other time. Possibly World War II would represent that. But that is a formidable growth in employment, not always at the wage levels we would like, but even so, I think we can look forward to more.

The Council of Economic Advisers does very much expect that we will see a \$100-billion to \$200-billion growth in the U.S. gross domestic product over the next 10 years as a consequence of the Uruguay round. There will be exports of manufactured goods sent overseas. There will be some losses as well.

But I would like to say, if I can, to the Senate and to you, Mr. President, that we need not be fearful of these things. It would be, oh, 30 years ago that the very distinguished economist, Ray Vernon, now at the Massachusetts Institute of Technology, described what he called the `trade cycle.' It meant to apply to an advanced economy, but he had the most advanced economy then, as now, in mind, the American. He was talking about

how when an invention takes place, a new product appears.

An automobile, for example. The internal combustion engine was developed in Europe, as well as here. But the first vast manufacture of automobiles was in the United States.

And following the appearance of a new product here, gradually that product begins to be exported abroad. Then you will find that it begins to be manufactured abroad. And then, in the last phase of the cycle, it will be exported from abroad and imported into the United States. That is fine, as long as in the meantime we are thinking up new things, as indeed we incredibly always are.

Just think of the phenomenon that now seems familiar to any of us, the fax machine, which is sort of replacing the telephone and the mail; just instant communications anywhere in the world, written documents. It did not exist 10 years ago, except in an experimental mode.

Think of the cellular telephone. We spend half our time in automobiles or walking around the parks on the telephone.

On the subject of trade, I spoke the other day with the chairman of the Kodak Co., George Fisher. I called him in his office in Rochester. He called me back from a parking lot in Cologne on a cellular phone. Again, a product that did not exist 10 years ago.

That trade cycle is normal, not to be feared; in fact, to be encouraged.

I do not think we could thank the majority leader nor the Republican leader too much for making it certain that we will have the GATT agreement approved by December 1. The President has our commitment on this. We have the votes. I repeat, the measure was reported out yesterday morning in the Finance Committee unanimously.

And as the President goes to the economic summit in Asia and then to the Americas summit in Miami in the next few months, he will go with the confident knowledge that the United States not only maintains its leadership in world trade but brings it to an ever greater culmination. The culmination of 60 years. I mentioned Bretton Woods 50 years ago. You can go back 10 years earlier to the reciprocal trade agreement program that Cordell Hull began under Franklin D. Roosevelt, and we learned a great lesson, a bitter lesson.

Mr. President, if you were to list five, say, arbitrarily, five events that led to the Second World War, that catastrophic war, well, the first would be the Versailles Treaty and what Lord Keynes called, in his pamphlet, the `economic consequences of the peace.' They did not see that an economy the size of Germany needed to be allowed to expand and grow and be integrated into the existing economic system.

But after No. 1, the treaty at the end of World War I, the second event would be the Smoot-Hawley tariff. It took place on this floor in 1930. We raised tariffs to an average level of 60 percent. And, indeed, just as predicted by its advocates, we saw imports strapped by one-third in 2 years' time. But so were exports.

I had occasion to say in the caucus the other day, that if you like 50-cent wheat, you can get it again. Just go that route. That is what the Great Depression did to the farmers, much less to the merchant marine, to the manufacturers.

We do not have to have that now. We are turning away from that. Had we not gotten this agreement, the possibility of a European union building walls, the possibility of an Asian system of building walls, and us doing the same, following the practices of the 1930's.

But after Smoot-Hawley, the British went off free trade to Commonwealth Preference, the Japanese began the Asia Coprosperity Sphere, unemployment reached 30 percent in Germany, and Adolph Hitler came to power in a free election.

We have said no to all that. We have learned that lesson. And now we go forward.

I want to thank the majority leader for his persistence and his ingenuity in working this out. And I would like also to thank my friend Senator **Hollings** for accommodating the Senate, exercising his rights under the law, but seeing, even so, that this matter will come to a final conclusion.

He and I go back a long way in these matters. I was one of the negotiators under President **Kennedy** of the Long-term Cotton Textile Agreement, which enabled us to pass the Trade Expansion Act of 1962, which in turn resulted in the Kennedy round. We have not always agreed, but we have not always disagreed, either. He makes powerful points and he will make them in the coming debate.

But in the end, I would say there are 80 votes on this floor--for that matter, it might be 90. A great age of world trade is before us in which we move out of the simple tariff arrangement for goods and move into services, where the great majority of Americans are now employed, because we are at the advance, we are at the edge of the economies of the world. And now these services will be sold all over the world, just as intellectual property--trademarks, patents--will be protected.

I think we can look forward to a much better future for the whole of the world--a stable society, international economy. We can now begin serious discussion of the admission to the world trading system, done under the General Agreement, of Russia and other members of the former Soviet Union, and of the People's Republic of China, as well.

Good news, and a good time to conclude our work here and get on with the other affairs of the Nation.

I thank the Chair. I yield the floor.

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Mr. MITCHELL addressed the Chair.

The PRESIDING OFFICER (Mr. **Kerrey**). The majority leader is recognized.

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