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100TH CONGRESS
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SENATE

REPORT
100-81

UNITED STATES TRADE FACILITATION ACT OF 1987

JUNE 23, 1987.—Ordered to be printed

Mr. PELL, from the Committee on Foreign Relations, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 1406]

The Committee on Foreign Relations, having had under consideration an original bill to amend the Foreign Assistance Act of 1961 to create an Office of Multilateral Development Bank Procurement within the Department of the Treasury, to authorize U.S. participation in the Multilateral Investment Guarantee Agency, and to address the international debt crisis in order to better facilitate U.S. trade with developing countries, having considered the same, reports favorably thereon and recommends that the bill do pass.

PURPOSE OF THE BILL

The primary purpose of this bill is to enhance, to the maximum extent possible, the positive trade effects of existing programs within the jurisdiction of the Committee on Foreign Relations and to authorize U.S. participation and funding in the Multilateral Investment Guarantee Agency, subject to certain preconditions.

SUMMARY OF MAJOR PROVISIONS

The bill contains the following major provisions:

—Authorizes U.S. participation in the Multilateral Investment Guarantee Agency (MIGA) but conditions participation on the adoption of written policies by MIGA to ensure that its activi-

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ties do not adversely affect the U.S. economy—specifically the U.S. trade balance or the availability of employment;
—Establishes the Trade and Development Program (TDP)—a program authorized in the Foreign Assistance Act—as an entity independent of Agency for International Development (AID), but within the authority of the International Development Cooperation Agency; and transfers authority over the mixed credit program from AID to TDP;
—Increases funding for TDP by $25 million, earmarks such funds specifically for training activities of foreign nationals, to be undertaken in the United States by U.S. companies, and places special emphasis, for training purposes, on nationals from the People's Republic of China and the Republic of China (Taiwan);
—Places foreign commercial service attaches in the offices of the U.S. representatives to the various multilateral development banks, to better enable U.S. companies to compete in procurement activities associated with these banks; and creates an office of Multilateral Development Bank (MDB) procurement within the Department of the Treasury to coordinate and facilitate U.S. participation in the MDB procurement process;
—Increases the number of individuals at the American Institute of Taiwan (from 3 to 6) who will carry out export promotion activities on behalf of U.S. companies; and
—Instructs the Secretary of the Treasury to explore ways for dealing with the international debt crisis, including allocation of special drawing rights through the IMF, and the establishment of a multilateral debt management facility.

Committee Action

On May 8, 1987, Senator Sanford, Chairman of the Subcommittee on International Economic Policy, Trade, Oceans, and Environment, held a hearing to receive testimony from Administration representatives from the Departments of Commerce and the Treasury, the Trade and Development Program, the Agency for International Development (AID), and the Office of the U.S. Trade Representative on the trade-related aspects of various foreign assistance programs within the jurisdiction of the committee.

On May 20 and June 4, the committee met to mark up a committee print proposed by the Chairman, Senator Pell; and on June 4, by a vote of 19–0, reported favorably an original bill with Senators Pell, Biden, Sarbanes, Cranston, Dodd, Kerry, Simon, Sanford, Adams, Moynihan, Helms, Lugar, Kassebaum, Boschwitz, Pressler, Murkowski, Trible, Evans, and McConnell voting in the affirmative.

The following recorded votes were taken on amendments:
—On May 20, an amendment offered by Senators Adams and Evans, to modify the conditionality on U.S. participation in the Multilateral Investment Guarantee Agency (MIGA) was not agreed to by a vote of 9–9. Ayes: Senators Sanford, Adams, Lugar, Kassebaum, Boschwitz, Pressler, Murkowski, Evans, and McConnell. Nays: Senators Pell, Sarbanes, Cranston, Dodd, Kerry, Simon, Moynihan, Helms, and Trible. (In subsequent

committee action, by voice vote, the committee agreed to reconsider the vote on the Adams/Evans amendment.)

—On May 20, an amendment offered by Senator Kerry to increase funding for the Trade and Development Program (TDP) and to earmark such funds for education and training programs with special emphasis on nationals from the People's Republic of China was not agreed to by a vote of 7–10. Ayes: Senators Pell, Sarbanes, Cranston, Dodd, Simon, Sanford, and Moynihan. Nays: Senators Kerry, Helms, Lugar, Kassebaum, Boschwitz, Pressler, Murkowski, Trible, Evans, and McConnell. (In subsequent committee action, by voice vote, the committee agreed to reconsider the vote on the Kerry amendment. In subsequent action, on June 4, the committee adopted, by voice vote, the Kerry amendment as modified by Senator Helms adding nationals of the Republic of China (Taiwan) to those from the People's Republic of China who are to be given special emphasis in training programs undertaken pursuant to this provision.

—On June 4, an amendment by Senator Sanford in the nature of a substitute to the Adams/Evans amendment, was agreed to by a vote of 10–9. Ayes: Senators Pell, Biden, Sarbanes, Cranston, Dodd, Simon, Sanford, Moynihan, Helms, and Trible. Nays: Senators Kerry, Adams, Lugar, Kassebaum, Boschwitz, Pressler, Murkowski, Evans, and McConnell. The Sanford amendment restored the conditionality of U.S. participation in MIGA proposed to be deleted by the Adams/Evans amendment; authorized the United States to support similar conditionality, if requested, by other participating countries; and made clear that such conditionality could be addressed by the adoption of rules and regulations governing MIGA, rather than through renegotiation of the convention.

—On June 4, the following amendments were adopted, *en bloc,* by a vote of 19–0. Ayes: Senators Pell, Biden, Sarbanes, Cranston, Dodd, Kerry, Simon, Sanford, Adams, Moynihan, Helms, Lugar, Kassebaum, Boschwitz, Pressler, Murkowski, Trible, Evans, and McConnell:

Two amendments by Senator Helms—one requiring OPIC to report on the implementation of Section 231A of the Foreign Assistance Act (pertaining to internationally recognized worker rights) with respect to the People's Republic of China; and the other transferring authority over the tied aid credit program from AID to TDP;

An amendment offered by Senator Lugar expressing the sense of the Congress that the Secretary of State should assess whether monitoring of compliance in the use and re-export of U.S.-origin military technology by recipient countries is adequate, and should report his findings to Congress;

An amendment offered by Senator Kerry expressing the sense of the Senate regarding the importance of economic and political stability in the CBI countries and particularly the importance of trade with the United States to these countries; and

Two technical amendments to sections 101 and 102 of the bill.

COMMITTEE COMMENTS

The committee believes that the persistence and size of U.S. trade deficits over the past 6 years have made trade a national priority. Certainly when the United States trade deficit reaches $170 billion as it did last year, it is the view of the committee that Congress must act to do its part in reversing this serious trend. These trade deficits are not simply cold statistics; rather, they represent lost American jobs and closed American factory doors.

While the committee acknowledges that it does not have primary jurisdiction over trade legislation, the committee believes that there are a number of programs within its purview which can contribute modestly toward improving the prospects for U.S. exports.

A major focus of the committee's efforts centered on an administration request to authorize and fund U.S. participation in a new multilateral agency—the Multilateral Investment Guarantee Agency (MIGA). Considerable debate took place on whether and under what circumstances U.S. participation in MIGA should be authorized. This debate was occasioned by two factors: The publicly stated opposition of the AFL-CIO, and several of its affiliated unions, to U.S. participation in MIGA; and a highly critical report by the General Accounting Office of the negative effects that the programs of the Overseas Private Investment Corporation—an organization with a mandate and programs very similar to MIGA—have had on U.S. employment and the U.S. trade balance. (*Foreign Aid: Impact of Overseas Private Investment Corporation Activities on U.S. Employment.* GAO Report [NSIAD 87-109, May, 1987.])

Ultimately the committee decided to authorize U.S. participation in MIGA because it believes that this is in the interest of the United States. However, it believes that such participation must be conditioned upon the governing body of MIGA adopting guidelines which make clear that no political risk insurance or guarantees will be extended to any investments which could potentially harm the U.S. trade balance, cause U.S. domestic production to move offshore, or result in the loss of American jobs. Such conditionality is essential to ensuring that investments encouraged by MIGA are in the short-term and long-term interest of the United States. This is essential if American companies and workers in such industries as textiles, shoes, citrus, electronics, and agriculture are to have some confidence that U.S. participation in MIGA will not be harmful to them.

The committee believes that an amendment offered by Senator Sanford, and adopted by the committee, addresses an important concern raised by the Department of the Treasury with regard to the manner in which the committee expects this issue to be addressed by the administration. This provision makes clear that it is not the intent of the committee to seek to have the convention which establishes MIGA renegotiated. Rather, it is to ensure that rules and regulations are adopted by the governing body of MIGA which incorporate the substance of the conditions contained in section 307 of the bill.

The committee also believes that the modifications to the Trade and Development Program (TDP) proposed in the bill will enhance the already fine record of performance which TDP has registered since its establishment in 1980. TDP, which funds feasibility studies for capital projects in developing countries, has been able to generate some $605 million in U.S. exports from the $75 million it has expended on feasibility studies. A recent independent audit of this program covering the period since 1980 suggests that as much as $7 billion in exports may result in the future from TDP programs.

The expansion of the scope of TDP's activities, to include training and management activities, should prove very complementary to the major focus of TDP. An amendment, offered by Senator Kerry, authorizing an additional $25 million in funding for fiscal year 1988, specifically for these training activities, should further enhance the export potential of TDP.

Finally, the committee believes that one of the most serious challenges standing in the way of an improved U.S. trade balance is the serious external debt crisis confronting developing countries. This crisis has important foreign and economic policy implications not only for the United States, but also for the international economic and political system as well. For these reasons, the committee included provisions designed to encourage the administration to move ahead to develop a more effective strategy for dealing with this debt crisis. Unless a plan of action can be developed to deal with this problem in the near future, it is the view of the committee that there can be no long term improvement in the U.S. trade balance.

Section-by-Section Analysis

TITLE I—TRADE ENHANCEMENT

Section 101—Multilateral Development Bank procurement

Section 101(a) sets forth, as U.S. policy, that U.S. companies should have full and fair access to participate in the procurement activities of the Multilateral Development Banks (MDB's) in which the United States participates as a member.

Section 101(b) instructs the Secretary of Commerce, in consultation with the Secretary of the Treasury, to place foreign commercial service officers in the offices of the U.S. executive directors of the MDBs. The appointment of Foreign Commercial Service Officers should be on a reimbursable basis.

Section 101(c) establishes an office of MDB procurement in the Bureau of International Affairs in the Department of the Treasury in order to ensure that MDB procurement information is sufficiently coordinated and made available to the public.

Section 102—Commercial personnel at the American Institute of Taiwan

Section 102 increases the number of commercial personnel employed by the American Institute of Taiwan to a level commensurate with the number of U.S. personnel of the commercial service who are permanently assigned to the U.S. diplomatic mission to South Korea. This will raise the number of such personnel currently employed by the Institute from 3 to 6.

The committee believes that not only should the number of personnel employed by the Institute be equal to the number of such U.S. personnel employed in South Korea, but that these individuals should be of comparable rank, in keeping with the importance of the Taiwanese market to U.S. exports, and in light of the bilateral trade deficits which the U.S. has registered with Taiwan over the past several years—$15 billion in 1986 alone.

Section 103—Trade liberalization in developing countries

Section 103 expresses the sense of the Congress concerning the need for expanded market access world-wide to sustain economic growth.

Section 104—Trade and development program

Section 104(a) reaffirms congressional support for the Trade and Development Program (TDP). Section 104(b) amends Section 661 of the Foreign Assistance Act to expand the scope of activities which TDP may support to include training and management.

Section 104(c) codifies TDP's present status as an independent component agency of the International Development Cooperation Agency (IDCA). It also provides that the TDP director shall be appointed by the President, with the advice and consent of the Senate, beginning on or after January 1, 1989. This subsection also provides that TDP serve as the lead Federal agency in making available information to the private sector on trade development and export promotion related to bilateral aid development projects.

It is the view of the committee, however, that the U.S. Foreign Commercial Service should continue to serve as the principal action agency abroad for TDP. TDP should cooperate with the office of International Major Projects of the Department of Commerce and other Federal agencies in providing information to the private sector concerning trade development and export promotion related to multilateral development projects.

Section 104(c) also authorizes the establishment of an advisory board to assist TDP.

Section 104(d) is the result of an amendment by Senator Kerry. It authorizes appropriations of an additional $25 million for fiscal year 1988 for TDP, and earmarks these funds specifically for the purpose of undertaking education and training programs of foreign nationals. The Kerry amendment specifically calls for special emphasis on nationals from the People's Republic of China and Taiwan in TDP's training efforts. Fifty percent of these funds are to be available only for education and training programs to be administered in the United States, by small business concerns.

Section 104(e) makes available for use by TDP, in addition to funds authorized for that purpose, not less than $5 million from funds authorized to carry out Sections 103 through 106 of the Foreign Assistance Act of 1961, during fiscal year 1988.

Section 104(f) establishes the pay grade for the director of TDP as equivalent to that of an under secretary.

Section 105—Tied aid credits and the trade and development program

Sections 105 (a) and (b) transfer authority over the tied aid credit program, authorized pursuant to Sections 644 and 645 of the Trade and Development Enhancement Act of 1983, from AID to TDP. They also provide authority to the Director of TDP to identify mixed credit opportunities that could be funded by ESF funds. As a component agency of the International Development Cooperation Agency, the TDP director would, of course, consult and obtain the concurrence of the Secretary of State, in cooperation with the Administrator for AID. Such consultation and concurrence are mandated by Section 531 of the Foreign Assistance Act of 1961, if ESF funds are to be used to fund any tied credits opportunities identified by TDP.

Section 105(c) adds TDP to the membership of the National Advisory Council (NAC) on International Monetary and Financial Policies for any NAC discussion and decision on matters involving tied aid credits. The currrent statutory requirement for unanimous NAC consent on decisions involving tied aid credits is replaced by a simple majority voting requirement.

Section 105(d) sets forth transition procedures for the transfer of authorities from AID to TDP.

Section 106—Protection of United States intellectual property

Section 106 expresses the sense of the Congress concerning the need to protect U.S. intellectual property rights and to negotiate multilateral agreements to accomplish this.

Section 107—Registration fees for munitions control licenses

Section 107 amends Section 38(b)(1) of the Arms Export Control Act to create a Department of State account into which would be authorized to be deposited each fiscal year $100,000 of the fees charged applicants for munitions control licenses. These funds would be available, without fiscal year limitation, for expenses incurred in automating the processing of such licenses, including developing, purchasing, and servicing computer equipment and related software.

TITLE II—MANAGEMENT OF INTERNATIONAL DEBT CRISIS

Section 201—Limited purpose special drawing rights for the poorest heavily indebted countries

Section 201 requires that a study be undertaken by the Secretary of the Treasury, in consultation with the directors and staff of the International Monetary Fund, to determine the feasibility of allocating special drawing rights to the poorest, most heavily indebted countries to be utilized to repay official debts of recipient countries; and that a report of the findings of such study be submitted to the Congress.

Section 202—Capital flight

Section 202 expresses the sense of the Congress that the Secretary should assess whether existing reporting requirements of U.S. private financial institutions concerning the movement of capital between countries are adequate to measure capital flight; should upgrade such requirements if they are found inadquate; and should share information on capital flight with affected countries.

Section 203—Debt management facility negotiations

Section 203(a) mandates that the Secretary of the Treasury initiate negotiations with industrialized and developing countries, deemed appropriate, to propose the establishment of a multilateral debt management facility empowered to address the various aspects of the current debt crisis confronting the international monetary system.

Section 203(b) sets forth suggested activities which the proposed facility might be empowered to undertake in addressing the debt problem.

Section 203(c) mandates that interim reports be submitted to the Congress every 6 months following the date that this title is enacted into law.

Section 204—Action by multilateral institutions

Section 204(a) directs the Secretary of the Treasury to explore possibilities available for rapid funding of any debt facility created pursuant to Section 203, including the transfer of some of the liquid assets of the International Bank for Reconstruction and Development (IBRD).

Section 204(b) directs the Secretary of the Treasury to consider requesting authority to transfer funds previously authorized as U.S. contributions to the 1970 and 1984 Selective Capital Increases of the Capital of the International Bank for Reconstruction and Development to fund some or all of any U.S. contributions which might be agreed to in establishing a debt facility.

TITLE III—MULTILATERAL INVESTMENT GUARANTEE AGENCY

Section 301—Short title

Section 301 provides that this title may be cited as the "Multilateral Investment Guarantee Agency Act".

Section 302—Acceptance of membership

Section 302 provides that the President is hereby authorized to accept membership for the United States in the Multilateral Investment Guarantee Agency (hereinafter the "Agency") provided for by the Convention Establishing the Multilateral Investment Guarantee Agency (hereinafter the "Convention") deposited in the archives of the International Bank for Reconstruction and Development (hereinafter the "Bank").

Section 303—Governor and alternate Governor

Section 303 provides that the Governor and alternate Governor of the Bank, appointed under Section 3 of the Bretton Woods Agreements Act, as amended (59 Stat. 512, 22 U.S.C. 286, et seq.), shall serve as Governor and alternate Governor, respectively, of the Agency.

Section 304—Applicability of Bretton Woods Agreements Act

Section 304 provides that the provisions of Section 4 of the Bretton Woods Agreements Act, as amended, shall apply with respect to the Agency to the same extent as with respect to the Bank and the International Monetary Fund. Reports with respect to the Agency under Sections 4(b) (5) and (6) of that Act shall be included in the reports made thereunder after the United States accepts membership in the Agency.

Section 305—Restrictions

Section 305 provides that unless authorized by law, neither the President nor any person or agency shall, on behalf of the United States—

(a) subscribe to additional shares of stock of the Agency;

(b) vote for or agree to any amendment of the convention which increases the obligations of the United States, or which changes the purpose or functions of the Agency; or

(c) make a loan or provide other financing to the Agency.

Section 306—Federal Reserve banks as depositories

Section 306 provides that any Federal Reserve bank that is requested to do so by the Agency shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

Section 307—Subscription of stock

Section 307(a) authorizes the Secretary of the Treasury to subscribe on behalf of the United States to 20,519 shares of the capital stock of the Agency, except that the subscription shall be effective only to such extent or in such amounts as are provided in advance in appropriations Acts.

Section 307(b) provides an authorization of appropriations of $222,015,580, to be available without fiscal year limitation, for payment of the United States subscription by the Secretary of the Treasury as authorized in subsection (a), but limits the amounts which may be made available in fiscal year 1988 to pay for the paid-in portion of the subscribed capital to $44.4 million.

Section 307(c) provides that any payment of dividends made to the United States by the Agency shall be deposited into the Treasury as a miscellaneous receipt.

Section 307(d) prohibits the Secretary of the Treasury from depositing instruments of ratification, making available funds, or otherwise participating in MIGA, notwithstanding subsections (a) and (b) of this section, until he determines and so reports to Congress that certain provisions have been included in the rules and regulations which will govern the operations of MIGA with respect to the issuance of insurance and guarantees.

Specifically, section 307(d)(1) mandates, as a condition of U.S. participation, that the rules and regulations concerning the issuance of insurance and guarantees by MIGA include prohibitions against the issuance of insurance and guarantees for any investment in a participating country (i) if that investment is likely to result in the investor reducing the number of U.S. employees which such investor employees; (ii) if that investment is likely to result in the production of goods for export to the United States in direct competition with U.S. produced goods; or (iii) if that investment is likely to result in production for exports to third countries, in direct competition with U.S. exports.

Section 307(d)(1) also conditions U.S. participation on the adoption of rules and regulations which prohibit the issuance of insurance or guarantees for any investments in a member country, (i) if such country has failed to take steps to adopt and implement laws which extend internationally recognized worker rights (as defined in Section 502(a)(4) of the Trade Act of 1974) to its workers, or (ii) if such country imposes performance requirements as a condition of permitting the establishment, expansion, or maintenance of investments owned by foreign nationals or companies. Performance requirements would include such government practices as conditioning government approval of a proposed investment on certain commitments by investors to procure and hire locally, or to export some or all of the final product.

Section 308—Jurisdiction of the United States Courts and enforcement of arbitral awards

Section 308 provides that for the purposes of any civil action which may be brought within the United States, its territories or possessions, or the Commonwealth of Puerto Rico, by or against the Agency in accordance with the convention, including an action brought to enforce an arbitral award against the Agency, the Agency shall be deemed to be an inhabitant of the Federal judicial district in which its principal office within the United States or its agent appointed for the purpose of accepting service or notice of service is located, and any such action to which the Agency shall be a party shall be deemed to arise under the laws of the United States, and the district courts of the United States, including the courts enumerated in Section 460 of Title 28, United States Code, shall have original jurisdiction of any such action. When the Agency is a defendant in any action in a State court, it may at any time before the trial thereof remove the action into the appropriate district court of the United States by following the procedure for removal provided in Section 1446 of Title 28, United States Code.

Section 309—Effectiveness of the convention

Section 309 provides that articles 43 through 48, inclusive, of the convention shall have full force and effect in the United States, its territories and possessions, and the Commonwealth of Puerto Rico, upon the entry into force of the convention for the United States.

Section 310—Arbitral awards

Section 310(a) provides that an award of an arbitral tribunal resolving a dispute arising under article 57 or article 58 of the convention shall create a right arising under a treaty of the United States. The pecuniary obligations imposed by such an award shall be enforced and shall be given the same full faith and credit as if the award were a final judgment of account of general jurisdiction of one of the several States. The Federal Arbitration Act (9 U.S.C.

1, et seq.) shall not apply to enforcement of awards rendered pursuant to the convention.

Section 310(b) establishes the district courts of the United States (including the courts enumerated in Section 460 of Title 28, United States Code) as having exclusive jurisdiction over actions and proceedings under subsection (a) of this section, regardless of the amount in controversy.

TITLE IV—MISCELLANEOUS PROVISIONS

Section 401—Budget offset For MIGA authorization of appropriations

Section 401 reduces the level of funding which may be made available in fiscal year 1988 to the International Bank for Reconstruction and Development (IBRD) by some $44.4 to $11.6 million, in order to offset appropriations of that amount which are contained in title III of this bill for MIGA. This is done in order to maintain overall funding of the MDB's at fiscal year 1987 appropriated levels, in keeping with the practice the committee followed in marking up the fiscal year 1988 foreign assistance legislation.

Section 402—Report

Section 402 requires that the Secretary of State conduct an in-depth study of the annual reports mandated by Section 505(c) of the Trade Act of 1974, pertaining to the status of internationally recognized worker rights in foreign countries, with a view toward improving the breadth and content of such reports. This provision is included in response to criticism that these reports have not adequately reflected the status of such rights in all circumstances. A report is to be submitted to Congress on this study within 6 months from the date of enactment.

Section 403—Operations of the Overseas Private Investment Corporation in the People's Republic of China

Section 403 amends Section 231A of the Foreign Assistance Act (pertaining to internationally recognized worker rights and the Overseas Private Investment Corporation (OPIC)) to require that in implementing this section with respect to determinations concerning the People's Republic of China, that OPIC submit to the Foreign Relations Committee of the Senate and the Foreign Affairs Committee of the House a report which discusses fully and completely the justification for such determination on an annual basis, or whenever a change in policy with respect to section 231A is contemplated with respect to such country.

Section 404—United States Trade restrictions on products from sub-Saharan Africa

Section 404(a) expresses the sense of the Congress regarding trade barriers on sub-Saharan African products.

Sections 404 (b) and (c) direct the General Accounting Office to report to the Congress no later than June 1, 1988, on United States trade restrictions affecting the importation into the United States of products for developing countries in sub-Saharan Africa, the economic costs to the United States of removing these restrictions, and recommendations for appropriate administrative or legislative action based on this report.

Section 405—Monitoring the reexport of U.S.-origin military technology

Section 405 expresses the sense of the Congress that the Secretary of State, in cooperation with the Secretary of Commerce and other relevant agencies of the Government, should assess whether current practices and procedures for monitoring compliance by recipient countries of the use and reexport of U.S.-origin military technology is adequate and effective, and should report of this assessment to the Congress.

Section 406—Japanese importation of manufactured goods from less developed countries

Section 406 expresses the sense of the Congress that Japan should undertake steps to open its markets to imports from developing countries, particularly manufactured imports from such countries.

Section 407—Japan and the Arab boycott of Israel

Section 407 expresses the sense of Congress that the Government of Japan should expand trade with Israel and end the cooperation of Japanese commercial enterprises with the Arab economic boycott of Israel.

Section 408—Policy on economic and political stability in the Caribbean and Central America

Section 408(a) expresses the sense of Congress concerning the political and economic ties which have existed between the United States and the countries of the Caribbean and Central America, concerning U.S. national security interests in promoting economic and political stability in the region, concerning the role that trade and foreign investment can play in promoting such stability in the region, and concerning the original intent of the Caribbean Basin initiative to promote expanding trade and investment opportunities for the region.

Section 408(b) expresses the intent of Congress to strengthen the trade elements of the current CBI program and to ensure that any changes to existing trade laws do not result in imports from the region being treated less favorably than those from other trading partners.

Section 409—Policy on the negotiation of an international agricultural conservation reserve agreement

Section 409 expresses the sense of the Congress concerning the desirability of the President's conducting multilateral negotiations with major agricultural commodity exporting nations, with a view to establishing an international agricultural conservation reserve to reduce worldwide grain surpluses and control soil erosion.

Section 410—Effective date

Section 410 establishes the effective date of provisions of this act as October 1, 1987, unless otherwise specified.

Cost Estimate

Rule XXVI, paragraph 11(a) of the Standing Rules of the Senate requires that committee reports on bills or joint resolutions contain a cost estimate for such legislation in the fiscal year it is reported and in each of the following 5 years. The Congressional Budget Office has prepared the following estimate for this bill.

U.S. Congress,
Congressional Budget Office,
Washington, DC, June 17, 1987.

Hon. Claiborne Pell,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the attached cost estimate on the United States Trade Facilitation Act of 1987, as ordered reported by the Senate Committee on Foreign Relations on June 4, 1987.

Should the committee so desire, we would be pleased to provide further details on the attached cost estimate.

With best wishes,

Sincerely,

Edward M. Gramlich,
Acting Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: Unassigned.
2. Bill title: United States Trade Facilitation Act of 1987.
3. Bill status: As ordered reported by the Senate Foreign Relations Committee on June 4, 1987.
4. Bill purpose:

Title I—Trade enhancement. The Secretary of Commerce is directed to appoint a commercial service officer to serve with the executive director of each of the multilateral development banks, and the Secretary of the Treasury is directed to establish an office of multilateral development bank procurement within the Bureau of International Affairs.

Section 104 reorganizes the Trade and Development Program as a separate agency within the International Development Cooperation Agency, establishes an advisory board for the director, and authorizes the appropriation of $45 million in fiscal year 1988. Section 105 transfers responsibility for tied-aid credits from the Agency for International Development to the Trade and Development Program.

Section 107 authorizes, to the extent provided in appropriations acts, the State Department's Office of Munitions Control to spend $100,000 per year from registration fee revenue on data processing.

Title II—Management of international debt crisis. The Secretary of the Treasury is directed to conduct a study of reducing the international debt of heavily indebted less developed countries through a one-time allocation of special drawing rights, and to initiate negotiations with other countries to establish a multilateral debt management facility.

Title III—Multilateral Investment Guarantee Agency. This title authorizes the President to accept membership to the Multilateral Investment Guarantee Agency (MIGA), and authorizes the appropriation of $222,015,580 to purchase capital stock in the agency.

Title IV—Miscellaneous provisions. Section 401 limits the fiscal year 1988 appropriation for the International Bank for Reconstruction and Development paid-in capital to $11.6 million. The title contains other sense of the Congress provisions.

5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
Estimated authorization	90.2	0.8	0.7	0.7	0.7
Callable capital subscription	177.6	0	0	0	0
Estimated outlays	27.5	21.1	14.2	4.0	0.7

Costs of this bill fall into budget functions 150, 370, and 800.

Basis for Estimate:

Title I—Trade enhancement. Section 101 requires that one officer of the U.S. Foreign Commercial Service be appointed to serve with the U.S. executive director of each of the multilateral development banks in which the U.S. participates. This provision would result in a cost of approximately $200,000 annually if these positions were new rather than reassigned. This section also requires the Secretary of the Treasury to establish an office of multilateral bank procurement. The estimate assumes the office would require an additional eight personnel at an annual cost of about $350,000.

Section 104 reorganizes the Trade and Development Program as a separate agency and authorizes $45 million for fiscal year 1988. Outlays were estimated using historical spend-out rates.

Section 107 authorizes the State Department's Office of Munitions Control to spend $100,000 per year from registration fee revenue on data processing. Outlays were estimated using historical spend-out rates for State Department salaries and expenses.

Title II—Management of international debt crisis. The Secretary of the Treasury is directed to conduct a study of reducing the international debt of heavily indebted less-developed countries through a one-time allocation of special drawing rights, and to initiate negotiations with other countries to establish a multilateral debt management facility. The additional workload is estimated to cost about $100,000.

Title III—Multilateral Investment Guarantee Agency. This title authorizes the President to accept membership in the MIGA, and authorizes the appropriation of $222 million to purchase capital stock in the agency. The international convention establishing the MIGA requires that 20 percent of member countries' capital subscription be paid-in; the balance is composed of callable capital stock. The estimate assumes that $44.4 million for paid-in capital will be appropriated and $177.6 million will be provided as a limitation on callable capital subscription in a subsequent appropriation act. The outlay estimate assumes that one-half the paid-in capital will be disbursed upon joining the MIGA, and half will be provided as an irrevocable letter of credit that is not estimated to disburse.

Title IV—Miscellaneous provisions. Section 401 limits the fiscal year 1988 obligations for the International Bank for Reconstruction and Development (IBRD) paid-in capital to $11.6 million. This is a obligation reduction of $46.2 million relative to the CBO baseline, and is estimated to reduce outlays in fiscal year 1988 by $4.6 million. The estimate assumes the reduction in obligations and outlays in fiscal year 1988 will slip into fiscal year 1989.

6. Estimated cost to State and local governments: None.
7. Estimate comparison: None.
8. Previous CBO cost estimate: None.
9. Estimate prepared by: Joseph C. Whitehill, James Hearn, and Carol Cohen.
10. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

Evaluation of Regulatory Impact

In accordance with Rule XXVI, paragraph 11(b) of the Standing Rules of the Senate, the Committee has concluded that there is no regulatory impact from this bill.

Changes in Existing Law

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

The Foreign Assistance Act of 1961, as Amended

*   *   *   *   *   *   *

SEC. 231A. ADDITIONAL REQUIREMENTS.—(a) * * *

(1) * * *

*   *   *   *   *   *   *

(4) In making a determination under this section for the People's Republic of China, the Corporation shall discuss fully and completely the justification for making each of the determinations required by section 502(a)(4) of the Trade Act of 1974.

*   *   *   *   *   *   *

SEC. 661. TRADE AND DEVELOPMENT PROGRAM.—(a) The President is authorized to work with friendly countries, especially those in which the United States development programs have been concluded or those not receiving assistance under part I of this Act, in (1) facilitating open and fair access to natural resources of interest to the United States and (2) stimulation of reimbursable aid programs consistent with part I of this Act. *(Funds appropriated under this section may be used to provide support for project planning, development, management, and procurement for both bilateral and multilateral projects, including training activities undertaken in connection with a project, for the purpose of promoting the use of United States exports in such projects.* Any funds used for purposes of this section may be used notwithstanding any other provision of this Act.

(b)(1) The purposes of this section shall be carried out by the Trade and Development Program, which shall be a separate component agency of the International Development Cooperation Agency. The Trade and Development Program shall not be an agency within the Agency for International Development or any other component agency of the International Development Cooperation Agency.

(2) There shall be at the head of the Trade and Development Program a Director. Any individual appointed as the Director on or after January 1, 1989, shall be appointed by the President, by and with the advice and consent of the Senate.

(3) The Trade and Development Program should cooperate with other Federal agencies to provide information to persons in the private sector concerning trade development and export promotion related to bilateral development projects. The Trade and Development Program should cooperate with the Office of International Major Projects of the Department of Commerce and other Federal agencies in providing information to persons in the private sector concerning trade development and export promotion related to multilateral development projects.

(4) The Director of the Trade and Development Program shall, not later than December 31 of each year, submit to the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate a report on the activities of the Trade and Development Program in the preceding fiscal year.

(c) The Director of the Trade and Development Program authorized by this section shall, by regulation, establish an advisory board which shall include representatives of the Small Business Service Bureau, Incorporated, the American Consulting Engineers, and the International Engineering and Construction Industries Council.

【(b)】 *(d)(1)* There are authorized to be appropriated to the President for purposes of this section, in addition to funds otherwise available for such purposes, $20,000,000 for the fiscal year 【1986】 *1987* and 【$20,000,000 for the fiscal year 1987】 *$45,000,000 for the fiscal year 1988.*

(2)(A) Of the amounts authorized to be appropriated by this section for the fiscal year 1988, $25,000,000 shall be available only for education and training programs related to activities under this section, including the operating expenses incurred in implementing such programs with particular emphasis to be placed on including nationals from the People's Republic of China and Taiwan in such programs.

(B) Of the amounts made available to carry out subparagraph (A), 50 percent of such funds shall be available only for education and training programs administered in the United States by small business concerns within the meaning of section 3 of the Small Business Act.

TITLE 5

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§ 5314. Positions at level III

* * * * * * *

Director, Trade and Development Program.

* * * * * * *

Trade and Development Enhancement Act of 1983

* * * * * * *

SEC. 644. (a)(1) * * *

(2) The program shall be carried out in co-operation with the [Agency for International Development] *Trade and Development Program* and with private financial institutions or entities, as appropriate.

(3) The program may include—

(A) the combined use of the credits, loans, or guarantees offered by the Export-Import Bank of the United States with concessional financing or grants [offered by the Agency for International Development] *made available under section 645(d) of this Act,* by methods including the blending of the financing of, or parallel financing by, the Bank and the [Agency for International Development] *Trade and Development Program;* and

* * * * * * *

ESTABLISHMENT OF A TIED AID CREDIT PROGRAM [IN THE AGENCY FOR INTERNATIONAL DEVELOPMENT] *ADMINISTERED BY THE TRADE AND DEVELOPMENT PROGRAM*

SEC. 645. (a) The [Administrator of the Agency for International Development shall establish within the Agency] *Director of the Trade and Development Program shall carry out* a program of tied aid credits for United States exports. The program shall be carried out in cooperation with the Export-Import Bank of the United States and with private financial institutions or entities, as appropriate. The program may include—

(1) the combined use of the credits, loans, or guarantees offered by the Bank with concessional financing or grants [offered by the Agency for International Development] *made available under subsection (d),* by methods including the blending of the financing of, or parallel financing by, the Bank and the [Agency for International Development] *Trade and Development Program*; and

(2) the combination of concessional financing or grants [offered by the Agency for International Development] *made available under subsection (d)* with financing offered by private financial institutions or entities, by methods including the blending of the financing of, or parallel financing by, the [Agency for International Development] *Trade and Development Program* and private institutions or entities.

* * * * * * *

(c)(1) Funds [of the Agency for International Development] which are used to carry out a tied aid credit program authorized by subsections (a) and (b) shall be offered only to finance United States exports which can reasonably be expected to contribute to the advancement of the development objectives of the importing country or countries, and shall be consistent with the economic, security, and political criteria used to establish country allocations of Economic Support Funds.

(2) The [Administrator of the Agency for International Development] *Director of the Trade and Development Program* is authorized to establish a fund, as necessary, for carrying out a tied aid credit financing program as described in this section.

[(d) The Administrator of the Agency for International Development may draw on Economic Support Funds allocated for Commodity Import Programs to finance a tied aid credit activity.] *(d) Funds available to carry out chapter 4 of part II of the Foreign Assistance Act of 1961 may be used by the Director of the Trade and Development Program, with the concurrence of the Secretary of State (as provided under section 531 of the Foreign Assistance Act). The Secretary of State shall exercise his authority in cooperation with the Administrator of the Agency for International Development to carry out this section and section 644. Such funds may be used to finance a tied aid credit activity in any country eligible for tied aid credits under this Act.*

IMPLEMENTATION

SEC. 616. (a)(1) * * *

(2) No financing may be approved under the tied aid credit programs authorized by section 644 or section 645 [without the unanimous consent of the members of the National Advisory Council on International Monetary and Financial Policies] *unless a majority of the Members of the National Advisory Council on International Monetary and Financial Policies approve such financing.*

(b) The Trade and Development Program shall be represented at any meetings of the National Advisory Council on International Monetary and Financial Policies for discussion of tied aid credit matters, and the representative of the Trade and Development Program at any such meeting shall have the right to vote on any decisions of the National Advisory Council relating to tied aid credit matters.

* * * * * * *

The Arms Export Control Act

* * * * * * *

SEC. 38. CONTROL OF ARMS EXPORTS AND IMPORTS.—(a)(1) * * *

* * * * * * *

(b)(1) As prescribed in regulations issued under this section, every person (other than an officer or employee of the United States Government acting in an official capacity) who engages in the business of manufacturing, exporting, or importing any defense articles or defense services designated by the President under subsection (a)(1) shall register with the United States Government agency charged with the administration of this section, and shall pay a registration fee which shall be prescribed by such regulations. *For each fiscal year, $100,000 of such registration fees shall be credited, to the extent or in the amounts as may be provided in an appropriation Act, to a Department of State account to be available* *without fiscal year limitation, only for the payment of expenses incurred in automating munitions control functions and processing munitions control license applications, including developing, procuring, and utilizing computer equipment and related software.* Such regulations shall prohibit the return to the United States for sale in the United States (other than for the Armed Forces of the United States and its allies or for any State for local law enforcement agency) of any military firearms or ammunition of United States manufacture furnished to foreign governments by the United States under this Act or any other foreign assistance or sales program of the United States, whether or not enhanced in value or improved in condition in a foreign country. This prohibition shall not extend to similar firearms that have been so substantially transformed as to become, in effect, articles of foreign manufacture.

* * * * * * *

ADDITIONAL VIEWS OF MR. HELMS

The Committee's bill, as reported, is an adequate component of overall trade legislation. However, the bill can be made more effective in addressing some of the real problems of U.S. trade during Senate consideration. These views will concentrate on those issues which should be addressed for a more targeted and responsive bill.

I. Should Taxpayers Contribute to Multilateral Financial Institutions Which Finance U.S. Competition?

In terms of addressing adverse impact on the U.S. trade situation, attention has not been adequately focused on the impact of subsidized loans made by the various multilateral financial institutions to which U.S. taxpayers are required to contribute. The United States presently contributes to the several "windows" of the World Bank—the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC)—as well as various regional development banks—the Asian Development Bank (ADB), the Inter-American Development Bank (IDB), and the African Development Fund in addition to the International Monetary Fund. These windows provide subsidized loans by offering extended repayment periods (as long as 50 years) and at below-market interest rates.

The recently reported foreign aid bill, S. 1274, proposed $700 million in new funding authorizations for fiscal year 1988, and $3.8 billion over the next several years.

What do the American taxpayers get for their money? One unfortunate answer is that they get numerous World Bank and other loans made to countries for purposes of developing industries that will compete with the products produced by U.S. workers. Loan after loan provides examples where U.S. taxpayers are, in essence, financing foreign competition and, in the worst cases, financing themselves right out of a job.

While the Treasury Department claims to have made some inroads toward reducing the number of such loans approved by the World Bank, the evidence indicates that significant problems remain. Given the current status of our declining exports, the impact of these loans is having a more and more adverse impact on key industries in the United States. The Congress should do more than simply cajole bank officials about these loans; bank officials seem to pay greater attention when the flow of U.S. tax dollars—our "contributions"—are reduced.

Requirements in the annual appropriations bills for multilateral development bank financing have been established to require the U.S. executive directors at the various banks to vote against loans that are intended to support commodities that are already in world surplus. Based on this guidance, the Secretary of the Treasury has reported that the U.S. directors have voted against such loans on 19 occasions as outlined in the following table.

U.S. NEGATIVE VOTES AND ABSTENTIONS IN THE MDB'S FOR POTENTIAL U.S. ECONOMIC EFFECTS REASONS—USFY'S 1980–87 [1]

[Dollar amounts in millions]

Institution	Date	Country	Amount	Project	Vote	Reason
Fiscal years 1980/81/82:						
None.						
Fiscal year 1983:						
IBRD	May 1983	Egypt	$165.3	El Diheila reinforcing bar	Abstain	Not a developmental priority.
IFC	do	do	[2] 31.2 [3] +7.2	do	do	Do
Fiscal year 1984:						
IBRD	March 1984	Zambia	75.0	Copper industry rehabilitation	No	Doubtful financial viability.
IDB	November 1983	Chile	[4] 268.0	CODELCO copper mining and processing expansion.	No	Inappropriate financial structure. CODELCO rather than the Government should bear the debt service burden.
Fiscal year 1985:						
IFC	February 1985	Brazil	[3] 3.0	COSIGUA steel modernization	No	Additional IFC equity investment not necessary, and therefore could displace local private capital.
ADB	June 1985	Indonesia	[5] 0.4	Kratama Belindo steel fabricating	No	Poor management structure, inefficient import substitution, and no government commitment to divest its (40 percent) interest.
Fiscal year 1986:						
IBRD	December 1985	Mauritania	20.0	SNIM iron ore mining rehabilitation.	Abstain	Potentially premature due to global overcapacity, and unsound sector tax policy.
IBRD	March 1986	China	75.0	Third industrial credit project	do	Unsustainable textile export trend given bilateral quota agreements.
IBRD	April 1986	Brazil	155.0	Agricultural extension II	do	Obey Amendment (5 percent decline in soybean oil price).
IBRD	do	Zaire	110.0	GECAMINES copper rehabilitation	No	Garn Amendment regarding copper production.
IBRD	July 1986	Malaysia	55.0	Second Western Johor Agricultural development (palm oil).	No	No institution building role for IBRD.
IDA	March 1986	China	25.0	Third industrial credit project	Abstain	Unsustainable textile export trend given bilateral quota agreements.
IDB	November 1985	Argentina	[4] 40.0	SIDERCA seamless steel tube and pipe expansion.	do	Doubtful economic and financial viability due to global overcapacity.
IDB	December 1985	Chile	[4] 130.0	Multisector Global Credit Program III.	No	Garn Amendment regarding copper production.

ADB	September 1986	Indonesia	90.0	Second nucleus estate and small holder palm oil.	No	Doubtful economic and financial viability due to global overcapacity.
ADF	do	Pakistan	66.1	Cotton development	Abstain	Inadequate cotton subsector policy reform.
AFDB	June 1986	Zaire	72.6	GECAMINES copper rehabilitation	No	Garn amendment regarding copper production.
Fiscal year 1987:						
IBRD	March 1987	China	250.0	Fourth industrial credit project	Abstain	Unsustainable textile export trend given bilateral quota agreements.
IDA	do	do	50.0	Fourth industrial credit project	do	Do.

[1] The United States has opposed 19 MDB loan or equity proposals for 16 investments since the start of fiscal year 1980 which might have harmed American producers. However, the potential negative impact upon our producers was the deciding factor for only the following five investments: *China: Third industrial credit project; Brazil: Agricultural extension II project;* Malaysia: Second Western Johor agricultural development; Argentina: SIDERCA seamless steel tube project; and China: Fourth industrial credit project.

The Garn amendment regarding copper applied to the following three loans: Zaire: GECAMINES Rehabilitation; Chile: Multisector Global Credit Program III; and Zaire: GECAMINES rehabilitation.

The remaining eleven investments were opposed because they did not meet our economic, financial, and developmental criteria.

[2] Loan.

[3] Equity.

[4] (IRC).

[5] Equity (OC).

Source: U.S. Department of the Treasury.

However, the U.S. position was not upheld in a single case. Thus, each of these countries has received a loan or loans to begin production of commodities already in surplus; this kind of "development" will only serve to compete with such commodities being produced by the very taxpayers in the United States who are providing the bulk of the funding of these multilateral development banks.

Senators Symms, Nickles, and McClure have introduced S. 220 to make permanent this requirement that U.S. executive directors vote against such loans and further adds teeth to the proposition by requiring that U.S. authorizations for future U.S. contributions be proportionally reduced if the MDB's persist in making such loans for commodities and minerals already in surplus. For example, in effect, if an MDB lent $100 million for such purposes and the U.S. share of that MDB's total funding was 20 percent, the amount authorized for future U.S. contributions would be reduced by $20 million. This method is intended to penalize the MDB's whenever they make loans contrary to repeated congressional directions. Over time, this reduction of our contribution would result in a reduction in the MDB's willingness to make loans of this type.

The Symms bill is intended to restrict agriculture lending to our foreign competitors so that the U.S. taxpayer and U.S. farmers are not financing foreign agricultural exports with which they directly compete. The Senate has acted favorably on the Symms approach during consideration of the 1985 farm bill in voting overwhelmingly, 65–13, in favor of an amendment similar to the present bill. Additionally, the Senate voted, by voice vote, in favor of an amendment offered by Senator Nickles to accomplish the same objective during consideration of the Export-Import Bank reauthorization last year.

However, these provisions have not been enacted into law. The trade bill provides the appropriate vehicle for serious consideration of the Symms-Nickles-McClure approach, which I am pleased to cosponsor.

Examples demonstrating the need for the legislation include the following:

> Eighty million dollar loan to Hungary in 1985 for the "expansion of exports of processed animal products." The idea that we're subsidizing loans to Communist countries is especially galling, a point which shall be addressed later.
>
> Uruguay received $60 million to increase export incentives in the agriculture/livestock sector.
>
> Egypt was lent $239 million to increase the production of rice for export.

All of these loans were made at interest rates far less than those available to our own farmers. No nation is rich enough to subsidize its competition.

An analysis of the Inter-American Development Bank by the Heritage Foundation underscores the problem with trade. According to the Heritage Foundation report, "The IDB often subsidizes U.S. trade competitors, especially in energy, mining, and agriculture. These loans have helped displace private capital investment and turned would-be private enterprises into public works projects, often without regard to supply and demand conditions."

In 1985, the IDB approved two loans totaling $60.3 million to help expand Argentina's Northern Natural Gas Pipeline. The loans have been used by Argentina's public gas corporation, despite a worldwide surplus in natural gas.

In 1985 and 1986, the IDB approved nearly $2.7 billion in energy, mining, and industrial development projects in 14 countries. As much as 25 percent of America's domestic energy producers are going out of business because of the combined effects of plunging world oil prices, high taxes, and dried-up investment capital. Yet U.S. tax dollars via the IDB are protecting other nations from these circumstances.

> Last year the IDB approved $636 million in loans to help boost Latin America's agricultural and fisheries production. Much of this money goes explicitly to increase agricultural export revenue, such as a $60 million loan to the Government of Argentina to increase production of grains, oilseeds, and livestock. Approved in 1984, this subsidization of Argentine grain also coincides with a world grain glut. Since 1980, the United States share of world agricultural trade (mostly wheat) has fallen from 44 to 30 percent, while Argentina's share has doubled. With the current wheat glut on world markets and with the U.S. Government advocating and paying farmers not to produce, it makes little sense for the IDB to be encouraging Argentina and other nations to increase production. In making these loans, the IDB displays little sense of global supply and demand conditions. Long-term economic growth is not spurred by subsidizing production of commodities already in oversupply. ("The Inter-American Development Bank: Re-Thinking America's Role", The Heritage Foundation, June 15, 1987.)

A similar, larger loan of $350 million was approved by the World Bank in 1986 for Argentina for purposes of encouraging an increase in agricultural production and exports.

The World Bank loans also go to state-owned operations, in a clear contradiction of free enterprise principles. For instance, the World Bank approved $90 million for the Agricultural Bank of [the People's Republic of] China to individual farmers households, collective units, and enterprises owned by local government entities in two provinces for the development of aquaculture, orchards, agro-processing, and livestock enterprises.

Mr. Joe Rogers, past U.S. Representative to the Asian Development Bank, and now a Washington consultant outlined some of the abuse in a recent article:

> The World Bank has recently approved a $100 million loan to China to rehabilitate its machine tool industry. State-run by definition, it is in direct competition with our own beleaguered industry. It successful, this project will reduce the sizable Chinese market for American producers and create the potential of a major new international supplier. Should this have occurred as a result of a competitive environment there could be no quarrel with the growth of China's industry. As part of a wave of subsidies, it is outrageous. ("A Sneaky Supplemental for the World Bank," Wall Street Journal, April 22, 1987.)

Other examples include $30 million to Burma to increase rice exports; $64 million to Hungary, to reduce its coal imports; $180 million for a credit program in Mexico to raise agricultural productivity with a view to increasing food production, agricultural exports, and real farm income; $375 million for India (a leading recipient of all World Bank loans) for investments in agriculture.

Between 1981-85, international financial institutions in which the United States participates loaned more than $20 billion for agricultural development. Investments of this kind hurt American farmers in two ways: First, by creating competition with our own agricultural products by countries which have no comparative advantage other than the availability of cheap credit; and second, by increasing the demand for U.S. dollars with which to repay the debt, thereby driving up the dollar's value.

S. 220, entitled "Foreign Agricultural Investment Reform" reduces such self-defeating "investment," and I hope will be considered as a part of the trade legislation.

II. Indirect U.S. Financing of Projects in Communist Nations Through the World Bank

To add insult to injury with regard to the actions of the World Bank is the fact that nine Communist countries (as defined by Section 620(f) of the Foreign Assistance Act) are members of the World Bank and its affiliates and, as of June 30, 1986 (the close of the fiscal year 1986 for the World Bank), the World Bank has lent them a total of $12.3 billion, about 8.3 percent of the money it has lent since it was created. The following table shows the amounts lent to each country. (Poland is not listed, as it was not a member during the period in question.) The sums were all lent since these Communist regimes took power.

WORLD BANK LOANS TO COMMUNIST COUNTRIES, CUMULATIVE TO 1986 AND 1981-86

[In millions of dollars]

Communist country	Cumulative			1981—6 only		
	IBRD	IDA	Total	IBRD	IDA	Total
Afghanistan		230.1	230.1		230.1	230.1
China	2,525.7	1,626.2	4,151.9	2,425.7	1,526.2	3,951.9
Hungary	991.9		991.9	991.9		991.9
Kampuchea						
Laos		57.1	57.1		57.1	57.1
Romania	2,184.3		2,184.3	681.5		681.5
Vietnam	6.1	47.0	53.1			
Yugoslavia	4,646.7		4,646.2	1,962.6		19,962.6

In addition to this aid to these Communist countries, the World Bank has also provided assistance to four countries with Marxist-Leninist regimes that have been of foreign policy concern to the United States. Some $1.5 billion was lent to the following: Ethiopia ($947.2 million), Nicaragua ($293.6 million), Mozambique ($45 million), and South Yemen ($189.9 million). In the case of Nicaragua, most of the money was lent before the current regime took power.

Not every country gets aid every year. Of the countries noted above, Afghanistan, Kampuchea, Mozambique, Nicaragua, Poland, Romania, South Yemen, and Vietnam received no new loan commitments in 1986. Kampuchea has had none since 1975; Vietnam, none since 1977; and Afghanistan, none since 1979.

The regional development banks have been a source of some additional aid to certain countries with Communist government or Marxist-Leninist regimes of concern to the United States. No Communist countries, as defined by Section 620(f) of the Foreign Assistance Act, belong to the Inter-American Development Bank, although Nicaragua has received a total of $462.9 million from the IDB, $66 million of it since 1980.

Five Communist countries belong to the Asian Development Bank: Afghanistan, Communist China, Kampuchea, Laos, and Vietnam. To date, Communist China has not borrowed from the Asian Bank. Kampuchea has borrowed a cumulative total of $1.67 million and Vietnam a cumulative total of $40.67 million, but neither country has received any new loan commitments since 1975. Afghanistan has borrowed a cumulative total of $95.1 million, but has had no new commitments since 1979. Laos has borrowed $78.1 million, a significant portion of it since 1975.

No Communist countries, as defined by Section 620(f) of the Foreign Assistance Act, are members of the African Development Bank or Fund. However, five member countries have self-proclaimed Marxist-Leninist governments in power. The amounts lent to these five countries through the end of 1985 are shown in the following table:

LOANS BY AFRICAN DEVELOPMENT BANK AND AFRICAN DEVELOPMENT FUND TO 5 AFRICAN COUNTRIES

[Cumulative through 1985; millions of UA [1] or FUA [1]]

	Loans by AFDB (UA)	Loans by AFDF (FUA)
Angola	44.7	16.0
Benin	16.2	77.5
Congo	105.6	8.0
Ethiopia	40.5	217.9
Mozambique	78.3	65.3

[1] The totals are in Units of Account (UA) or Fund Units of Account (FUA), the AFDB and AFDF's special accounting devise for recording the value of their loan transactions. A more precise translation into dollars for each country is difficult. (Since 1967, the UA has varied in value from $.98 to $1.31, while the FUA has fluctuated from $.90 to $1.21.) The African Bank says the value of its AFDB loans to all its member countries as of December 1985 was UA 3,276.9 million, or $3.8 billion. It says the cumulative value of its AFDF loans to all countries was FUA, 2,648.9 million, or $2.87 billion.

As of April 30, 1986, the close of this last complete fiscal year, only one Communist country (Yugoslavia) had any loans outstanding (SDR 322.5 million) to the International Monetary Fund. Of the other countries mentioned elsewhere in this discussion, Ethiopia was the only one with an outstanding credit balance owed the IMF for previous loans (SDR 35.3 million).

III. Something Fundamentally Wrong With Subsidized Trade With Communist Countries

As if it were not outrageous enough that the United States provides indirect aid to Communist countries through the multilateral development banks, U.S. taxpayers are even forced to finance aid directly through U.S. bilateral aid programs.

Section 620(f) of the Foreign Assistance Act generally prohibits the furnishing of aid authorized by that act to any Communist country. The legislation includes a list of Communist nations to which the prohibitions applies, but states that the ban is not necessarily limited to the listed countries. Section 620(f)(1) permits the President to waive the prohibition if he determines and reports to Congress that the aid is vital to U.S. security interests, that the recipient is not controlled by the "international Communist conspiracy," and that such aid will promote the recipient's independence from "international Communism." In December 1985, Secretary of State Shultz removed China and Tibet from the application of section 620(f) for an indefinite period (51 Fed. Reg. 1890, January 15, 1986.)

The prohibition in section 620(f) applies only to aid provided under the Foreign Assistance Act of 1961, and does not restrict U.S. assistance offered under other legislation. Certain exceptions have also been made, particularly for Communist China, with respect to the Trade and Development Program and the Overseas Private Investment Corporation which are authorized under the Foreign Assistance Act of 1961. Additional foreign aid programs, including Food for Peace and U.S. contributions to multilateral development banks (MDB's), are authorized by separate laws, and some Communist countries benefit from these progams. The prohibition also does not apply to other U.S. programs, such as the U.S. contribution to the International Monetary Fund; credits extended by the Export-Import Bank to promote American exports. Some Communist countries participate in these programs.

What is the imperative need to subsidize trade with Communist nations through our bilateral aid programs? Surely there must be more useful purposes for hard-earned U.S. tax dollars than subsidizing such trade with countries whose principles are diametrically opposed to our own values of free enterprise, democracy, and basic human rights.

For instance, one of the principles of U.S. trade laws is that trade relations should be restricted to those nations that comply with "internationally recognized worker rights." These rights are defined in Section 502(a)(4) of the Trade Act of 1974 to include the following:

(1) The right of association;

(2) The right to organize and bargain collectively;

(3) A prohibition on the use of any form of forced or compulsory labor;

(4) A minimum age for the employment of children; and

(5) Acceptable working conditions of work with respect to minimum wages, hours of work, and occupational safety and health.

How Communist China can be considered to be complying with these standards is not evident; yet the regime there continues to be treated favorably by the U.S. Government for purposes of trade.

IX. Special Trade Privileges for Romania Should Be Ended

During committee consideration, I offered an amendment to address the continuing crisis in Romania, where the Stalinist government of Mr. Ceausescu continues to oppress the God-fearing, freedom-loving people of that beleaguered country. The amendment would instruct our representatives at the multilateral banks to vote against any loan to Romania until the human rights situation has markedly improved there.

The Romanian Government is proud of its adherence to Stalinist tradition. Mr. Ceausescu has often claimed he is "independent" of Moscow, and the State Department has asked us to swallow that line, too. Mr. Gorbachev found out what "independence from Moscow" means during his recent trip to Romania: Ceausescu made clear that he would have nothing of Mr. Gorbachev's celebrated "glasnost," because Romania was not interested in "openness." Mr. Gorbachev took careful note of that hardline message, and so should we.

Churches and synagogues throughout Romania are not only closed, but destroyed, throughout the country. Dozens have been razed in the capital city of Bucharest alone. The majority of the Romanian people are very devout Christians, the Jewish traditions are also strong but the Communist government wants to deprive them of their cultural traditions, their religions, their freedoms, and, when they resist, their livelihoods. Mr. Ceausescu, it appears, wants to make Romania the Cambodia of Eastern Europe. He is waging genocide on the culture and civilization of his subjects, eliminating those who do not buckle under. He tries to lure us with promises of increased emigration if we will continue to finance his tyranny. Will we wait until all the countless Romanians who want to flee his yoke have been allowed to leave?

My amendment spelled out the reasons for the action it requires. It emphasized how blatantly the Ceausescu regime has given the back of the hand—the iron first—to human rights considerations. I do not understand how the State Department can side with Mr. Ceausescu on this one, especially after the detailed, on-the-spot reports prepared by the former U.S. Ambassador to Romania, David Funderburk. Ambassador Funderburk assures me that the Romanian situation is not improving; rather, Ceausescu is turning the screws even tighter.

It is my understanding that Romania is currently working with the World Bank on future applications for three new loans: (1) Irrigation and drainage project; (2) Power "timeslice" investment; and (3) Animal feed and other farm/agricultural oriented equipment.

We should not permit U.S. approval of these, nor any other loans, until significant improvements have been made in the human rights situation in Romania.

The amendment I offered was targeted at the immigration policies of Romania—using Jackson-Vanik standards—and the persecution of Hungarian minorities.

However, for those who are doubtful about Romanian intentions, let me remind my colleagues of a few incidents:

> Romania provides training camps for the PLO, and hosts Yasir Arafat several times a year. The defection of a high-ranking Romanian security officer has revealed complicity by Romania in the training of terrorists who took part in the *Achille Lauro* hijacking that killed Leon Klinghoffer. The de-

fector has also been reported as describing the infiltration of the U.S. Embassy in Romania.

Most-favored-nation status for Romania will be an issue when the trade bill is considered by the Senate—just as it was in the House. Inasmuch as this committee has jurisdiction over the various multilateral development banks, the amendment I offered in committee only dealt with this aspect of our financial support for the Romanian Communists. During Senate consideration, I will work with my colleagues to develop a comprehensive approach to the Romanian situation, including revocation of most-favored-naton status, instructions to U.S. executive directors at the multilateral development banks, and the elimination of any other taxpayer funded subsidies to the Ceausescu regime.

V. Compounding Our Mistake: Proposed Participation in the Multlateral Investment Guarantee Agency

One saving grace of the bill is that the committe did not go further in authorizing, as the administration requested, virtually unconditional U.S. participation in yet another multilateral financial institution. The administration had proposed that the United States subscribe to a few international agency to be named the Multilateral Investment Guarantee Agency (MIGA).

MIGA would be the international equivalent of the Overseas Private Investment Corporation (OPIC), a U.S. Government agency, insuring international private investors in foreign countries against the "noncommerical" risks associated with investments in such countries.

Congress rejected the administration's recommendaton to subscribe to the MIGA last year, at least partically because of the necessary budget constraint. There is no more money this year than there was last. We cannot afford this contribution to another multilateral financial institution. Indeed, frankly, even if we had a budget surplus, participation in the MIGA would not be advisable from a taxpayer perspective.

The Treasury Department also contends that participation would be "only a one-time" contribution. As the saying goes, "that's what they all say." U.S. participation in the MIGA would be continuing and ultimately result in additional requests for U.S. financing.

The Treasury Department representatives conceded that there is nothing in the MIGA guidelines to prevent insurance of parastatals, quasigovernmental industries which are quite common in socialist countries. Nor is there anything to ensure that MIGA would not insure investments in textiles, shoes, semiconductors, or other U.S. industries already hard hit by foreign competition.

This type of guarantee program takes the burden of risk off the lenders (where it belongs), perhaps resulting in investments that otherwise could not be justified. Frankly, MIGA "insurance" will provide certain countries with an "excuse" to expropriate the property of investors in their countries; the investors will be protected—thanks to the MIGA contribution of U.S. taxpayers and others. The countries could take such actions without the adverse investment consequences that should result from such irresponsible action. International investors should consider the risks of "non-commerical" losses through hostile activities of foreign governments when making their investments. They should not be insured against such risk by U.S. taxpayers. Nor should such countries be given preferential treatment not warranted by the real risk involved in investing in those countries.

The risks should be shared by the beneficiaries of such investment—i.e., the investors and the countries in which the investment is to take place—not by U.S. taxpayers. Otherwise, a MIGA system circumvents the free market's risk incentives and encourages reckless lending policies. A self-financing insurance program could be financed by the World Bank without a new raid on the U.S. Treasury; profits from World Bank loans could be channeled to such an insurance program. (Granted, this approach does not address the adverse effects of various World Bank loans, addressed elsewhere.)

The Overseas Private Investment Corporation already provides such insurance for U.S. companies making similar investments—a practice that has proven of questionable value, according to a recent GAO report. However, the idea of providing U.S.-financed insurance for investors from other countries (under the MIGA umbrella) is illogical. The only beneficiaries are the countries that do not have such insurance programs already and those developing countries that can act less responsibly because of the "insurance" provided to the new investors in their countries.

Unlike the OPIC, which itself is subject to similar criticism, the United States would not have control over the MIGA. Indeed, the analogy to OPIC, made by proponents of MIGA, is disturbing on several counts. First, recent analysis by the General Accounting Office confirms the suspicion that OPIC, in effect, is financing the export of American jobs. This may not trouble large multinational industries (who can make profits in whatever country they locate), but it is not an acceptable practice to most of our constituents who are the ones displaced by such an exodus. The GAO found that in 20 of 33 projects examined, direct effects on U.S. employment could have been expected to be potentially negative. (See "Foreign Aid: Impact of Overseas Private Investment Corporation Activities on U.S. Employment," GAO/NSIAD 87-109, May 1987.)

Second, even with OPIC's shortcomings in practice, it at least purports to be concerned with the impact on U.S. employment. Several conditions govern the use of OPIC financing, conditions that were not a part of the administration's recommendations for U.S. participation in MIGA.

Fortunately, Chairman Pell, in proposing U.S. participation in MIGA, included conditions designed to address these very real concerns about "runaway" industries that export U.S. jobs and develop industries that will create exports in competition with similar U.S. products. Specifically, the conditions attached to the authorization for U.S. participation in the MIGA—as proposed by the chairman and modified by Senator Sanford—require that no insurance or guarantees shall be issued, provided, or otherwise made available if the investment: (1) is likely to result in a reduction in the number of U.S. employees which the investor employs in the United States because such investment is intended to replace current U.S. production; (2) is likely to result in the production of goods for export to the United States, where such goods are likely to be in indirect competition with similar goods produced in the United States or if such goods are likely to be in competition with U.S. exports of the same products or goods elsewhere; (3) is in a country that establishes performance requirements as a condition of investment in that country; and (4) is a country that has failed to take steps to adopt and implement laws that extend internationally recognized worker rights to the worker in that country.

While I am opposed to U.S. participation under any circumstances, the conditions laid down by the chairman, as modified by Senator Sanford, are steps in the right direction toward making MIGA more responsive to the legitimate concerns of the taxpayers whose jobs will be endangered if the conditions are not attached.

If, as the Secretary of the Treasury stated in a letter to the committee, he is not willing to undertake a renegotiation of the MIGA convention to ensure these guarantees, then the United States should, indeed, cease all consideration of future membership in the MIGA. If MIGA is not "workable" with these reasonable conditions, then it is not worth U.S. participation.

I urge my colleagues to resist any attempt to eliminate or weaken the conditions that were attached to MIGA participation.

VI. U.S. Sugar Quota Should Be Used To Advance U.S. Foreign Policy Interests

Throughout the Third World, one of the most important subsidies granted by our country is our sugar quota. It guarantees selected sugar-producing countries a price for sugar three times the world price. Many countries have come to regard the sugar quota as a form of foreign aid, and the United States should treat it as such as well in determining which countries are eligible for the quota. For instance, the Foreign Relations Committee incorporated a provision which I support, offered by Senator Dodd, in the foreign aid authorization that would require the sugar quota to be allocated on the basis of developed status. Thus, developed countries that receive a quota would be eliminated or reduced in favor of less developed countries. This is an appropriate retargeting of the sugar quota.

Additionally, the Senate should adopt a provision that I first offered to the omnibus drug bill last fall that would eliminate the quota of any country importing sugar produced in Cuba. This will assure that countries will not be able to continue the practice of using our quota to ship us Cuban sugar at three times the world price.

Reductions in our sugar quota for the countries of the Caribbean Basin initiative—resulting from the overall reduction in sugar quotas—have encouraged anti-American feelings, and made it more attractive for persons within these countries to become involved in drug trade, as an alternative crop. Most of the countries in the Caribbean Basin have governments which are not involved in drug traffic. It is unfair and unwise to reduce the quota for these neighbors to the south whose economies are dependent on sugar at a time when their help is needed in fighting the drug war.

In passing the Caribbean Basin initiative, Congress recognized that the economic situation of this region is of vital strategic importance to our Nation. Our current sugar quota policy runs counter to the efforts embodied in the CBI program.

With this in mind, I will propose that the existing U.S. sugar quota be eliminated for the developed countries and countries which merely forward to us Cuban sugar with corresponding increases for countries of the Caribbean Basin.

JESSE HELMS.

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