

PROPOSED FOREIGN TRADE REORGANIZATION

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON
GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES
NINETY-SIXTH CONGRESS
FIRST SESSION

AUGUST 1 AND SEPTEMBER 10, 1979

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PROPOSED FOREIGN TRADE REORGANIZATION

WEDNESDAY, AUGUST 1, 1979

HOUSE OF REPRESENTATIVES,
LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:42 a.m., in room 2154, Rayburn House Office Building, Hon. Jack Brooks (chairman of the subcommittee) presiding.

Present: Representatives Jack Brooks, Don Fuqua, Elliott H. Levittas, Frank Horton, John N. Erlenborn, and Arlan Stangeland.

Also present: Eugene F. Peters, staff director; William M. Jones, general counsel; Elmer W. Henderson, senior counsel; Cynthia Meadow, professional staff member; E. Jean Grace, clerk; John M. Duncan, minority staff director; and James L. George, minority professional staff, Committee on Government Operations.

OPENING STATEMENT OF CHAIRMAN BROOKS

Mr. Brooks. The subcommittee will come to order.

Several bills have been introduced recently providing for new entities in the executive branch to concentrate on international trade matters. In addition, legislation signed into law last week by President Carter, implementing the multinational trade agreements, included a mandate to the administration to submit to the Congress a reorganization of the foreign trade agencies.

In view of the increasing concern, exemplified by this legislation, that something be done to improve the Federal Government's activities in foreign trade and our jurisdiction over reorganization, we have asked the administration to appear before us today to discuss their plans to meet these needs.

I would ask unanimous consent to insert in the record at this point an opening statement beautifully prepared and carefully thought out by Mr. Horton on the foreign trade matter.

[Mr. Horton's opening statement follows:]

OPEN STATEMENT

FOR RELEASE ON DELIVERY

CONGRESSMAN FRANK HORTON
34TH DISTRICT, NEW YORK

WEDNESDAY, 1 AUGUST 1979

(FOLLOWING IS THE TEXT OF CONGRESSMAN HORTON'S OPENING STATEMENT BEFORE THE LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE ON PROPOSED FOREIGN TRADE REORGANIZATION.)

MR. CHAIRMAN, I WELCOME THIS SET OF HEARINGS ON FOREIGN TRADE REORGANIZATION. TO COIN AN OLD PHRASE, I THINK THAT REORGANIZING THIS GOVERNMENT'S VARIOUS AGENCIES CONCERNED WITH FOREIGN TRADE INTO A MORE RATIONAL STRUCTURE IS AN IDEA WHOSE TIME HAS DEFINITELY COME. FOR ANYONE WHO THINKS THAT U.S. GOVERNMENTAL TRADE ACTIVITIES DO NOT NEED REORGANIZING, I WOULD LIKE TO QUOTE THE FOLLOWING FROM A RECENT LIBRARY OF CONGRESS STUDY:

"SIX AGENCIES HAVE OFFICES PRIMARILY CONCERNED WITH TRADE POLICY; THREE AGENCIES HAVE PRIMARY CONCERN FOR EXPORT PROMOTION EFFORTS; FOUR AGENCIES HAVE PRIMARY RESPONSIBILITY FOR ADMINISTERING THE LAWS WHICH PERTAIN TO THE IMPACT OF TRADE ON THE U.S. ECONOMY; FIVE AGENCIES HAVE DIVISIONS OR OFFICES PERFORMING INTERNATIONAL TRADE RESEARCH AND ANALYSIS; ONE AGENCY HAS MAJOR RESPONSIBILITY FOR EXPORT CONTROLS; AND THREE AGENCIES PERFORM SIGNIFICANT STATISTICAL WORK."

THE RESULT, OF COURSE, IS THAT NO ONE IS REALLY IN CHARGE.

OF COURSE, JUST BECAUSE THERE ARE A LOT OF DIFFERENT AGENCIES DOES NOT NECESSARILY MAKE REORGANIZATION APPROPRIATE. THEREFORE, IT IS NECESSARY TO LOOK AT THE MAGNITUDE OF FOREIGN TRADE AND ITS

PROBLEMS. FOREIGN TRADE IS IMPORTANT TO OUR NATION'S ECONOMY. DURING THE LAST TEN YEARS, U.S. EXPORTS HAVE MORE THAN QUADRUPLED, TO 143 BILLION DOLLARS IN 1978. WE EXPORT ABOUT 16 PERCENT OF EVERYTHING WE GROW, MANUFACTURE, OR MINE. AND, PERHAPS MOST IMPORTANT, SOME 4.3 MILLION AMERICAN JOBS DEPEND ON U.S. EXPORTS. INTERNATIONAL TRADE IS CRITICAL TO THE ECONOMY OF OUR COUNTRY. IT NOW ACCOUNTS FOR ABOUT 15 PERCENT OF OUR GROSS NATIONAL PRODUCT. IN THE FUTURE, TRADE WILL BE EVEN MORE CRITICAL, AS WE MUST TAKE ADVANTAGE OF THE MARKETS ABROAD WHICH ARE GROWING MORE RAPIDLY THAN OUR OWN.

FINALLY, THERE IS ANOTHER REASON FOR REORGANIZING OUR FOREIGN TRADE AGENCIES. LAST YEAR THE UNITED STATES RAN A RECORD DEFICIT OF OVER 28 BILLION DOLLARS. IN THE MANUFACTURING GOODS AREA, THE UNITED STATES DROPPED FROM A 20 BILLION DOLLAR SURPLUS IN 1975 TO A DEFICIT OF ALMOST 6 BILLION DOLLARS LAST YEAR. ON THE OTHER HAND, GERMANY AND JAPAN HAD SURPLUS OF 51 BILLION DOLLARS AND 72 BILLION DOLLARS RESPECTIVELY. IT SHOULD BE POINTED OUT THAT BOTH GERMANY AND JAPAN HAVE MINISTRIES FOR TRADE. THE CONTINUING U.S. DEFICIT COULD MEAN HIGHER DOMESTIC UNEMPLOYMENT, DOLLAR PROBLEMS, GROWING INFLATION, AND A REDUCED GROWTH IN U.S. STANDARDS OF LIVING. THIS MUST BE CORRECTED AND CAN BE CORRECTED. THE UNITED STATES HAS APPROXIMATELY 250,000 MANUFACTURING FIRMS, BUT ONLY 25,000 ARE EXPORTERS. IT HAS BEEN ESTIMATED THAT THIS FIGURE COULD DOUBLE IF THEY TRIED, OR, WERE ENCOURAGED.

FOR THESE THREE REASONS, I WELCOME THE HEARINGS. FIRST, THE PRESENT ORGANIZATIONAL PROBLEMS WE NOW HAVE WITH AGENCIES ALL OVER TOWN, SECOND, THE MAGNITUDE OF OUR CURRENT FOREIGN TRADE, AND

FINALLY, OUR INCREASING NEED FOR FOREIGN TRADE.

THE QUESTION THEN IS NOT "WHY" OR "WHEN", BUT "HOW". FORTUNATELY, WE HAVE MANY PROPOSALS NOW BEFORE CONGRESS. THE RANGE OF PLANS VARIES FROM CREATING A NEW SEPARATE DEPARTMENT OF INTERNATIONAL TRADE AND INVESTMENT AS PROPOSED BY SENATORS ROTH AND RIBICOFF, TO SIMPLY CREATING A CABINET-LEVEL COMMITTEE TO COORDINATE PROGRAMS TO INCREASE EXPORTS AS PROPOSED BY SENATOR MATHIAS, TO WHAT MAY BE CONSIDERED THE MIDDLE GROUND OF STRENGTHENING THE OFFICE OF SPECIAL TRADE REPRESENTATIVE AND THE COMMERCE DEPARTMENT AS PROPOSED BY THE PRESIDENT.

I APPROACH THESE HEARINGS WITH NO PREDISPOSITION TO ANY OF THESE PROPOSALS, BUT ONLY TO THE PROPOSAL TO CHOOSE WHAT IS BEST OF EACH. I URGE MY COLLEAGUES ON THE COMMITTEE TO TAKE THE SAME OPEN ATTITUDE.

Mr. BROOKS. We have with us Mr. James McIntyre, Director of the Office of Management and Budget. The executive branch's reorganization office is located in OMB. In addition to his budget-making responsibility, Mr. McIntyre is in charge of governmental reorganization. Prior to taking on his responsibilities at OMB 2 years ago, Mr. McIntyre served in legal capacities for the University of Georgia, the Georgia Municipal Association, and for the State of Georgia in several positions in then-Governor Carter's cabinet.

Accompanying Mr. McIntyre is Mr. Richard Heimlich, who since 1975 has been Assistant Special Trade Representative in charge of industrial trade policy. Prior to joining that office, Mr. Heimlich spent 13 years in a variety of jobs in what is now the Industry and Trade Administration of the Department of Commerce. He has a master's degree in public administration from Syracuse University.

Mr. McIntyre, who else do you have with you?

Mr. McINTYRE. Mr. Eric Hirschhorn, who is in charge of our internal trade studies.

Mr. BROOKS. He is a former associate of ours for whom we have the highest respect.

Mr. McIntyre, please proceed.

STATEMENT OF JAMES T. McINTYRE, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET; ACCOMPANIED BY RICHARD HEIMLICH, ASSISTANT SPECIAL TRADE REPRESENTATIVE, OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS; AND ERIC HIRSCHHORN, DIRECTOR, TRADE REORGANIZATION STUDY, PRESIDENT'S REORGANIZATION PROJECT

Mr. McINTYRE. Thank you, Mr. Chairman.

I have a lengthy statement which I do not intend to read for the subcommittee. I would ask that it be submitted for the record and that I restrict my remarks to some highlights in the statement.

Mr. BROOKS. Without objection, your prepared statement in its entirety will be made part of the hearing record.

[Mr. McIntyre's prepared statement follows:]



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FOR RELEASE ON DELIVERY
Expected at 9:30 a.m., E.D.T.
Wednesday, August 1, 1979

STATEMENT OF JAMES T. McINTYRE, JR.
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE,
GOVERNMENT OPERATIONS COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES
AUGUST 1, 1979

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before you this morning to present the Administration's proposal for reorganization of our foreign trade functions.

We undertook this reorganization with one primary goal: to build up the Federal government's capacity to strengthen the export performance and import competitiveness of U.S. industry. To this end, this reorganization proposal is designed to prepare the Federal government for aggressive enforcement of the MTN codes, which potentially open vast new markets for U.S. labor, farmers and business. It also aims to improve our export promotion activities so that U.S. exporters as well as the Federal government can be better informed about trade opportunities and challenges in foreign markets.

We have labored long and hard over the question of what organization will best promote these ends. Our consultations with the Congress and our examination of the proposals advanced by various Members -- including Congressmen Jones, Frenzel and Gillis Long, and Senators Ribicoff, Roth and Byrd -- have been very helpful. We also have consulted widely with representatives of the private sector. We gave special attention to proposals for the establishment of a new, separate trade department or agency -- but we concluded that strengthening existing institutions is preferable to creating a new, separate trade bureaucracy.

In short, we believe that this reorganization will provide the leadership and resources for strong MTN enforcement, a more consistent trade policy, and more vigorous promotion of U.S. exports, while avoiding the need for a new agency and keeping disruption of ongoing programs to a minimum.

Recent events have focused more attention on the vitality of our trade position and on the way our trade machinery is organized. These events include our negative trade balance, increasing dependence on foreign oil, and the resulting pressure on the dollar. The MTN debate has heightened interest in, and dissatisfaction with, our current trade organization. New challenges, such as MTN implementation and trade with State economies, will further test our government organization.

We need to implement vigorously the multilateral trade agreements. Whereas international trade negotiations in the past have concentrated primarily on reducing tariff barriers, the MTN has as its primary focus the breaking down of non-tariff barriers, including the many domestic subsidies and specialized restrictions on trade that have made it difficult for our exporters to penetrate Japanese and European markets.

The MTN codes, especially the one opening up government procurement to foreign bidders, have significant export promotion possibilities. We will need to develop better methods for bringing foreign government procurement opportunities to the attention of American business. The new code on subsidies and the amended antidumping code will not only affect our own countervailing duty and antidumping procedures but also involve the U.S. in monitoring foreign subsidy practices and in international dispute settlement procedures. Enforcement here will have to be strengthened. New complaint procedures will be required. The code on product standards imposes obligations on the U.S., but more importantly forces other signatories to amend procedures that have discriminated against American goods and services. Similarly, the codes on customs valuation and on import licenses will give the government an enforcement role.

We must be prepared to apply the codes domestically and to monitor major implementation measures abroad, reporting back to American business important developments and raising

questions internationally about foreign implementation. MTN will work if we establish procedures for monitoring and enforcing it.

PROBLEMS WITH CURRENT TRADE ORGANIZATION

The trade machinery we now have cannot do this job effectively. Major trade functions are now located in eight departments and agencies. Although the Special Trade Representative (STR) takes the lead role in administering the trade agreements program, many issues are handled elsewhere and no agency has across-the-board leadership in trade. Aside from STR and the Export-Import Bank, trade is not the primary concern of any agency where trade functions are located.

Trade policies are coordinated by a network of special purpose and ad hoc committees with varying memberships, and some trade policies (e.g., dumping and countervailing duties) are not coordinated among agencies at all.

By strengthening the leadership for shaping trade policy, we will give trade problems greater priority as the President balances competing policy objectives. Trade will have higher visibility, the administrative effectiveness of our trade programs will improve, and the services the Federal government provides for exporters and potential exporters will be more responsive and helpful. Once the MTN agreement is in place, trade reorganization will help us live up to our commitment for a stronger trade position in the post-MTN world.

In summary, the current arrangements lack a central authority capable of planning our trade strategy and assuring its implementation. We have come closest to this approach with the coordination structure that back-stopped our policies on the multilateral trade negotiations. Under the leadership of Ambassador Robert Strauss, we were able to compose a coordinated set of instructions to our negotiators that represented a broad consensus of the national interest.

The MTN gave us a unique opportunity to consider our trade policy as a whole instead of in pieces. By offering more effective organization and focused leadership, this reorganization builds on that approach and provides a strong institutional incentive for successful implementation of the MTN agreements.

THE REORGANIZATION PROPOSAL

Briefly stated, we propose to strengthen and centralize trade policy coordination and trade negotiation functions in the Office of the Special Representative for Trade Negotiations, which will be renamed the Office of the United States Trade Representative. We would also give to the Commerce Department -- renamed the Department of Trade and Commerce -- added responsibility for export promotion, including commercial representation abroad, antidumping and countervailing duty cases, and the non-agricultural aspects of MTN monitoring. In addition, the coordinating role of the Trade Policy Committee will be significantly expanded. Finally, a position of Under Secretary for Trade will be established in the Department of Trade and Commerce.

Let me point out several things that our proposal does not do: First, it does not create a new bureaucracy. We are not asking for any significant increase in personnel. The number of people involved is small, and only a few hundred would be moved.

Second, we do not propose to transfer or significantly affect programs that are working well in their current locations. Thus, we recommend no shift in responsibility for foreign trade in agricultural commodities from the Department of Agriculture, which has handled this function successfully and is able to coordinate it with domestic agricultural policy. Similarly, the only change in the operation of the Export-Import Bank will be to make the Secretary of Trade and Commerce an ex officio, non-voting member of the Board of Directors of the Bank. Eximbank appears to be working well and its constituency is very happy with the fine leadership of its Chairman, John Moore.

Third, we are not creating a mechanism that could be a focus for protectionism. This Administration, like all Administrations since that of Franklin D. Roosevelt, has stood for trade on a broad basis, with as few restrictions as possible. The MTN agreements bear witness to this policy. At the same time, there must be relief for injured localities, firms, and workers. The MTN bill revises and streamlines import remedies. Our proposal will assure that these measures are effectively carried out and appropriately coordinated with each other and with other aspects of trade policy.

The reorganization we are proposing today can only partly address America's foreign trade problems. Our organizational structure is not the primary cause of these problems, and restructuring our trade organization will not alone improve the competitive position of United States industry. To a large extent, import problems reflect the inability of domestic industry to meet foreign competition due to such competitive disadvantages as low productivity growth, inefficient and outmoded facilities, changing market demands, high production costs, legal disincentives associated with other domestic or international policies, and export policies less vigorous than those of some other countries.

Nevertheless, the contribution of this proposal will be significant. It will provide us with unified policy direction; focus attention on major problem areas; enable us to negotiate with foreign governments from a position of strength; and provide a strong institutional base for the new trade order created by the MTN agreements.

We believe that our proposal addresses the major concerns and objectives expressed to the Administration in the course of extensive consultations with interested groups in the private sector and with the Congress.

SPECIFICS OF THE PROPOSAL

Our proposal will effect changes in the areas of export promotion; MTN monitoring, implementation, and enforcement; import remedies; trade negotiation; trade policy coordination; and sectoral analysis.

Export Promotion

(1) Commercial attaches. Overseas assistance to U.S. exporters is now provided by State Department Foreign Service Officers serving as commercial attaches. These commercial officers are a competent and dedicated group, but their export promotion activities too often, in appearance and reality, play second fiddle to economic reporting responsibilities. Further, there are questions whether the skills, training and career aspirations of diplomats are consistent with the job requirements for the most effective commercial representation.

We propose to transfer to the Department of Trade and Commerce the commercial representation functions for our major trading partners. This transfer would put both domestic and overseas export promotion staffs under a single agency charged with emphasizing expansion of U.S. exports. By having those who assist our export expansion overseas in the same organization with the domestic field offices that help industry and business here, we will be better able to connect an export opportunity in Tokyo with an American business in Texas. Further, the new corps, modeled after the highly successful Foreign Agricultural Service, would be designed to attract people with a strong interest in commercial representation.

(2) Export-Import Bank. Availability of acceptable financing is often a prerequisite to export sales; other countries frequently make government-assisted credit available

at favorable terms as part of a sales package. In the U.S., the Export-Import Bank functions as the principal trade financing agency where normal commercial financing is not available or for other reasons is not acceptable. The Export-Import Bank does an excellent job. One area of criticism, however, has been that Eximbank sometimes assists with financing where there is little foreign competition, or where other commercial financing is readily available.

In order to help ensure that export financing policy is consistent with export promotion policy (and trade policy generally), we propose that the Secretary of Trade and Commerce be made a non-voting member of the Eximbank Board.

(3) Other Export Functions. In addition to the Foreign Agricultural Service mentioned above, we do not propose to transfer the following export-related units: The Commodity Credit Corporation, which operates to stabilize and protect farm income and prices, to assist in maintaining balanced and adequate supplies of agricultural commodities, and to facilitate orderly distribution of commodities, is concerned to a large degree with domestic agriculture, and seems most appropriately housed with other agricultural matters in USDA.

The Office of Trade Finance (Treasury), which provides general policy guidance to Export-Import Bank and recommends U.S. positions for international negotiations on the terms and extent of official trade financing, will remain in Treasury to help carry out its responsibilities in these areas.

MTN Implementation, Monitoring and Enforcement

This is an important aspect of our proposal. What we have negotiated in the MTN will not be worth much if we do not aggressively monitor and implement the agreements.

We intend to make the Departments of Agriculture, Trade and Commerce, and Labor responsible for operational functions that are best handled outside the Executive Office by the departments that deal day-to-day with these sectors of the economy. Functions that would remain with these departments include educational and promotion programs, technical assistance to the private sector, consultations with private sector advisory committees, data base development and maintenance, staffing of formal cases, information dissemination, and analytical support.

But the broad policy management of formal cases must be coordinated across the government and, where appropriate, pursued through negotiations. We recommend placing this function in STR (with the exception of antidumping and countervailing cases and cases arising under section 337 of the Tariff Act of 1930).

Import Functions

(1) Antidumping and countervailing duty cases. The most criticized import function is the administration of

countervailing duty and antidumping cases, in which foreign producers are accused of receiving subsidies or selling at less than "fair value" in U.S. markets. With the advent of the MTN subsidy/countervailing and amended antidumping codes, countervailing duties and dumping assessments will become even more important tools for limiting trade-distorting practices and thereby providing relief to domestic producers.

The functions are now administered by Treasury's Office of Tariff Affairs and supported by other Treasury personnel (in Customs particularly). The administration of these functions has been criticized for delays and lack of coordination with other trade policy instruments.

It should be noted, however, that some critics disagree not with the existing method of administration but with the results (i.e., the failure to order relief in individual cases). I must stress that we do not intend or expect this transfer to alter the results of individual cases. We recommend placement of the functions in a location that will afford high priority to faster, efficient enforcement, but we are not acting out of any belief that Treasury has a "free trade" bias or Commerce a protectionist one.

We also will transfer Treasury's role in national security import cases and embargo administration to Trade and Commerce.

(2) Section 337 Unfair Import Practice Cases. Section 337 of the 1930 Tariff Act authorizes the International Trade Commission (ITC) to apply sanctions for unfair import practices. The ITC recently has expanded its activities (from the traditional patent infringement cases) and has been entering into some agreements that are inconsistent with U.S. trade policy or duplicative of other enforcement functions. An additional problem with the present organizational arrangement is that the Administration can review these cases only after they are concluded.

The major objective of transferring this function (as well as the ITC's tariff nomenclature function) would be to ensure consistency in application with other import relief functions. Thus, in transferring this function to Trade and Commerce, we are locating it in an agency that has other instruments at its disposal. Such a transfer would in no way interfere with the ITC's other major activities -- import injury determinations in escape clause, antidumping, and countervailing duty cases.

(3) Other Import Functions. We are not proposing transfers of any of the following import relief functions:

The functions for the Generalized System of Preferences, escape clause actions, market disruption cases, and unfair trade complaints under section 301 of the Trade Act of 1974 are appropriately located in the negotiating agency and thus will remain with STR.

The agricultural import program has been administered well by the Foreign Agricultural Service and should remain there.

Trade adjustment assistance responsibilities and administration of the textile program both benefit from the industry expertise of Commerce and should remain there; the same is true for Labor's administration of trade adjustment assistance for workers.

Trade Negotiations

Although the negotiation of the MTN agreements has been concluded, there will be continuing negotiations when allegations of violations are made. In addition, there will be negotiations on bilateral trade matters and on non-tariff barriers.

STR will generally have the lead role in trade negotiations, including those implementing the MTN agreements, commodity negotiations (now led by State), and East-West negotiations (also now led by State). STR will represent the United States in GATT (General Agreement on Tariffs and Trade) matters. To ensure that all negotiations are handled consistently and that our negotiating leverage is employed to the maximum possible extent, a new Trade Negotiating Committee, directed by STR and including State, Treasury, Agriculture, and Trade and Commerce, will manage the negotiation of particular issues and will coordinate the operational aspects of negotiations. The Trade Policy Committee, though, will continue to coordinate trade policy, including the policy aspects of trade negotiations.

(1) Commodity negotiations. Over the last few years, the scope and character of international trade negotiations and meetings on primary commodities has changed considerably. Broadly speaking, commodity policy has moved from the level of periodic technical exchange of information to negotiation of binding international agreements with economic provisions concerning an increasing number of important commodities. The International Sugar Agreement is an example. These agreements will have substantial, direct price and supply effects on U.S. consumers and producers.

The new negotiating phase in the commodity area involves a complex set of sensitive domestic and international objectives similar to those involved in the MTN negotiations. Agencies such as Trade and Commerce, Agriculture, State, and Treasury each have a contribution to make in arriving at a decision, but the role STR has played as honest broker in other trade negotiations will allow disparate agency views to be coordinated in an effective and balanced manner in the commodities area.

We propose to bring commodity negotiations into the framework applying to all other trade negotiations. Consolidation of trade negotiations is a central purpose of the reorganization. Locating the lead in these negotiations in the same place as other trade negotiations would allow "cross-leveraging," that is, our objectives in disparate trade negotiations will be carefully coordinated. We may have leverage in one set of negotiations as a result of developments in other negotiations.

Negotiations in the United Nations Conference on Trade and Development (UNCTAD) on the so-called Common Fund proposal are in effect multicommodity negotiations. They are also at the center of the North-South dialogue. As such they have a large and sensitive political component. The State Department, as a member of both the TPC and TNC, will be able to ensure that these considerations receive full attention. In fact, partly because of STR's small size in the EOP, State will probably continue to conduct some of these negotiations, with STR oversight and TPC guidance.

(2) East-West trade. Communist countries are becoming increasingly involved in the international trading system. The Eastern European countries and Cuba participated in the MTN. All but Bulgaria are members of the GATT. The volume of our trade with Communist countries -- the Soviet Union and China definitely included -- grew to \$6 billion in 1978 and will continue to grow.

Consolidation of responsibility for trade negotiations should encompass East-West trade. STR already is charged with handling cases of market disruption by Communist countries (Section 406 of the 1974 Trade Act) and with bilateral textile restraint agreements with Communist as well as non-Communist countries under the Multi-Fiber Arrangement (MFA). STR now will take on responsibility for other East-west trade negotiations, such as bilateral agreements under Section 405 of the 1974 Trade Act. The Trade Policy Committee and the

Trade Negotiating Committee will coordinate and manage East-West trade policy and negotiations.

While the trade aspects of East-West relations are increasingly important, the political side of relations with Communist countries continues to be of special significance. As a member of both the TPC and the TNC, the State Department will be in a position to see that foreign policy implications are given thorough consideration. Similar to the situation with commodity negotiations, and because STR will remain a small unit within the Executive Office of the President, State will likely do some of the East-West trade negotiating, with STR oversight and TPC guidance.

Trade Policy Coordination

Much, but not all trade policy is coordinated through the Trade Policy Committee and two committees (the Trade Policy Review Group and the Trade Policy Staff Committee) functioning beneath it. All now are chaired by STR. While policy coordination has worked adequately on the whole, some important issues are not addressed through the Trade Policy Committee mechanism. We will add coordination of the following areas to the jurisdiction of the Trade Policy Committee:

(1) Import remedies. The Trade Policy Committee will coordinate generally the application of import remedies (since

idumping and countervailing duty cases are mostly adjudicatory in character, the Trade Policy Committee review of such matters would center about new precedents, negotiating assurances, and coordination with other trade matters, rather than case-by-case factfinding). The Trade Policy Committee also will analyze long-term trends in import remedy cases and recommend any necessary legislative changes.

(2) International commodity policy. Commodity policy, now handled by State (with responsibilities on agricultural commodities shared with Agriculture) has an interagency process separate from the Trade Policy Committee. However, since STR now will have lead responsibility for commodity negotiations, commodity policy will be coordinated by the Trade Policy Committee.

(3) East-West trade. Since STR will have lead responsibility for East-West trade negotiations, the Trade Policy Committee should assume policy coordination for East-West trade policy. Also, the East-West Foreign Trade Board, established under the 1974 Trade Act, has been largely inactive. Accordingly, we recommend abolishing the Board and transferring its functions to the Trade Policy Committee.

(4) International investment policy. There is now no overall coordinating mechanism for this area, though State, Treasury, Commerce and Labor have roles regarding matters of U.S. private investment overseas and foreign investment in the

United States. We propose no transfers of functions or units, but will bring the formulation of international investment policy within the Trade Policy Committee's purview.

(5) Energy trade. Energy trade matters now are handled by the Department of Energy, which is the locus of the very specialized expertise required in such matters. We do not plan to transfer the lead role, but will coordinate energy trade issues in the Trade Policy Committee. The Department of Energy will participate in TPC deliberations when energy matters are under consideration.

Sectoral Analysis

Finally, in connection with this reorganization, the sectoral analysis capability of the Department of Trade and Commerce will be upgraded and enhanced. We are working with the Commerce Department leadership to develop a plan to accomplish this goal.

OTHER PROPOSALS CONSIDERED

The Trade Agreements Act of 1979 specifies several other trade reorganization proposals for Presidential consideration. We have reviewed each thoroughly and decided that the proposal just outlined is the most practical and effective approach to the trade problems we face. In fact, it borrows features from several of these alternatives.

The first proposal in the MTN bill suggests

strengthening the coordination and functional responsibilities of the Office of the Special Representative for Trade Negotiations to include, among other things, representation of the United States in all matters before the General Agreement on Tariffs and Trade.

We have, in part, adopted this idea. STR will have a clear lead role in coordinating both agricultural and non-agricultural trade policy. The jurisdiction of the Trade Policy Committee, which STR heads, will be broadened considerably. STR will take over GATT representation responsibilities.

We concluded, however, that operational functions should not be placed in STR. Such a step would place too heavy a burden upon STR in terms of line functions not suited to the policymaking role of the Executive Office of the President. Also, making STR a locus of such activities might weaken its crucial role as a neutral "honest broker" among the various agencies involved in trade matters, a role that depends as much on perception as on reality. STR should be the focal point for policy matters, but operations should be located elsewhere.

Another alternative is the creation of a "Board of Trade." As we understand it, such a proposal would establish an independent trade agency outside the Executive Office, headed by the Cabinet-rank Special Trade Representative but not itself a Cabinet department. This agency would include the major import relief functions and the negotiation functions now located

in a variety of agencies in addition to STR. The Trade Policy Committee would have a separate, Executive Office staff of 5 to 10 people and would continue to be handled by the Special Trade Representative. MTN monitoring and implementation also would be located in the new agency, which would receive policy guidance from a Board whose membership would approximate that of the Trade Policy Committee.

In part, we have adopted this idea too. Under our proposal, STR will have the lead role for all trade negotiations and will continue to head the Trade Policy Committee. STR also will have the policy lead on MTN enforcement. We believe that STR can handle these functions without a significant increase in staff; accordingly, we propose to retain it in the Executive Office.

STR will have the responsibility for policy decisions on application of discretionary trade remedies, which will allow for their use as an adjunct to negotiations. We would not, however, move antidumping and countervailing duty matters to STR, as these are basically adjudicatory in character and therefore are best located in an agency other than the chief trade negotiator.

Finally, the MTN legislation proposes for consideration the concept of a new trade department, separate from and additional to the existing Department of Commerce. We rejected this idea principally because we have concluded that a significant problem in the trade policy area in the past has been its isolation from domestic economic considerations. Placing trade in an entirely

separate department would, we believe, further isolate it. We believe that the Administration proposal addresses the problems ably within the existing governmental framework and without creating a new bureaucracy. In brief, STR, with its view from the Executive Office, will take the lead on trade policy and negotiations, and operational functions will be located in the Department of Trade and Commerce and the Department of Agriculture.

We have two further problems with the idea of a new department: First, moving export promotion and export control functions out of the Commerce Department would seriously undermine its important role with regard to domestic businesses (not all of which are exporters). Second, the creation of a separate department inevitably would lead to pressure for a new set of domestic field offices, paralleling and duplicating the Commerce field structure that already exists.

Mr. Chairman, I hope that you share my desire that the Congress act expeditiously on these proposals. The next six months are critical for determining our trade posture for the next 5 years. Between now and the end of the year, our international trading partners will be testing our mettle. They will seek to learn if the U.S. is prepared and has the will to insist upon the new rights negotiated in the Tokyo Round. Inevitably, some misunderstandings and differing interpretations will arise. This is a natural follow-up to any complex

negotiation process. The way we handle these initial challenges will affect attitudes and expectations abroad for years to come.

In this same period, the GATT will be reshaped; its organization changed; its new leadership chosen; and new working patterns established to implement the codes. Our early monitoring of how our major trading partners implement the MTN will help set the precedent for success or failure, and we will still face a series of substantial and significant follow-up negotiations.

For these reasons, I hope and trust that the House and the Senate will act with dispatch on reorganization so we can overhaul the government's trade organization to meet these fundamental challenges and opportunities.

Thank you. My colleagues and I will be pleased to respond to your questions.

Mr. McINTYRE. Mr. Chairman and members of the committee, we are pleased to appear before you this morning to present the administration's proposal for reorganization of our foreign trade functions.

During our discussions with the Congress and with various interest groups as we put together our thoughts on trade reorganization, there were several points that came through loud and clear, Mr. Chairman.

First of all, we were told that the Government needs to better coordinate its trade policy and to have in the Government a principal focus for developing trade policy and for trade negotiations.

The second point that came through loud and clear was that it was absolutely essential that the Government gear up to implement and enforce the MTN agreement once it was approved by the Congress.

Third, it was clear that there was a particular desire in Congress to move import relief functions from the Treasury to an agency where trade is a higher priority.

Fourth, there was a clear desire to move the commercial attaché functions from the State Department to a place in the Government where the attachés could concentrate on their function as liaison for American business abroad.

Mr. Chairman, I think we have accomplished those primary recommendations in the President's proposal. We have undertaken this reorganization with one primary goal—to build up the Federal Government's capacity to strengthen the export performance and import competitiveness of U.S. industries.

To this end, this reorganization proposal is designed to prepare the Federal Government for aggressive enforcement of the MTN codes, which potentially open vast new markets for U.S. labor, farmers, and business. It also aims to improve our export promotion activities so that U.S. exporters as well as the Federal Government can be better informed about trade opportunities and challenges in foreign markets.

We need to implement vigorously the multilateral trade agreements. Whereas international trade negotiations in the past have concentrated primarily on reducing tariff barriers, the MTN has as its primary focus the breaking down of nontariff barriers, including the many domestic subsidies and specialized restrictions on trade that have made it difficult for our exports to penetrate Japanese and European markets.

We must be prepared to apply the codes domestically and to monitor major implementation measures abroad, reporting back to American business important developments and raising questions internationally about foreign implementation. The MTN agreement will work if we establish procedures for monitoring and enforcing it.

Major trade functions are now located primarily in eight departments and agencies. There are other functions located in many other agencies, but the major functions are located in eight departments and agencies.

Although the Special Trade Representative takes the lead role in administering the trade agreements program, many issues are handled elsewhere and no one agency has across-the-board leadership in trade.

Aside from the special trade representative and the Export-Import Bank, trade is not the primary concern of any agency where trade functions are located. The current arrangements lack a central author-

ity capable of planning our trade strategy and insuring its implementation. We have come closest to this approach with the coordination structure that back-stopped policies on the multilateral trade negotiations.

Under the leadership of Ambassador Robert Strauss we were able to compose a coordinated set of instructions to our negotiators that represented a broad consensus of the national interest.

Briefly stated, we proposed to strengthen and centralize trade policy coordination and trade negotiation functions in the Office of Special Representative for Trade Negotiations, which will be renamed the Office of the U.S. Trade Representative. We would also give to the Commerce Department, which would be renamed the Department of Trade and Commerce, added responsibility for export promotion, including commercial representation abroad, antidumping and countervailing duty cases, and the nonagricultural aspects of MTN monitoring. In addition, the coordinating role of the Trade Policy Committee will be significantly expanded. Finally, a position of Under Secretary for Trade will be established in the Department of Trade and Commerce.

Let me point out several things that our proposal does not do.

First, it does not create a new bureaucracy. We are not asking for any significant increase in personnel. The number of people involved is relatively small, and only a few hundred would be moved.

Second, we do not propose to transfer or significantly affect programs that are working well in their current locations. Thus, we are recommending no shift in responsibility for foreign trade in agricultural commodities from the Department of Agriculture.

Similarly, the only change in the operation of the Export-Import Bank, which is working well, would be to make the Secretary of Trade and Commerce an ex officio, nonvoting member of the Board of Directors of the bank. This would insure a coordination between the Export-Import Bank's lending policies and trade policy.

Third, we are not creating a mechanism that could be a focus for protectionism. This administration, like all administrations since that of Franklin D. Roosevelt, has stood for trade on a broad basis with as few restrictions as possible. The MTN agreement bears witness to this policy.

At the same time, there must be relief for injured localities, firms, and workers. The MTN bill revises and streamlines import remedies. Our proposal will assure that these measures are effectively carried out and appropriately coordinated with each other and with other aspects of trade policy.

Mr. Chairman, the detailed changes are covered extensively in my testimony. I will not go into all those details. However, I would like to just briefly highlight those particular changes.

First of all, the STR will retain Cabinet status, will continue to chair the Trade Policy Committee, and will become a member of the National Advisory Council on International Monetary and Financial Policy. As I said, it would be renamed the Office of the U.S. Trade Representative.

STR will coordinate both industrial and agricultural trade policy. The STR will chair the new negotiating committee and will play a lead role in trade negotiations, including commodities, East-West trade, MTN-related trade, and GATT.

The Trade Policy Committee would add the following to its coordinating responsibilities: Import relief policy, including antidumping and countervailing duties to the extent legally permissible, energy trade, East-West trade, international investment, and commodity negotiations.

The detailed changes for the Department of Commerce are summarized briefly as follows:

As I have said, we would propose the creation of an Under Secretary for Trade. The Secretary of the Department of Trade and Commerce would be an ex officio member of the board of the Export-Import Bank.

The commercial attachés for major trading partners would be transferred from the Department of State to the Department of Trade and Commerce. Nonagricultural MTN implementation would be centered in the Department. The Department's current sectoral analysis capabilities would be strengthened and import relief functions would be transferred to the Department of Trade and Commerce from Treasury and from the ITC.

The Trade Agreements Act of 1979 specifies several other trade reorganization proposals for Presidential consideration. We have reviewed each of those proposals thoroughly and decided that the proposal just outlined is the most practical and effective approach to the trade problem we face. In fact, this proposal borrows features from several of the suggested alternatives.

The first proposal in the MTN bill suggests "strengthening the coordination and functional responsibilities of the Office of the Special Representative for Trade Negotiations to include, among other things, representation of the United States in all matters before the General Agreement on Tariffs and Trade."

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The Trade Policy Committee would have a separate Executive Office staff and would continue to be handled by the Special Trade Representative. MTN monitoring and implementation also would be located in the new agency, which would receive policy guidance from a board

whose membership would approximate that of the Trade Policy Committee.

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Mr. Chairman, I hope you share our desire that the Congress act expeditiously on these proposals. The next 6 months are critical for determining our trade posture for the next 5 years. Between now and the end of the year our international trading partners will be testing our mettle. They will seek to learn if the United States is prepared and has the will to insist upon the new rights negotiated in the Tokyo round. Inevitably some misunderstandings and differing interpretations will arise. This is a natural followup to any complex negotiation process.

The way that we handle these initial challenges will affect attitudes and expectations abroad for years to come. In the same period the GATT will be reshaped, its organization changed, its new leadership chosen, and new working patterns established to implement the MTN codes.

Our early monitoring of how our major trading partners implement the MTN will help set the precedent for success or failure. We will still face a series of substantial and significant followup negotiations.

For these reasons, I hope and trust that the House and the Senate will act with dispatch on reorganization so that we can overhaul the Government's trade organization to meet these fundamental challenges and opportunities.

Mr. Chairman, that concludes my comments before the committee this morning. My colleagues and I will be glad to answer your questions.

Mr. BROOKS. When do you expect to send a formal proposal to the Congress?

Mr. McINTYRE. Mr. Chairman, I expect we would get a formal proposal to you early in the month of September.

Mr. BROOKS. Why isn't greater effort being made to improve the quality of work that is already being done in the various departments and agencies relating to export promotion, assistance to potential exporters, and other trade functions instead of shifting the responsibilities of existing agencies?

Mr. McINTYRE. Mr. Chairman, we have made efforts to improve the quality of the work. We have recommended increases in the staff for the import relief investigations in the Treasury. We have tried to better coordinate the administration's trade policies as an integral part of the MTN negotiations.

The real problem is that, with the exception of the Export-Import Bank and the Office of the Special Trade Representatives, trade is not the priority of the agencies in which trade functions are located. It is our judgment that it is important to put these functions in a department that has as its primary function that of promoting exports and supporting domestic commerce, as well.

Mr. BROOKS. Why did you pick the Commerce Department to take on these large new responsibilities?

Mr. McINTYRE. First of all, the Commerce Department already has major responsibilities in the promotion of exports. It has a domestic field structure that supports American business throughout this country. We felt that the Department of Commerce was an appropriate place to build, upon functions that already exist within the Federal Government.

In addition to the current operation of the domestic field structure and the export function, the Department of Commerce has a strong sectoral analysis capability. We felt by building on these capabilities, we could improve our international trade prospects.

Mr. BROOKS. How can we be sure that the Commerce Department can and will perform the job in the foreign trade area which is absolutely essential, as we both see it?

Mr. McINTYRE. Mr. Chairman, I think, by giving the Department a clear mission in promoting exports and in seeing that the MTN agreements are implemented and enforced, we will give that Department the mission, the priority, and the responsibility to enable it to carry out the functions that you and I both think need to be performed by the Federal Government in the trade area.

Mr. BROOKS. How many people will be affected by this reorganization? How many will be new positions and what shifts will be made in personnel assigned to existing agencies?

Mr. McINTYRE. There are approximately 400 people who would be involved in total transfers. This includes approximately 220 from the

Department of Treasury. I have a breakdown of that, if you would like it.

Mr. BROOKS. I would like that for the record.

Mr. McINTYRE. Let me give that to you for the record, Mr. Chairman.

Mr. BROOKS. That would be very helpful. We will get to that question if we ever get to this in September.

[The material follows:]

The 220 estimate for transfers from the Department of Treasury includes 11 from the Office of Tariff Affairs, 75 from the Customs Investigatory Unit and an additional 130 personnel for which a budget authorization is pending.

Mr. McINTYRE. More than 100 commercial officers from the Department of State would be involved in the transfer. Then about 75 to 80 personnel from the ITC would be involved. Possibly 10 people from the State Department's Commodities and East-West Trade units would be involved in the transfer. In all, we are talking about a little over 400 personnel involved in the transfers.

Mr. BROOKS. You are not anticipating any new people?

Mr. McINTYRE. No, sir.

Mr. BROOKS. Would the transfer to another agency of people who are now performing the necessary trade functions inadequately really accomplish the goals of this reorganization or this proposal?

Mr. McINTYRE. Will the transfer—

Mr. BROOKS. The people who are not doing it now, you are going to move them somewhere else. Are they going to do any better? How are you going to motivate those people if you are going to use the same people? That is my problem.

Mr. McINTYRE. I think one of the primary purposes, of course, is to make trade a priority in a single department. I think with the Department having trade as a major mission that these people will be presented with the challenge that is necessary to impel them to do a better job and to get more actively involved in carrying out their responsibilities.

I might add that, as I said earlier, we have recommended about 130 new positions this year for the investigation functions in the Department of the Treasury for antidumping and countervailing duties. Therefore, there would be some new positions available.

There would also be some opportunities for infusion of new personnel as people began to move out of the commercial attaché positions back into the Foreign Service.

Mr. BROOKS. I know, but the ones who quit are the good ones because they can get a better job somewhere else.

Who would provide administrative support for these additional personnel overseas?

Mr. McINTYRE. Mr. Chairman, I think the administrative support could still be provided by the Department of State. As you know, the Finance Center that is located in France, for example, has done an outstanding job of providing that support for current operations. I do not see any reason why that could not continue. In fact, the Department of State has assured us that they would be able to provide that.

Mr. BROOKS. They have assured you that they would be able to provide it and would provide it, or they have assured you that they would be able to provide it?

Mr. McINTYRE. They have assured us they would be able to provide the support.

Mr. BROOKS. All right, but will they do it?

Mr. McINTYRE. Yes, sir, they already do. For example, the Department provides that support for the agricultural attachés right now.

Mr. BROOKS. I understand.

What actions are being taken to enhance the administrative capabilities at the State Department? They are willing and they are going to try, but do they have the people to perform the service.

The problem is that they have 50 people with the State Department who work for them and 100 people from other agencies. The administrative section is set up to handle 50 people that they have. Then other agencies funnel in other people. I am telling you their problem.

We are going to have to look at the administrative staff to be sure they can adequately, honestly handle the housing, the feeding, the transportation, and all the rest that goes along with those kinds of responsibilities. You need to take a look at their administrative budget to be sure that they will be able to do that because sometimes they do have a serious problem. I am talking about just administratively, not at the policy level, where these individuals go off on their own and the one-country policy is shot to hell.

Mr. McINTYRE. I understand that point. We will look into those administrative operations.

However, let me point out that we are not sending more people abroad as a result of this reorganization. The people who will be abroad are those who are already over there. The only changes would be as these people rotate back into the Foreign Service and are replaced by other commercial attachés.

No new people are going abroad as a direct result of this reorganization proposal.

Mr. BROOKS. What action is contemplated to insure that all U.S. departments and agencies with overseas operations operate within the unified country policy and not as freelance policymakers?

Mr. McINTYRE. Mr. Chairman, it is this administration's policy that the Ambassador is the spokesperson for the U.S. Government. This trade reorganization proposal would in no way undermine that policy and, in fact, we would continue to strongly support that policy and not permit any undercutting of it.

Mr. BROOKS. Would you outline the trade policy hierarchy if your proposal were implemented?

Mr. McINTYRE. I am not sure what that means.

Mr. BROOKS. Do you start off with General STR Coordinator Strauss, or whoever would succeed him? Then you have the Secretary of Trade and Commerce. Then you get down to the Under Secretary of Trade. How does that run? I am just trying to delineate who is going to be in charge and how you are going to resolve the differences between the Secretary of Commerce and the head of the special trade representatives.

Mr. McINTYRE. The Special Trade Representative would be responsible as the Chairman of the Trade Policy Committee and the Trade Negotiation Committee for the coordination of trade policy. He would have primary responsibility for trade negotiations.

The Secretary of Trade and Commerce would be a member of the Trade Policy Committee and the Trade Negotiation Committee. He would have input into these policies and negotiations.

The STR would have primary responsibility then for policy development and coordination as well as for trade negotiations.

The Department of Trade and Commerce would have the responsibility for the implementation and enforcement of the MTN agreements, and for adjudicatory import relief.

Then you would have the Secretary, and we would propose a Deputy Secretary. We would take the current Under Secretary and elevate that position to Deputy Secretary. Then there would be an Under Secretary for Trade. That would be the proper hierarchy.

Mr. BROOKS. I understand that. I would just point out those people should be phased in very carefully. They are going to have to work together. The best structure will be totally useless unless those people do function together very closely.

Mr. McINTYRE. We are very mindful of that.

Mr. BROOKS. You, the President, and probably Mr. Jordan have to keep a close eye on them.

Would the President's Special Trade Representative be involved in the work of the proposed Department of Trade and Commerce, and how much influence and/or authority would the STR have over the Department's Office of Trade?

Mr. McINTYRE. Obviously the Secretary of the Department would have the basic responsibility for the Department's activities.

Neither the STR nor any of the members of the Trade Policy Committee would have the responsibility or the legal authority to run the Department of Trade and Commerce. However, the STR, as the chairman of these committees, would have significant responsibilities for coordinating policy development and resolving disputes among the various departments.

Mr. BROOKS. You can see the potential problems?

Mr. McINTYRE. Certainly. Those problems are even worse, though, under the structure we have today where nobody is in charge.

Mr. BROOKS. Do you think it is necessary to change the name of the Department of Commerce and put in "trade" when trade and commerce mean about the same thing?

Mr. McINTYRE. Well, as you well know, the name of the department does have some significance. It is not the centerpiece of the reorganization proposal, I might add.

Mr. BROOKS. Names do have a lot to say.

Mr. McINTYRE. They do. The reason we used the words "trade" and "commerce," which seem to be very similar, is that trade generally denotes international activities and commerce is basically related to domestic business activities.

Mr. BROOKS. Commerce is a general term but when you are trading you are getting a little something for it.

Mr. McINTYRE. That is right—hopefully.

Mr. BROOKS. Is consideration given in this reorganization to restoring the promotion of travel in the United States since tourist dollars are a big part of the economy in many of our cities?

Mr. McINTYRE. Mr. Chairman, we did not look at that specific activity in this proposal. I will be glad to look at it again.

Mr. BROOKS. Congressman Pepper is deeply concerned about that from the standpoint of Florida?

Mr. McINTYRE. Who is?

Mr. BROOKS. Claude Pepper who is on the Rules Committee. [Laughter.]

Mr. McINTYRE. Mr. Chairman, we looked at that last year in the budget process. We found that the Federal Government's activities were so insignificant compared to the promotional activities of the private sector that there really was not a good argument to be made that we had a lot of impact or influence through the Government's trade promotion activities. We did not recommend abolishing all of those functions, by the way.

Mr. BROOKS. Just part of them?

Mr. McINTYRE. Part of them in the budget this year.

Mr. BROOKS. Since only certain countries in the world will receive trade counselors and trade attachés, will the trade function be excluded in other countries or is it contemplated that the Department of State will continue to fill this function in those countries where the Commerce Department with its attaché will not be represented?

Mr. McINTYRE. What we tried to do was to identify those countries, over 30 countries, in which the commercial attachés have as their primary responsibility the commercial liaison function. Right now in many of these officers you also have an economic analysis function which I think is important for the State Department to continue to carry out its responsibilities. However, you also have officers who are dedicated primarily to the liaison with American businesses abroad.

In those countries in which commercial attaché function is not a full-time responsibility, we would see the economic analysis personnel continuing to carry out those liaison responsibilities.

Are there any further questions? Mr. Erlenborn?

Mr. ERLBORN. Thank you, Mr. Chairman.

Mr. BROOKS. He is concerned with the names of agencies, I take it.

Mr. ERLBORN. Acronyms are very important.

Talking about names, I guess you saw the same letters in the newspaper that I did, letters to the editor pointing out that "trade" and "commerce" as defined in Webster's Dictionary and other dictionaries have really little or no difference in their definition.

How do you perceive "trade" and "commerce" as differing?

Mr. McINTYRE. Mr. Erlenborn, as we look at this name, it is our judgment that "trade" has a connotation of international activity whereas "commerce" is a more general term that has domestic implications. We felt that we could combine the two words and that would give a better idea of what we were trying to accomplish with the Government's involvement in the export promotion activities and their linkage to the domestic activities.

Furthermore, it was our judgment that trade had a connotation that dealt with goods whereas commerce was much broader and included services.

Mr. ERLBORN. I do not think the dictionary definitions really bear out that view. As a matter of fact, it is probably just the reverse. This is an old dictionary—Webster's Seventh New Collegiate Dictionary.

"Commerce" is defined as the "exchange or buying and selling of commodities on a large scale involving transportation from place to place." That seems to be a much broader definition.

On the other hand, the definition of "trade" which is pertinent here states, "the business of buying and selling or bartering commodities."

The synonym for trade, by the way, is commerce.

Mr. McINTYRE. If the name is the most significant problem you have with this, Mr. Erlenborn, I can assure you we are open to discussion about that.

Mr. ERLENBORN. I am glad to hear that.

I am not very expert in Spanish but one of those letters pointed out that in Spanish the new department would be described as "El Departamento de Comercio y Comercio." It sounds like we are stuttering.

Well, just give it some thought.

Your proposal essentially places trade policy in the Special Trade Representative and implementation, as opposed to policy, in the new Department of Trade and Commerce. Do you think it is really workable to split policy from implementation?

Mr. McINTYRE. Yes, I think it is workable. In fact, I think it is important that the STR retain its role as an honest broker. There are a lot of departments that will continue to have trade- or commerce-related responsibilities.

For example, the State Department will continue to have an interest from an international affairs point of view in what our trade policy is. The Labor Department will continue to have an interest as it administers the trade adjustment assistance program. The Agriculture Department will continue to have a very important role to play.

Many times these roles will conflict. It is important that we have in the Executive Office of the President an organization that can deal with these conflicts and resolve them without being as concerned about turf as a department would be.

Therefore, I think it is not only possible for this split between policy coordination and development in trade negotiation and the implementation, execution, and export promotion responsibilities, but I think it is highly desirable that they be split.

Mr. LEVITAS. Will my colleague yield?

Mr. ERLENBORN. I would be happy to yield?

Mr. LEVITAS. Thank you.

I am very troubled by the question and the answer. It seems to me when you give policy considerations and formulation to one high-level official but that person has no responsibility for the success of carrying out those policies because some other high-level official has that responsibility for the success of carrying out those policies because some other high-level official has that responsibility, you don't have as much realism in the formulation of policy to begin with.

Second, it is my impression—and I will get into this in a few minutes in more detail with you—that the capabilities of the STR are more global and macro in nature. They are worrying about and dealing with economics, statistics of the flow of goods, tariff negotiations, and things of this sort. The need for improvement is not in that area but in actually promoting the sale of American goods and services by American firms abroad. That is just too little potatoes for the STR to be concerned about in the formulation of policy.

Would you comment on that?

Mr. McINTYRE. Well, Congressman Levitas, all of the departments that have a responsibility for trade policy have a stake in the development of the policy and are members of the Trade Policy Committee.

The Special Trade Representative would chair that committee. The State Department, the Treasury Department, the Commerce Department, the Agriculture Department, the Defense Department, the Labor Department, the Justice Department, the Interior Department, and some Executive Office agencies would be members of the Trade Policy Committee. They all have a stake in the development of the trade policy, and the person who has a responsibility for developing policy would also share in the responsibility of implementing it.

I believe concentrating the activities in the Department of Trade and Commerce, which already has a domestic field office arrangement, and of putting in the commercial attachés which would give us a link to the various regions of our country and to the foreign countries through one department, will insure that there is an emphasis on export promotion. This will also provide a better focus for educating American businesses on how to get into the export markets and seeing that the MTN agreement is properly implemented and enforced both at home and abroad. The benefits of this arrangement far outweigh the possible concerns about separating policy from implementation.

Mr. BROOKS. We have a vote on the floor now. I do not think we ought to capsule this question-and-answer period into 4 minutes. I know Mr. Erlenborn has several questions as does Mr. Levitas. Mr. Horton has joined us and he might also have questions. Therefore, it would be worthwhile for us to vote now. We will recess until our return.

[Recess taken.]

Mr. BROOKS. The committee will reconvene.

The Chair recognizes the gentleman from Illinois, Mr. Erlenborn.

Mr. ERLENBORN. Thank you, Mr. Chairman.

To follow up where we left off before we went over to vote, we were discussing the question of separate identity for the Special Trade Representative and the Department of Trade and Commerce, whatever we ultimately call it.

I would like to observe that, although I do not agree with the underlying philosophy of the executive branch organization, we do have at the present time separate Cabinet agencies that are viewed as being a representative or a voice for narrow constituencies.

Commerce is one of them, viewed as being primarily a voice for industry. That excludes the agricultural community.

The Department of Agriculture is viewed as a voice for the agricultural community. The Department of Labor is for organized labor in particular and the working men and women in general.

As I said, I do not think that is good organization. However, it is what we have. That is the reality. This being the case, my own inclination is to agree with your choice of a Special Trade Representative separate from any one of these narrow constituencies.

I would presume a Special Trade Representative within the Department of Commerce would be viewed with a bit of alarm by the agricultural community and by organized labor. These negotiations relative to tariffs and trade questions of displacing American workers would bother the Department of Labor and their constituents. Questions of trade relative to agriculture would bother the agricultural community and the Department of Agriculture.

Mr. HORTON. I do have a number of questions. I will not take the time to go through these now. However, I would like to submit them to you and perhaps you could answer them for the record.

Mr. McINTYRE. We will be glad to do so.

Mr. HORTON. Thank you.

[The material follows:]

nance Committee, and from Mr. Vanik's and Mr. Ullman's group would participate. The House Ways and Means Committee and the Senate Finance people have some interest in this. I think they will be most cooperative with us in that effort, as we were with them on the MTN agreement.

Therefore, I am hopeful that by the first part of September we will have gone over these proposals very carefully with whatever input we want to put into them. It may be that the administration would then be in a position to offer a reorganization plan which would be passed without much delay and which would put this structure into effect.

Very candidly, Mr. Erlenborn, the structure is important but no structure is worthwhile unless we have good people and they work together. As you know from my questioning, if the trade representative and his staff do not get along with the Secretary of Commerce and the Secretary's staff, it is going to be a mess.

Mr. ERLNBORN. Thank you, Mr. Chairman.

Finally, let me compliment you, Mr. McIntyre, on the process of consultation with the individual Members of Congress and the committees concerned with this. I think it is a model of what ought to be done, whichever route you go—whether it be legislation or a reorganization plan.

In particular, if it goes the route of the reorganization plan, this prior consultation certainly will pave the way and will give members an opportunity to suggest amendments at a time when they would be possible.

Mr. MCINTYRE. Thank you. I think that process worked well in the development of the MTN legislation.

Mr. ERLNBORN. It certainly did. That really was a model.

Mr. MCINTYRE. We intend to try to follow a similar process in the development of a consensus on how to proceed with respect to the trade reorganization.

Mr. ERLNBORN. Thank you, Mr. Chairman.

Mr. BROOKS. Thank you very much.

Mr. HORTON. Mr. Chairman, I have to go to another meeting. I will try to return shortly.

However, I do want to thank Mr. McIntyre for consulting with the committee. I agree with your remarks that we have to have staff work with the OMB staff during this recess to try to make certain that we do have a bill or reorganization plan that can have the support of all the committees and the members.

There is one thing I would ask, Mr. McIntyre. Are you planning or is it generally the suggestion that you create a new Department of Trade and Commerce or just reorganize that one that we call the Department of Commerce?

Mr. MCINTYRE. What we are talking about is building upon the current Department of Commerce. However, we would give it a sufficient mission to, in effect, make trade its No. 1 priority. In that regard, giving it these new responsibilities and giving it a specific focus on both domestic and international commerce and trade activities could provide greater vitality to a department that now has a multifaceted mission and give it a true sense of purpose and responsibility. That in effect would make it a new department, in my judgment, but not a

separate new department within the current executive branch structure.

Mr. HORROX. We have come a long way in handling these reorganization plans. I know in the last couple plans we have had very good presentation by OMB. In the early days in some of them I was critical because they were not really flushed out. What we are doing here is an attempt to flush out the plan before you actually submit it. I think that is excellent.

As a plumbline I also point out that we try to determine what savings are involved because that is what the Members are going to be asking when it is presented. How are we going to save money? How are we going to cut back on personnel? In other words, what savings can be effected?

However, they do not always have to be monetary savings. If we can produce better management, better control, or accountability, as we did with the Department of Education which I think was well presented to the committee and had some good points, if you can do that as you present this, it is very helpful to the committee and as we move it onto the floor.

Therefore, as you are flushing it out if you can look at those savings in the efficiencies and economies so that they can be spelled out when the legislation is sent up, I think that could be very helpful, too.

Mr. McINTYRE. We will be glad to try to do that, Mr. Horrox.

I might emphasize at this point that this reorganization does not have savings as its primary purpose. We are not talking about massive consolidations. We are talking about taking steps to improve our export opportunities in the United States and to properly and vigorously implement and enforce the MTN agreements. That should result in providing more jobs for Americans, help reduce our current trade deficit, and protect us from unfair import competition. The goals of this reorganization are somewhat different than of monetary savings or reduction of personnel.

The final point I would make is that we do not expect reorganization to cost any additional money. There may be some initial cost involved with consolidating people, bringing the systems together, and coming up with one financial and management information system. Here again the cost would be very, very minimal.

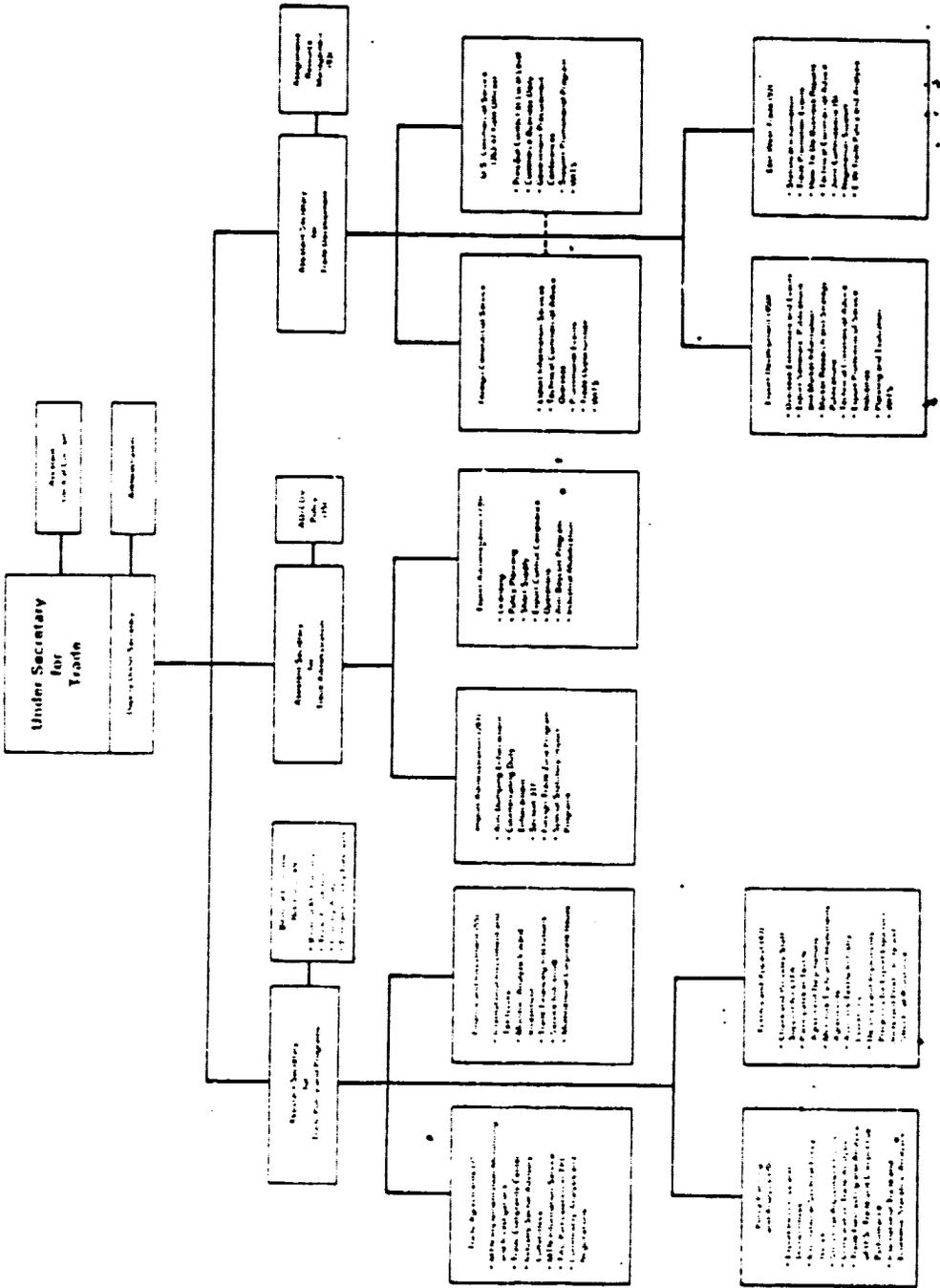
Mr. HORROX. The goals you spelled out are good and worthy goals. I am sure when the message is sent up and the legislation is sent up, those are good goals to enunciate and will appeal to the Members, especially knowing what the problem is in the trade area. What you are talking about is consolidation and making it more effective. Charts that will show how you are going to consolidate and how you are going to make it more effective will be very helpful.

Mr. McINTYRE. We certainly will provide that information. We also will provide detailed information about personnel to be transferred and any costs or savings that we can anticipate.

[The material follows:]

These improvements will be achieved with no increase in personnel or expenditures, except for an annual expense of about \$300,000 for the salaries and clerical support of the three additional senior Commerce Department officials and a non-recurring expense of approximately \$600,000 in connection with the transfers of functions provided in the plan. In view of STR's future increased responsibilities, we do, however, anticipate a substantial increase in the trade representative's resources. The exact size and nature of this increase is being examined in the course of preparing the budget that will be transmitted to the Congress and will be subject to full congressional consideration in the authorization and appropriation process.

Proposed Trade Component of the Department of Trade and Commerce



DEPARTMENT OF COMMERCE
PROPOSED TRADE REORGANIZATION PLAN

SECRETARY OF TRADE AND COMMERCE

The Secretary of Commerce will become the Secretary of Trade and Commerce and trade matters will be the Secretary's principal responsibility. The Department of Trade and Commerce will become the one cabinet department whose principal responsibility is trade.

The Secretary will be ultimately responsible for the following areas of trade activity: export expansion, including both overseas and domestic commercial services; export administration, particularly the export control system; and import regulation programs of antidumping, countervailing duties, and Section 337 cases.

The Department will have a key role in trade policy development and will provide much of the staff and operational base for negotiation and program responsibilities of the United States Trade Representative (USTR).

The Secretary will serve as an ex-officio member of the Board of the Export-Import Bank.

As chief operational officer of Trade and Commerce, the Secretary will assure that other elements of the Department whose activities relate to international trade shall appropriately support and coordinate with the Under Secretary for Trade. Included among these activities are industry sector analysis, business development loans, census trade statistics, trade adjustment assistance for businesses and communities, minority business development, industrial productivity analysis, maritime, industrial innovation, cooperative technology, product and industrial standards, and secretarial field representation.

UNDER SECRETARY FOR TRADE

The Under Secretary for Trade will be responsible for overall development and management of the trade functions in the Department of Trade and Commerce. In the Secretary's absence, the Under Secretary represents the Department on the Trade Policy Committee and as ex officio member of the Board of Export-Import Bank of the United States. The Under Secretary will meet with foreign visitors both in the United States and abroad to discuss a broad range of trade matters.

The Under Secretary also coordinates trade regulation, trade policy and programs and trade development to ensure consistency between Administration policy and trade operations. To accomplish this, the Under Secretary oversees coordination between and among the following areas:

- o investigation/determination functions and the import policy recommendation function;
- o sectoral analysis capability and trade policy and regulatory functions;
- o Foreign Commercial Service and trade policy and regulation;
- o industrial innovation and trade development.

The Deputy Under Secretary will serve as the principal deputy for the Under Secretary for Trade. In the Under Secretary's absence, the incumbent is to act in place of the Under Secretary in all matters pertaining to trade. The Deputy Under Secretary will have no direct operational or program responsibilities.

The Deputy Under Secretary will:

- o Be responsible for oversight of day to day operations to ensure that these activities are conducted efficiently and smoothly.
- o Be responsible for the administrative functions (e.g. agency level personnel, budget, administrative services, and others).

ASSISTANT SECRETARY FOR TRADE DEVELOPMENT

The Assistant Secretary for Trade Development will be responsible for carrying out the policies and programs of the Department to promote world trade and to strengthen the international trade and investment position of the United States.

In carrying out these functions, the Assistant Secretary will be responsible for conducting the Department's programs for participation in international trade fairs, trade missions, and other overseas trade promotions; programs conducted within the United States to expand the export-consciousness of American firms and to facilitate entry into international trade; and efforts to provide assistance to American exporters through the facilities of the U.S. Commercial Service and the Foreign Commercial Service. With respect to East-West trade, the Assistant Secretary will be responsible for conducting the Department's program for expanding trade and investment in Communist countries, and for the formulation and analysis of policies with respect to U.S. commercial policy in those countries.

The Assistant Secretary will be the person responsible for managing and closely coordinating the related trade expansion responsibilities of the Foreign Commercial Service, the Domestic Commercial Service, and the East-West Trade and Export Development units in Washington. This organizational structure will allow, for the first time, management by one person of export expansion activities of the Foreign Commercial Officer in, say, Kuwait, the Domestic Commercial Officer in Indianapolis, and the relevant trade specialist in Washington. It will not only assure unified management of these functions, but will also allow rotation of personnel among the three areas so that coordinated services will be available from point of manufacture to point of sale.

The Assistant Secretary shall advise the Secretary and Under Secretary of policies and programs relating to these functions. The Assistant Secretary will represent the Department on the Board of the Foreign Service and in other matters relating to the commercial responsibilities of the Departments of State and Commerce. The Assistant Secretary will be the National Export Expansion Coordinator.

The specific programs and activities for which the Assistant Secretary is responsible are detailed on the following pages.

FOREIGN COMMERCIAL SERVICE

The Foreign Commercial Service is responsible for assisting American business abroad through counseling, marketing data, project development assistance and liaison with foreign government agencies. The Service provides direct support to Trade and Commerce (TAC) overseas promotional activities such as trade missions, trade fairs, and procurement conferences. It is responsible for the development of marketing and commercial intelligence through the Worldwide Information and Trade System (WITS) for dissemination to the American business community.

The members of the Service will serve as part of the U.S. Embassy staffs and will report directly to the Ambassador or Chief of Mission in each country. The Foreign Commercial Service will provide personalized assistance to American business persons abroad by providing support to Export Development Offices, trade missions, fairs, catalog shows and other activities. The Service will develop trade leads, identify potential agents/representatives and develop other commercial intelligence for transmittal to the East-West Trade and Export Development units in Washington and the U.S. Commercial Service. It also will develop information and report to Trade and Commerce on foreign commercial and industrial trends. The commercial intelligence data obtained by the Service will be disseminated in part through the WITS. The Service will provide support to TAC units in import and export administration and monitoring of multi-lateral trade agreements. It will assist U. S. business persons in resolving trade complaints against foreign firms and governments.

U.S. COMMERCIAL SERVICE

The U.S. Commercial Service represents Trade and Commerce with the business community in the United States. It provides business with information, technical assistance and counseling on export and investment matters. The Service assists in identifying potential U.S. exporters and participants in overseas promotional events.

The Service administers a system of district offices, currently 43, located in commercial centers throughout the United States. It offers U.S. firms counseling on overseas marketing, technical export information, guidance on the marketing opportunities, and advice on marketing strategies. The service conducts seminars, workshops, and conferences. It utilizes Export Development and East-West Trade information services, including the Worldwide Information and Trade System (WITS). The Service assists in obtaining commercial information from U.S. firms for use in Export Development planning and evaluation. It also advises the business community of significant trade developments, trade policy issues and technological developments.

The U.S. Commercial Service publishes Commerce Business Daily.

The U.S. Commercial Service will include a staff of 353.

EXPORT DEVELOPMENT

The Export Development unit has primary responsibility for planning the export development programs in non-Communist countries. Its mission is to expand U.S. exports. It develops promotional programs conducted by the U.S. and Foreign Commercial Services and provides them with analytical and technical support.

This unit performs the program planning and evaluation activities for the Assistant Secretary and has responsibility for determining program priorities for the Foreign and U.S. Commercial Services. It supports overseas promotional activities through management of Export Development Offices, development of overseas trade missions, sponsorship of special missions, and other trade and investment activities. This unit, particularly its staff of country commercial experts, is responsible for providing counseling services to U.S. business on foreign markets, for market research, and for technical support to other units of Trade and Commerce (TAC).

This unit supports staff for Trade and Commerce information programs, including the Worldwide Information and Trade System (WITS). Such information is disseminated through the Foreign and U.S. Commercial Services for use by the U.S. business community. This unit also conducts a nationwide campaign on export awareness through specialized counseling, seminars, publications, joint industry/government activities, and assistance in competing for major overseas projects. The Foreign Commercial Service stages promotional events and the U.S. Commercial Service assists in identifying participants.

Additionally, this unit coordinates the program activities of the President's Export Council which provides advice from the private sector to the Secretary and the President on issues relating to export expansion activities.

The Export Development unit has a staff of 450.

EAST-WEST TRADE

The East-West Trade unit, established in 1972 to foster commercial and economic relations between the United States and communist countries, helps American firms conduct business in communist countries; develops and explains East-West trade policy; strengthens governmental mechanisms for expanding trade; and expands understanding of issues and opportunities in East-West trade.

This unit conducts the day-to-day bilateral commercial contacts with the embassies and other communist government entities in the U.S. It provides support for the Cabinet-level joint economic commissions, seeks resolution of commercial problems, and assists in the development of commercial policy toward individual communist countries. It collects, analyzes, and disseminates information about economic conditions, trade-related laws and regulations and market opportunities, and advises U.S. firms on country oriented trading problems. It also maintains day-to-day liaison with the major private U.S. bilateral councils on eight individual communist countries.

This unit offers practical services to help U.S. firms promote and market products in communist countries. It conducts briefings on "how to do business", arranges contacts between U.S. business and foreign trade organization officials, disseminates information on business opportunities in communist countries; and assists U.S. firms in transaction problems involving Federal agencies. In addition, this unit plans, recruits for, and manages trade promotion events such as fairs, technical sales seminars, and catalog shows in communist countries.

Lastly, this unit formulates, analyzes and makes recommendations about legislative and broad policy issues arising in East-West trade. It studies trade potential, balance-of-payments projections, econometric modeling of communist economies, and the economic impact of East-West trade on the United States, its communist trading partners, and other nations. It also maintains a major statistical data base on East-West trade and provides analyses of trade trends.

The unit has a staff of 92.

ASSISTANT SECRETARY FOR TRADE ADMINISTRATION

The Assistant Secretary for Trade Administration will have overall responsibility for the management and operation of the principal programs involving the regulation of imports and exports. The incumbent advises the Under Secretary and Secretary on the policies and programs relating to trade administration.

The Assistant Secretary is responsible for import administration: antidumping investigation and enforcement and countervailing duty investigation and enforcement. The Assistant Secretary will be directly assisted by an Office of Antidumping and Countervailing Duty Policy of 15 people.

The Assistant Secretary is responsible for export administration: export licensing and enforcement, including national security, foreign policy, and short supply export controls.

The Assistant Secretary is also responsible for a number of special regulatory programs: antiboycott compliance, industrial mobilization, foreign trade zones, unfair import practices, (§ 337) national security investigations, and several other statutory import programs.

The specific programs and activities for which the Assistant Secretary is responsible are detailed on the following pages.

IMPORT ADMINISTRATION

The Import Administration unit is responsible for the investigation of antidumping and countervailing duty cases. Following investigation, this unit makes a formal recommendation for disposition of the case.

In countervailing duty cases, this unit investigates and determines whether a subsidy is being provided with respect to the manufacturer, production or exportation of merchandise imported into the United States. As part of the same process, the International Trade Commission (ITC) investigates and determines whether an industry is materially injured or is threatened with material injury. If both of these determinations are positive, a countervailing duty is imposed in the amount of the net subsidy determined to exist.

In antidumping cases, this unit investigates and determines whether merchandise is sold or is likely to be sold in the United States at less than fair value. As in countervailing duty cases, the ITC investigates material injury. If both determinations are positive, an antidumping duty is imposed, equal to the amount by which fair foreign market value exceeds the U.S. price of the merchandise.

In addition to these two functions, this unit will also include the following import related activities:

Unfair import practices (§ 337 cases) involve the investigation and determination as to whether unfair methods of competition or importation cause substantial injury to domestic industry. The vast majority of current actions involve claims of patent infringement.

The foreign trade zone program evaluates and processes applications by port communities seeking to establish limited duty free zones as part of local economic development programs.

Special statutory import programs relate to the import of quota allocation watches and watch movements from U.S. territories, and the import of educations, scientific, and cultural materials by nonprofit institutions pursuant to the Florence Agreement.

The Import Administration unit will consist of 310 persons.

INTERIOR

<u>Organization Unit</u>	<u>Trade Policy Formulation</u>	<u>Trade Policy Implementation</u>
Secretary of the Interior	TPC member	
Assistant Director for Energy and Minerals	TPRG member	
Associate Director, Bureau of Mines for Minerals and Materials Supply/Demand Analysis	Alternate member TPRG	
Office of Mineral Policies and Research Analysis	TPSC member	
Branch of Economic Analysis, Bureau of Mines	Alternate TPSC member	Participates in the formulation of U.S. trade policy and negotiation of multilateral and bilateral trade agreements

ASSISTANT SECRETARY FOR TRADE POLICY AND PROGRAMS

The Assistant Secretary for Trade Policy and Programs is responsible for developing and operating an effective trade policy implementation mechanism within the Department of Trade and Commerce and for operating a variety of trade and investment programs to improve the U.S. trade position.

The Assistant Secretary provides overall direction and coordination of international economic policy formulation, research, and analysis within the Department, advising the Secretary and Under Secretary on such policies and programs.

The Assistant Secretary for Trade Policy and Programs will be principally responsible for the follow-up, implementation, and monitoring of the MTN. The Assistant Secretary will be responsible for closely coordinating with other involved offices and agencies these responsibilities and the process of educating U.S. business on the rights and opportunities resulting from the MTN.

The Assistant Secretary supports the Department's activities in international trade, economic, and investment matters -- and is an active participant in U.S. representation in GATT, CECD, UNCTAD, ILO and other multilateral deliberations and negotiations. The Assistant Secretary establishes and supervises the implementation of the Department's interagency policy role in such organizations as the NSC, STR, and the NAC, particular responsibility for MTN implementation and TPC support.

The Assistant Secretary's immediate office includes a country analysis staff which supports certain joint economic consultative mechanisms (e.g. Korea, Yugoslavia); operates trade facilitation efforts to resolve specific commercial complaints (e.g. Japan); and provides staff support to the Secretary and Under Secretary for meetings with foreign visitors and trips abroad.

The specific programs and activities for which this Assistant Secretary is responsible are detailed on the following pages.

TRADE AGREEMENTS

The Trade Agreements unit is the primary source of trade policy development and support within the Department of Trade and Commerce. It identifies key trade policy issues and develops Departmental positions. A major responsibility of this entity is implementation of the MTN and other trade agreements for all non-agricultural matters.

Trade Agreements' activities include implementation and monitoring of MTN tariff and nontariff agreements, as well as investigation and resolution of problems in foreign country application of those agreements. Another function is the development of information and cases arising under the MTN, including the operation of the Trade Complaint Center, the central contact point to which business will bring complaints and problems regarding MTN and other trade agreements, and where the private sector will receive advice as to the recourse and remedies available to them. Operation of the private sector advisory process (ISACs) under the expanded scope of TPC coverage--including investment, East-West trade, etc.--in addition to trade agreements, is administered here.

In the import relief area, Trade Agreements (1) provides staff analyses to be used by the TPC in reviewing and considering section 201, 301, 406 import relief cases; (2) monitors relief actions; and (3) develops Departmental policy on orderly marketing agreements.

Trade Agreements develops a continuing program of examining post-MTN issues for negotiation or consultation, identifying and cataloguing foreign trade practices, such as those affecting trade in "services." It recommends policy objectives for Departmental officials to present in interagency and international forums. In addition, it develops plans for educating the U.S. business community on general and specific trade opportunities resulting from the MTN.

Another major function is participation in, and, as appropriate, leading negotiations and/or renegotiation of bilateral and multilateral trade agreements, such as the expansion of MTN code agreements, commodity agreements, orderly marketing agreements, international sector agreements, etc.

Other activities include the examination of U.S. access to raw materials and other resources located abroad and the recommendation of appropriate U.S. action in this area.

This unit will consist of 75 persons.

FINANCE AND INVESTMENT

This unit develops and implements policies and examines laws, regulations, and institutions in the financial and investment areas to determine their effect on U.S. trade and investment flows. It recommends changes in these to improve the U.S. trade position, and it monitors and analyzes inward foreign investment in the United States.

It represents the Department in international finance and development assistance affairs, especially those affecting export expansion. This includes providing analyses and staff support for Departmental representation on the National Advisory Council (NAC) and other bodies dealing with export finance, export guarantees and credit insurance, and bilateral and multilateral aid loans.

It examines the effect of U.S. tax laws and practices on U.S. trade competitiveness (DISC, foreign tax credits, taxation of U.S. overseas personnel, etc.). It conducts comparative analyses of foreign tax practices, and makes recommendations for changes.

Representing the Department in matters relating to U.S. direct investment, it analyzes investment trends and consults with business on U.S. regulations and international practices affecting investment. It recommends actions in bilateral, multilateral negotiations on investment. It develops positions on multinational corporation (MNC) issues, providing staffing for Departmental participation in MNC code issues and investment disputes. It advises on programs, policies and legislation affecting investment abroad and analyzes the balance of payments effects of such investment.

It analyzes transactions of domestic and international trade financing institutions from the perspective of effects on U.S. trade. It compares U.S. practices with foreign practices and recommends changes in U.S. practices. It also provides staff support for Secretarial membership on Export-Import Bank Board.

It develops recommendations to improve the access of U.S. service industries to foreign markets, representing the Department at interagency and international groups dealing with aviation, sea and multimodal proposals.

It operates statutory programs to monitor and analyze foreign investment in the United States. It identifies problems and recommends remedial action as necessary.

The Finance and Investment unit will include 55 persons.

POLICY PLANNING AND ANALYSIS

This unit conducts research and analysis on U.S. trade and on all factors affecting future trade prospects, developing policy recommendations to enhance the international trade competitiveness of the United States. It is the principal source within the Department for developing positions on international positive adjustment policies and on international sectoral issues. On the basis of its own research and analysis as well as that of the new Bureau of Industrial Analysis (BIA) and other parts of the Government, this unit forecasts future trade trends and is responsible for developing longer term policy options for U.S. trade and investment.

In conducting policy analyses of positive adjustment issues and international sectoral issues, it draws on the micro-economic and industry analyses of BIA, using these studies and data along with other information to formulate and evaluate policy options and to recommend policy positions. It develops positions to take on international positive adjustment policies in the OECD and other forums, it focuses on sectoral issues related to MTN implementation and to other trade and investment agreements and policies, and it participates in or heads U.S. delegations to international meetings concerned with sectoral or positive adjustment issues.

In supporting the development of faster U.S. export growth and a stronger competitive position, this unit examines the effects of trade incentives and disincentives of the U.S. and other governments. It serves as the central contact point for collecting and evaluating information on the likely effects of changes proposed to improve the U.S. export position, developing policy options and recommendations.

It also forecasts longer-term trade developments, with particular emphasis on identifying future trade problems that will face the United States. It identifies longer-run trade and investment policy objectives, basing these on its forecasts and its program of research into U.S. trade and the factors affecting U.S. competitiveness. It evaluates the effectiveness of U.S. trade and investment policies and compares these with major competitor nations. It uses mathematical models to simulate the effects of future policy alternatives, and provides the planning framework for trade policies and programs.

The Policy Planning and Analysis unit also develops and maintains computerized data bases and provides trade and international economic statistics to other parts of the Government and to U.S. business.

This unit will include 70 persons.

TEXTILES AND APPAREL

The Textiles and Apparel unit is the organization in Trade and Commerce that is responsible for the economic well-being of the U.S. textile and apparel industries, domestically and internationally. Its major efforts include negotiating bilateral textile and apparel import restraint agreements;* monitoring imports from controlled (agreement) countries and uncontrolled countries, providing staff and technical support to the Committee for the Implementation of Textile Agreements (CITA); and, promoting the expansion of exports of textiles and apparel.

This unit prepares monthly performance reports which show imports compared to restraint levels for each bilateral agreement country. Problems of implementing the agreements are analyzed and brought before CITA for resolution. This unit makes special tables and analyses used by the U.S. negotiators of textile and apparel agreements. To accomplish this, it gathers and reports basic statistical data on imports. It prepares monthly reports on the overall import picture, comparing current monthly data with prior years. It is concerned with monitoring imports from uncontrolled countries. It classifies problems arising under agreements and trains foreign officials in U.S. classification procedures.

In addition, this unit provides current economic data and analyses of conditions in the domestic textile and apparel markets, including the impact of imports on these markets. It is responsible for the textile and apparel export expansion program and, in conjunction with the STR and other organizations, reduction of non-tariff barriers. Finally, it provides structural assistance to the industry in the form of new technology, research and development, and management training.

The Textile and Apparel unit will have a staff of 47.

* This is done as part of negotiating teams made up of State, Labor, and headed by the Chief Textile Negotiator from the Office of the Special Trade Representative.

Mr. HORTON. I do have a number of questions. I will not take the time to go through these now. However, I would like to submit them to you and perhaps you could answer them for the record.

Mr. McINTYRE. We will be glad to do so.

Mr. HORTON. Thank you.

[The material follows:]

RESIDENTS
REORGANIZATION
PROJECT

WASHINGTON, D.C. 20503

September 19, 1979

RECEIVED

SEP 21 1979

Legislation and National
Security Subcommittee

Hon. Frank Horton, M.C.
House of Representatives
Washington, D.C. 20515

Dear Representative Horton:

I am pleased to enclose our responses to the questions you raised regarding the Administration's trade reorganization proposal.

I look forward to working with you to make this proposal a reality.

Sincerely,



Harrison Wellford
Executive Associate Director
for Reorganization and Management

Enclosures

cc: Hon. Jack Brooks, M.C. ✓

EXECUTIVE OFFICE OF THE PRESIDENT • OFFICE OF MANAGEMENT AND BUDGET

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QUESTION: Why did you reject proposals that placed all trade functions including both policy and implementation in one agency such as a separate Department of Trade or a revitalized Department of Trade and Commerce?

ANSWER: Trade is a legitimate concern of several U.S. Government agencies: Trade is a natural component of the U.S.'s foreign relations with countries and as such, the State Department will maintain interest and involvement in trade; trade and international monetary matters are intimately linked and, hence, continued Treasury Department presence on the trade scene is required; and the impact of trade on employment in the U.S. means the Labor Department will maintain its role in trade. USDA's involvement in trade deliberations flows from Agriculture's importance in the U.S. trade effort. Our goal is not to eliminate these differing perspectives, but to provide a means of extracting from them, in a timely and definite manner, a coherent and balanced national trade policy.

Accordingly, the U.S. government mechanism for trade functions must accommodate these valid institutional interests, particularly at the policy stage.

We believe that these multiple interests require a neutral broker, such as STR, located in the Executive Office, acting with the clout of the President. It is difficult if not impossible for a Cabinet department (or subcabinet agency) to direct its sibling agencies - (1) because of its equal relative status and (2) because it probably would be perceived as representing or favoring a particular constituency.

Thus we have proposed maintaining the Trade Policy Committee -- a forum in which all the interests are represented -- and continuing and enhancing STR as the neutral broker.

As for implementation, we believed that more consolidation was possible and desirable.

QUESTION: If there are not going to be any more major MTN negotiating rounds, why do we really need the STR office? Wasn't the STR really created just for these major trade negotiations?

ANSWER: Because many agencies have a legitimate interest in trade matters, we see a strong need for an Executive Office presence that can resolve policy differences (subject, of course, to the final word of the President).

Also, there will be continuing major trade negotiations of the type requiring the attention of STR.

QUESTION: According to your fact sheet, U.S. commercial attaches in our major trading partner countries will be transferred to the new Department of Trade and Commerce? What do you mean by major trading partners? How many countries does this include?

ANSWER: "Major trading countries" are those that are currently or potentially the significant destinations of our non-agricultural exports.

We have decided to transfer all 162 full-time commercial officer positions from the Department of State to the new Department of Trade and Commerce. Currently these officers are located in 66 countries.

QUESTION: Why didn't you simply switch all commercial attaches to the new department?

ANSWER: We are switching all full-time commercial officer positions.

QUESTION: Besides renaming the Department of Commerce and establishing a new Under Secretary for Trade, what are you really doing new and different to increase exports?

ANSWER: Establishing a strengthened Department of Commerce* will focus top level attention on trade in general and increasing U.S. exports in particular. The Department will have a number of improved mechanisms for performing this task: First, housing the commercial attaches in the same department with Commerce field offices should improve greatly the flow of information between foreign markets and domestic manufacturers, making for direct communication between Rochester and Rome. Second, improved coordination of trade policy within the Executive branch will permit aggressive enforcement of the new MTN codes, leading to expanded export opportunities for U.S. industry.

* Because of concern that the name "Department of Trade and Commerce" might be confusing or redundant, we have decided to retain the name Department of Commerce.

QUESTION: Who will have the final authority on agriculture exports? Will it be the new STR office, the Trade Policy Committee or the Agriculture Department?

ANSWER: Most agricultural trade functions, such as the promotion of U.S. agricultural exports by the Foreign Agricultural Service and the activities of U.S. agricultural attaches, will remain under the authority of the Secretary of Agriculture. Also, the Department of Agriculture, in light of its particular expertise, will be responsible for MTN implementation support functions and section 301 staffing for agricultural products. The TPC, of which Agriculture is a member, will consider trade policy issues arising from actions under U.S. statutes (e.g., section 301), from international dispute settlement procedures (e.g., Article XXIII of the GATT), and from implementation of MTN agreements (e.g., the subsidies code). STR will manage all negotiations; however, we would expect STR to delegate as appropriate, i.e., in this case to Agriculture, a member of the Trade Negotiating Committee.

QUESTION: How many people would be in the new Office of the United States Trade Representative?

ANSWER: The Office of the Special Trade Representative currently has a staff of 59. The new Office of the United States Trade Representative, the successor agency to STR, would have added responsibilities. These new responsibilities will require additional staff to perform them effectively. We do not know at this time the exact number of staff positions that would be added to this office; full congressional consideration of this issue will take place when the authorization and appropriation bills for the Office are transmitted early next year.

QUESTION: Do you think that there will be enough people to properly do all policy coordination and trade negotiations?

ANSWER: Yes. The reorganization will improve coordination of trade policy, thus providing an opportunity for more efficient and effective utilization of available resources.

QUESTION: Besides establishing the new post of Under Secretary for Trade, do you anticipate any people will be added to the new Department?

ANSWER: At this time, we do not envisage the creation of new staff positions in Commerce. In addition to the Under Secretary for International Trade, we would create two new Assistant Secretaries. Also, we will upgrade the existing Under Secretary position to Deputy Secretary. Essentially, we expect to transfer existing personnel to Commerce as follows (estimates):

- 219 positions for countervailing duty and antidumping cases (130 of these are new positions)
- 162 commercial officer positions plus 494 affiliated local employees

QUESTION: Do you intend to leave the Maritime Administration and the National Oceanic and Atmospheric Administration in the Department of Trade and Commerce?

ANSWER: Our proposal does not call for moving these two agencies from the Department of Commerce.

QUESTION: Will you have to increase the staff for the Trade Policy Committee and, if so, how large an increase to anticipate? Would they be part of the STR staff?

ANSWER: We anticipate a moderate increase in the number of persons doing staff work for the Trade Policy Committee. These people will be a part of the USTR staff.

QUESTION: Did you consider transferring the STR to a new Department of Trade and Commerce and giving it a so-called "broken line" relationship such as the Arms Control Agency now has with the State Department? You could still have an STR Ambassador, a separate STR, yet everything would essentially be under one umbrella.

ANSWER: We did consider transferring STR to the Department of Commerce but decided against it because even a "broken line" relationship might identify STR too closely in some eyes with the industrial side of our trade community. This would be a severe detriment indeed, since STR would not be able to retain its "honest broker" role and its Executive Office status.

QUESTION: What would be the relationship of the State Department's Office of the Under Secretary for Economic Affairs and its Bureau of Economic and Business Affairs which are both heavily involved with trade matters with your new offices?

ANSWER: Both these offices play a large role in formulating the State Department's input into trade policy and negotiations. The Bureau of Economic and Business Affairs has an Office of International Trade which staffs State's participation in the TPC; it has the Office of East/West Trade which, even when STR takes over the negotiations, will be considerably involved in East/West trade matters; it has the Office of International Commodities which will still play a significant role in commodity negotiations even after USTR assumes the lead role; and finally, Economic Bureau (EB) has the Office of Commercial and Maritime Affairs which will, after the transfer of the major trading partner commercial attaches, oversee State's remaining commercial activities. Therefore, we anticipate these State units will relate both with the Department of Trade and Commerce (on the attaches) and with USTR (on TPC issues and trade negotiations).

QUESTION: Even though you do transfer some Treasury Department functions to the new offices, there are still many left in Treasury that are trade related. For example, the Office of Trade and Raw Material Policy has four divisions for Trade Policy and Negotiations, Raw Material and Ocean Policy, East-West Economic Policy and Trade Finance. Why aren't these transferred?

ANSWER: The Treasury Department, as well as other agencies in the Government, will retain substantive and policy interest in trade matters. This is consistent with long standing congressional intent (see, for example, section 242 of the Trade Expansion Act of 1962, 19 U.S.C. 1872) that U.S. trade policy take into account a number of domestic and international interests including those of financial institutions, labor, consumers, business, farmers, importers, exporters, et cetera. Retaining some trade personnel in Treasury will allow that department to fulfill this role.

Although the Office of East-West Economic Policy performs some functions that are trade-related, its primary responsibility is to act as Treasury's policy staff for East-West economic and finance matters.

QUESTION: Why didn't you transfer the Treasury Department's Office of Tariff Affairs?

ANSWER: In assigning TAC the responsibilities for countervailing and antidumping duties, we are proposing the transfer of the Office of Tariff Affairs, and also the transfer of Customs' staff engaged in countervailing and antidumping work.

The attached charts identify current governmental units which participate in the formulation and implementation of U.S. trade policy. The charts provide information regarding units the primary mission of which is trade policy formulation and implementation. Given the complexity of international economic and trade relations in a modern world, many other governmental units are called upon to provide technical advice or expertise on specific issues. However, the primary mission of these units is not trade policy formulation and implementation and therefore such units have not been included.

AGRICULTURE

<u>Organization Unit</u>	<u>Trade Policy Formulation</u>	<u>Trade Policy Implementation</u>
Secretary of Agriculture	Member TPC	Prepare: recommendations regarding the use of Section 22 import restrictions for review by the President
Undersecretary for International Affairs and Commodity Programs	Member East West Foreign Trade Board	
Agricultural Stabilization and Conservation Service	Member TPRC	Administers price support programs
Commodity Credit Corporation	Formulates policy recommendations for use of import restrictions under Section 22 of the Agricultural Adjustment Act of 1933	Stabilizes and protects farm income and prices, assists in maintaining balanced and adequate supplies of agricultural commodities, and facilitates orderly distribution of commodities
Foreign Agricultural Service	Member of TPSC	Staff support for implementation of the MTW
Assistant Administrator, International Trade Policy	Provides staff support for the formulation of U.S. trade policy and negotiation of multilateral and bilateral trade agreements	Assists in the administration of GSP
	Participates in the formulation of policy regarding trade-related legislation	

AGRICULTURE

<u>Organizational Unit</u>	<u>Trade Policy Formulation</u>	<u>Trade Policy Implementation</u>
Assistant Administrator, Commodity Analysis	Prepares commodity analysis in support of trade policy formulation and commodity negotiations	Administers agricultural import controls
Assistant Administrator, Market Development	Prepares recommendations for use of section 22 restrictions	
Assistant Administrator, Attache Service	Export promotion and domestic market development	Support for MTN implementation Export promotion

COMMERCE

Organizational Unit

Secretary of Commerce

Assistant Secretary for
Industry and Commerce

Bureau of International
Economic Policy and Research

Office of International Trade
Policy

Trade Policy Formulation

Member of the TPC
Member of the East-West Foreign
Trade Board

Member of the TPRG

Alternate member of the
TPRG

Member of the TPSC

Provides staff support for formula-
tion of U.S. trade policy and nego-
tiation of multilateral and bilateral
trade agreements

Formulates policy concerning legisla-
tion affecting existing tariffs or the
trade agreements program

Participates in the negotiation of
commodity agreements

Provides staff support for negotiation
of bilateral trade agreements

Business development and
export awareness

Office of Country Affairs

Bureau of Field Operations

Trade Policy Implementation

Chairs certain bilateral commissions
and leads delegations for certain
bilateral consultative mechanisms

Chairs certain bilateral commissions and con-
sultative mechanisms

Chairs some subcommittees of bilateral
commissions and consultative mechanisms

Staff support for implementation of MTN
and other trade agreements

Staffing for section 301 and section 337
actions

Assists in administration of the U.S.
Generalized System of Preferences

Staff support for import relief and market
disruption cases

Staff support for certain bilateral commissions
and consultative mechanisms

Participates in bilateral commissions and
consultative mechanisms

Staffs U.S. - Japan Trade Facilitation Com-
mittee

COMMERCE

<u>Organizational Unit</u>	<u>Trade Policy Formulation</u>	<u>Trade Policy Implementation</u>
Bureau of East West Trade	Participates in negotiations of commercial agreements with communist countries	Staffs cabinet-level joint economic commissions
	Staff support for development of U.S. East West trade policy	Staff support for East West Foreign Trade Board
	Staff support for formulation of legislative policy affecting East West trade	Promotes U.S. exports to communist countries and aids U.S. firms in conducting business in such countries
Bureau of Export Development	Formulates policy on legislation affecting U.S. export expansion programs and U.S. export capabilities	Administers and participates in certain bilateral commissions and consultative mechanisms
	Formulates policy regarding legislation affecting the regulation of U.S. exports	Export promotion and development Export awareness
Bureau of Trade Regulation		Administers the U.S. watch quota program, the Foreign Trade Zones program and the Florence Agreement
Bureau of Domestic Business Development	Provides staff support for negotiation of textile agreements	Chairs Committee for the Implementation of Textile Agreements (CITA)
Office of Textiles	Formulates policy on legislation related to U.S. adjustment assistance mechanisms	Monitors textile agreements and trade in textile products Provides trade adjustment assistance to firms and communities
Economic Development Administration		

Organizational Unit

Census

COMMERCE

Trade Policy Formulation

Participates in the development of U.S. views on tariff nomenclature modernization

Trade Policy Implementation

Prepares data necessary for implementation of the GSP

Participates in statistical enumeration and data comparability work of the section 484(e) committee

COUNCIL OF ECONOMIC ADVISORS

Trade Policy Implementation

Trade Policy Formulation

Organizational Unit

Chairman

Member of the TPC

Member of the East West Foreign
Trade Board

Council Members

Member of the TPRG

Senior Staff Economist

Member of the TPSC

DEFENSE

Organizational Unit

Secretary of Defense

Deputy Assistant Secretary
for International Economic
Affairs

Office of Strategic Tech-
nology and Munitions Control
International Economic Affairs
Directorate

Defense Security Assistance
Agency

Trade Policy Formulation

Member of the TPC

Member of the East West Foreign Trade
Board

Member of the TPRG

Focal point for approval of bilateral
defense procurement memoranda of under-
standing negotiated by other DOD
offices

Policy formulation for the control
of the export of strategic technology

Member of the TPSC

Trade Policy Implementation

Sale of defense weapons systems to
foreign governments

EXPORT - IMPORT BANK

Organizational Unit

President

Senior V.P., Direct
Credit and Financial Guarantees

Senior V.P., Exporter Credits,
Guarantees and Insurance

Senior V.P., Research
and Policy Analysis

Senior V.P., International
Relations

Trade Policy Formulation

Member East West Foreign Trade
Board

Trade Policy Implementation

Direct loans and certain loan guarantees
to support exports .

Supplier credit programs (loan guarantees
and insurance) to support exports

Discount loan program (provides back-up
liquidity for U.S. commercial banks
for fixed interest rate export obli-
gations)

Policy guidance on Ex-Im
operations

Export market development

Directs Bank efforts in multicountry
cofinancing in certain key sectors,
such as aircraft

INTERIOR

<u>Organization Unit</u>	<u>Trade Policy Formulation</u>	<u>Trade Policy Implementation</u>
Secretary of the Interior	TPC member	
Assistant Director for Energy and Minerals	TPRG member	
Associate Director, Bureau of Mines for Minerals and Materials Supply/Demand Analysis	Alternate member TPRG	
Office of Mineral Policies and Research Analysis	TPSC member	
Branch of Economic Analysis, Bureau of Mines	Alternate TPSC member	Participates in the formulation of U.S. trade policy and negotiation of multilateral and bilateral trade agreements

JUSTICE

Trade Policy Implementation

Trade Policy Formulation

Organizational Unit

Member of the TPC

Attorney-General

Member of the TPRG

Assistant Attorney-General
for Antitrust

Member of the TPSC

Director, Trade Policy,
Foreign Commerce Section,
Antitrust Division

Organizational Unit

Secretary of Labor
Deputy Undersecretary for International Labor Affairs
Associate Deputy Undersecretary for International Affairs
Office of Foreign Economic Policy

LABOR

Trade Policy Formulation

Member of TPC
Member of TPRG
Alternate member TPRG
TPSC Member
CITA Member

Provides staff support for the formulation of U.S. trade policy and negotiation of multilateral and bilateral trade agreements
Participates in the formulation of policy regarding trade-related legislation

Participates in the negotiation of textile and commodity agreements

Office of Trade Adjustment Assistance

Employment and Training Administration

Trade Policy Implementation

Assists in administration of the GSP
Staff support for import relief and market disruption cases

Certifies workers eligible for trade adjustment assistance

Provides adjustment assistance benefits

OFFICE OF MANAGEMENT AND BUDGET

Trade Policy Implementation

Trade Policy Formulation

Organizational Unit

Member of the TPC

Director

Member of the East West Foreign Trade Board

International Affairs Division

Participates in meetings of the TPRG and TPSC

SPECIAL TRADE REPRESENTATIVE

Organizational Unit

Trade Policy Formulation

Directs participation in bilateral and multilateral trade negotiations

Coordinates formulation of trade policy

Chairs Trade Policy Committee (TPC), Trade Policy Review Group (TPRG) and Trade Policy Staff Committee (TPSC)

Coordinates and usually leads negotiation of bilateral textile agreements pursuant to the Arrangement Regarding International Trade in Textiles (MFA)

Trade Policy Implementation

Implements the trade agreements program

Enforces MTN and other trade agreements

Administers the operation of the U.S. Generalized System of Preferences

Chairs certain bilateral commissions and consultative mechanisms

Formulates recommendations for Presidential action on import relief cases, market disruption cases and unfair trade complaints under section 301 and section 337

Drafts and secures the enactment of major trade legislation affecting the operation of the trade agreements program and participates in the formulation of policy on other trade bills

Member of the East West Foreign Trade Board

STATE

Organizational Unit

Secretary of State

**Assistant Secretary for
Economic and Business Affairs**

**Office of International
Trade**

Trade Policy Formulation

Member of the TPC

**Member of the East West Foreign
Trade Board**

Member of the TPRG

Chair of the Commodity Task Force

Member of the TPSC

**Provides staff support
for formulation of U.S. trade
policy and negotiation of multi-
lateral and bilateral trade
agreements**

**Formulates policy concerning legis-
lation affecting existing tariffs
or the trade agreements program**

**Participates in negotiation of
bilateral textile agreements**

**Coordinates U.S. participation in GATT
and the OECD Trade Committee and
discussion of trade issues between
developed and developing countries
in UNCTAD and other international fora**

Negotiates commodity agreements

**Develops U.S. policy on international
commodity trade**

**Participates in interagency group to
formulate strategic stockpile policy**

Trade Policy Implementation

**Chairs certain bilateral commissions
and leads delegations for certain
bilateral consultative mechanisms**

**Chairs certain bilateral commissions
and leads delegations for certain
bilateral consultative mechanisms**

Assists in the administration of the GSP

**Staff support for import relief and market
disruption cases**

**Staff support for implementation of the
MTN and other trade agreements**

**Staff support for bilateral commissions
and consultative mechanisms**

Organizational Unit

Office of East/West
Trade

Trade Policy Formulation

Formulates policy on East
West trade

Participates in negotiation of
commercial agreements with com-
munist countries

Coordinate U.S. Government
positions in COCOM for the
multilateral application of
export controls for national
security purposes.

Advises Department of Commerce
on foreign policy aspects of
U.S. export control operations
under the Export Administration
Act

Advises the Department of Commerce
and the Department of the Treasury
on foreign policy aspects of
foreign assets control
and transaction controls

Commercial Attaches

Economic/Commercial Attaches

International Communication
Agency

Trade Policy Implementation

Administers the Battle Act (concern-
ing trade in strategic goods)

Staff support for U.S. Delegation to COCOM

Trade promotion and overseas services to
American business

Support for MTN implementation

Administers Beirut Agreement

TREASURY

<u>Organizational Unit</u>	<u>Trade Policy Formulation</u>	<u>Trade Policy Implementation</u>
Secretary of the Treasury	Member of the TPC Chairs East West Foreign Trade Board	Chairs U.S./U.S.S.R. Joint Commission Chairs U.S./P.R.C. Joint Commission Chairs U.S./Saudi Arabia Joint Commission Chairs U.S./Israel Joint Commission
Assistant Secretary of International Affairs	Alternate member of TPC Member of TPRG	Assists in administration of Generalized System of Preferences
Office of International Trade	Member of TPS, and CITA Provides staff support for the formulation of U.S. trade policy and negotiation of multilateral and bilateral trade agreements	Staff support for import relief and market disruption cases
Office of East West Economic Affairs	Participates in the formulation of policy regarding trade-related legislation Provides policy guidance on East West trade issues	Staff support for the East West Foreign Trade Board
Office of Trade Finance	Participates in negotiation of commercial agreements with communist countries	
Office of Raw Materials and Ocean Policy	Provides policy guidance to Export Import Bank and recommends U.S. positions for international negotiations on terms and extent of official trade financing	
General Counsel	Participates in negotiation of commodity agreements	
Office of Tariff Affairs		Administration of countervailing duty and dumping statutes; conducts national security investigations under section 232 of the Trade Expansion Act of 1962

TREASURY

Organizational Unit

Office of Special Projects
Assistant Secretary for Enforcement and Operations

Office of Foreign Assets Control

U.S. Customs Service

Trade Policy Formulation

Prepares policy guidance on assets control program

Participates in the development of U.S. views on tariff nomenclature modernization

Trade Policy Implementation

Implementation of the subsidies/countervailing duty code

Administration of the trigger price mechanism

Administers foreign assets controls, transaction controls, Cuban and Rhodesian embargoes

Conducts investigations under the countervailing duty and dumping statutes

Implementation of the valuation code

Monitors and enforces U.S. import quotas

Enforces U.S. customs laws and regulations

Participates in statistical enumeration and data comparability work of the section 484(e) committee

U.S. INTERNATIONAL TRADE COMMISSION

Organizational Unit

Trade Policy Formulation

Trade Policy Implementation

Commissioners

Decisions and recommendations in import relief, market disruption, dumping, countervailing duty, and unfair import practices actions

Office of Investigations

Conducts injury investigations under dumping, countervailing duty, import relief and market disruption cases

Office of Industries

Conducts some dumping investigations and provides support for the Office of Investigations

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Conducts most section 332 investigations

Conducts probable economic effects investigations under the GSP program

Assists in the administration of the GSP
Assists in the preparation of Presidential proclamations necessary to implement the trade agreements program

Represents ITC at TPSC meetings

Executive Liaison and Special Advisor for Trade Agreements

Conducts section 337 investigations

Office of Legal Services

Publishes the Tariff Schedules

Office of Nomenclature, Valuation and Special Activities

Participates in statistical enumeration and data comparability work of the section 484(e) committee

Assists in the preparation of Presidential proclamations necessary to implement the trade agreements program

**PRESIDENT'S REORGANIZATION PROJECT,
Washington, D.C., October 5, 1979.**

HON. FRANK HORTON, M.C.
*House of Representatives,
Washington, D.C.*

DEAR CONGRESSMAN HORTON: I am pleased to enclose the answer to the remaining question asked by you with respect to the Administration's trade reorganization proposal.

I appreciate your continuing interest in our trade proposal and I hope that with your help we will be able to see its successful implementation.

Sincerely,

HARRISON WELLFORD,
*Executive Associate Director
for Reorganization and Management.*

Enclosure.

Question. What kind of career do you envision for the commercial attaches? Would they be Foreign Service Officers on loan from the State Department? Or would they be like the Agriculture Foreign Service Officers? Finally, would this core be large enough for a full career pattern from a junior to senior position?

Answer. The commercial officers occupying positions being transferred will be employees of the Department of Commerce. There will be provision for exchanging some personnel between the State and Commerce Departments, both in the transition period and beyond.

We have decided that the commercial officer corps will have a personnel system based upon Foreign Service authorities, but controlled by Commerce. We believe that this approach offers maximum flexibility.

There will be clear career patterns. Commerce people will be able to serve overseas, and in U.S. field offices, and in Washington at different times in their careers. This will provide valuable cross-pollination and understanding of how all aspects of the process work.

Mr. Brooks. The gentleman from Georgia, Mr. Levitas, is recognized.

Mr. LEVITAS. Thank you, Mr. Chairman.

Mr. McIntyre, before I get into some specific questions about the proposal that you have been discussing this morning, and I do have a number of specific questions about it, I would like to be a little more general and take this occasion to talk with you briefly about the overall reorganization program.

As you are well aware, the reorganization of the Federal Government was one of the main goals, campaign commitments, and perhaps even the primary commitment that President Carter made when he was running for President to streamline, rationalize, and perhaps even reduce the Federal bureaucracy through reorganization. You and I, having experienced it together, know the background that Governor Carter had in this when he served as Governor of Georgia.

You also know that I have been supportive of all of your efforts in this regard from the very beginning. However, now 2½ years into it, my assessment is that it has been a very timid program to date. The making of bold changes, sending to the Congress dramatic initiatives to really carry out what I think the American people expected in reorganization, has not come about.

In many instances where the opportunity presented itself to take such bold initiatives, even admittedly in the face of opposition from those groups that would be affected by reorganization, the decision was made to back off and to scrap plans or water them down. In short, it has been a very pusillanimous response on the part of the administration thus far.

I came across something the other night that I think I would like to pass on to you. It is something from Shakespeare. He said, "Our doubts are traitors and make us lose the good we oft might win by fearing to attempt." I think that sums it up.

Even if some of these plans had been rejected, the American public would have responded in support because I think they want to see bold changes and dramatic changes in government. Thus far I have not seen that.

Mr. McINTYRE. May I comment on that?

Mr. LEVITAS. That is why I made this observation.

Mr. McINTYRE. First of all, I think that the administration and the Congress have made a good record in reorganization.

For example, we have tackled a problem successfully that has existed for a hundred years—civil service reform. That may have the most far-reaching impact of any reorganization that this committee has proposed, passed, and executed. Only time will tell.

We have undertaken to tackle the regulatory problem. I know you share my concern about the growth of regulations and the lack of accountability both to the President and to the Congress that exists in the development of regulations. We have tackled that and are making progress.

That is not something you turn around overnight, but we are making good progress in getting ahold of it. With your help, we should pass legislation that will give us even more tools to get control of the regulatory process.

We have presented legislation which this Congress has passed to deregulate certain activities—for example, the airlines. We have proposed reorganization plans to get rid of the complexities in the Federal Government on equal employment opportunities.

Mr. LEVITAS. Let me interrupt you right there if I may.

I think the administration has made tremendous progress in regulatory reform. It has not gone far enough yet, but I think you have made remarkable progress. Airline deregulation has been a major step forward, although the major accomplishment of deregulation was to abolish and sunset the CAB, which I proposed and which was finally written into the law and which the administration opposed for about 18 months. I just wanted to make that observation.

Mr. McINTYRE. Mr. Levitas, I am sure you and I would agree on many bold reorganization efforts. However, we have to be somewhat practical as to what we submit to the Congress because we want to see our efforts bear fruit.

I think we have kept this committee pretty busy with reorganization efforts. I do not know how many other more controversial plans the committee would have been willing to undertake. However, we have made a good effort.

I share your concern. I came to the Government hoping we could have some bolder reorganizations. Dealing with the realities of the situation, with some of the concerns of Congress and interest groups, as well as the agencies themselves, I think we have made good progress.

In fact, I intend to document that progress because I think it would be of interest to this committee. It certainly is going to be of interest

to me and the President to see what progress we have made in reorganization. When it is all put together and documented, I think it will be significant.

I will not go through this morning the litany of all the things we have accomplished together, but it is a significant list.

Mr. LEVITAS. I would be very interested to see that. I think there have been some changes which have been made and they are positive. However, it has not been the type of bold effort——

Mr. BROOKS. Would the gentleman yield?

Mr. LEVITAS. I would be happy to yield.

Mr. BROOKS. It might be well to submit a short memo in reply to that question for insertion in the transcript of this hearing.

Mr. McINTYRE. We will do that.

[The material follows:]

REORGANIZATION AND MANAGEMENT ACCOMPLISHMENTS
OF THE CARTER ADMINISTRATION

With the assistance of Congress, the Carter Administration has taken major steps to make government programs work better in the following ways: (1) by requiring more efficient management of the paperwork and regulatory burden imposed by the Federal Government on citizens; (2) by carrying out governmentwide reform of management processes to save money, reduce delay, and provide performance incentives for Federal workers; and (3) by addressing long-standing structural deficiencies through reorganization.

I. Paperwork Reduction and Regulatory Reform

- **Regulatory Reform:** The Carter Administration has vigorously pursued the cause of regulatory reform. Early in 1978, the President issued Executive Order 12044, which directed agencies to carry out a complete overhaul in their regulation writing procedures. For the first time, agency heads were required to:
 - (1) exercise direct oversight of all agency rulemaking;
 - (2) permit real opportunities for public participation in all agency rulemaking;
 - (3) analyze the costs and benefits of proposed regulations, as well as alternatives, to ensure the least burdensome approach;
 - (4) implement "sunset" reviews of all existing regulations, and
 - (5) ensure that regulations are written in simple and clear English.

• Legislation codifying Executive Order 12044 and extending its provisions to the independent regulatory agencies is now before the Congress.

The Administration has also initiated a number of targeted regulatory reform efforts. Examples include deregulating the airline industry and the Labor Department's elimination of more than a thousand unnecessary health and safety regulations. • The Administration is currently pursuing deregulation efforts in the trucking and railroad industries.

Paperwork Reduction: President Carter has combined his regulatory reform efforts with a broad effort to reduce government paperwork requirements. The Office of Management and Budget estimates that this effort has reduced the paperwork requirements imposed on the American public by almost 15%. This figure represents an estimated reduction of 125 million hours in the time the public spends filling out Federal forms.

II. Reforming Government Management Processes

Civil Service Reform: One of the most far-reaching of the President's government improvement efforts has been the reform of our hundred-year-old civil service system. Under this reform, Federal managers have been given greatly increased authority, flexibility, and incentives to manage the Federal workforce. Civil Service Reform will invigorate and increase the efficiency of the Federal Government by making it possible to recruit, retain, and reward dedicated, competent and productive Federal employees. In addition, President Carter has this year proposed legislation to reform Federal compensation rates. Its purpose is to bring Federal compensation into better line with that in the non-Federal sector.

Cash Management: The Carter Administration has achieved very substantial savings through its Cash Management Project. Under the leadership of Dick Cavanagh of the reorganization staff, OMB initiated a governmentwide plan to upgrade and modernize the government's cash management process. By managing the government's cash more efficiently, we have already saved the government \$400 million. Next year, we will save \$2.2 billion through more timely collection of cash payments. OMB has recommended further reforms that would save an additional \$10 billion.

Anti-Fraud and Waste Initiative: As a result of legislation initiated by the House Government Operations Committee and supported by the Administration, the President has established new Offices of Inspector General in major departments and agencies. These officials have been given special authority to investigate evidence of government waste and corruption.

*controlling
disbursements,
and reducing
waste.*

BEST COPY AVAILABLE

An Executive Group to Combat Fraud and Waste, chaired by the Deputy Attorney General, has been established to provide leadership and policy guidance for our Inspectors General.

- Advisory Committee Reduction: At the President's direction, OMB has lead a governmentwide effort to reduce the number of Advisory Committees in the Government, many of which are obsolete, out-dated, and inactive. From the beginning of 1977 to the end of 1978, the number of advisory committees was reduced from 1159 to 816 through this effort.
- Eligibility Simplification Project: On December 13, 1978 President Carter directed OMB and DHEW to undertake a comprehensive review of major public assistance programs to find ways of simplifying the complex and burdensome process of determining eligibility for these programs. HEW and OMB are presently co-chairing an interagency group examining eligibility requirements and processes with three objectives in mind: to standardize Federal requirements, to simplify the eligibility process for the clients, and to assure consistent Governmentwide implementation of policies regarding eligibility.

III. Structural Changes in Government

- Energy: A Department of Energy was established to ensure that responsibility for energy-related functions will be vested in one organization that can be held accountable for Federal energy policy. On another energy front, a special Federal Inspector for the Alaska Natural Gas Transportation System has been created, and all Federal Government enforcement activities pertaining to the pipeline project have been transferred to this new Office. For too long now, industry has criticized the inability of government to work constructively with them to expedite projects of national importance. We feel that the Federal Inspector will effectively represent the public interest in this vital energy project. Finally, an important part of the President's energy program involves creation of an Energy Mobilization Board and Energy Security Corporation to give the Federal Government the necessary tools to implement a successful national energy policy.

- Education: The Carter Administration has proposed and Congress has recently approved the creation of a Cabinet-level Department of Education through consolidation of over 150 Federal education programs. We expect creation of the new Department will lead to better management of education programs, reduce red tape and duplication, and give education the voice it deserves in government.
- Trade: This Administration has proposed a major reorganization and strengthening of the Federal Government's international trade functions. By centralizing authority and improving coordination in the trade area, this proposal will improve the Federal Government's capacity to strengthen the export performance and import competitiveness of U.S. industry.

Reorganization Plans: The Administration has sent 8 reorganization plans to the Congress and had them all approved.

Executive Office of the President: Reorganization Plan No. 1 of 1977 dealt with the Executive Office of the President. This plan reduced the number of units in the Executive Office, reduced the size of the White House staff, and set up an improved decision process for domestic policy and Presidential agenda setting.

International Communications: Reorganization Plan No. 2 of 1977 merged the U.S. Information Agency and the State Department's Bureau of Educational and Cultural Affairs into a new United States International Communications Agency. This reorganization provided a more efficient and objective setting for the carrying out of U.S. public diplomacy and cultural and educational programs overseas.

Civil Rights Enforcement: Reorganization Plan No. 1 of 1979 consolidated the government's equal employment opportunity enforcement activities. Its purpose was to both strengthen civil rights enforcement and reduce jurisdictional overlap and duplication. The President has also set up a new civil rights unit in OMB to monitor civil rights enforcement governmentwide.

Civil Service: Reorganization Plan No. 2 of 1978 split the Civil Service System into an Office of Personnel Management and an independent Merit Systems Protection Board. Its purpose was to establish a clear-cut responsibility for personnel performance and protection of employee merit system rights.

Disaster Assistance: Reorganization Plan No. 3 of 1978 consolidated Federal disaster programs concerned with civil, natural, and man-made disasters. Its purpose was to make a single agency accountable for all Federal disaster preparedness, mitigation and relief activities. The success of this reorganization was demonstrated in the Federal government's swift response this month to communities damaged by Hurricane Frederick.

Pension Regulation: Reorganization Plan No. 4 of 1978 clarified the responsibilities of the Labor and Treasury Departments for implementing the Employee Retirement Income Security Act and reduced some of the red tape in enforcement of this program.

Federal Inspector: Reorganization Plan No. 1 of 1979 has consolidated enforcement functions related to the proposed Alaska Natural Gas Pipeline under a single Federal Inspector (described above).

IDCA: Reorganization Plan No. 2 of 1979 has combined U.S. international development assistance programs into a new International Development Cooperation Agency.

Other reorganization proposals are pending. A bill overhauling the Law Enforcement Assistance Administration and creating a National Institute of Justice is awaiting action in the House.

Two defense studies were initiated by OMB in cooperation with the Secretary of Defense. Studies of the proper allocation of functions performed by the Office of Secretary of Defense,

Service Secretaries, and Service staffs; the National Military Command Structure; and Defense resource management were completed in 1979 and recommendations are under review. A study recommending improvements in the integration of national security, foreign affairs, and arms control policy was completed in September 1979 and is being reviewed by the President. *Finally, recommendations for reform of the structure and processes of the Selective Service System -- developed by the President's Reorganization Project in 1978 are being adopted by Bernard Rostker, the Director Designate of the*

Conclusion *Selective Service System.*

The President's reorganization and management program has not merely shuffled boxes on an organization chart, nor has it promised superficial, "quick-fix" schemes. It has, instead, addressed long-standing inadequacies in both government structure and management processes. We believe this program has not only improved the present operation of the Federal Government, but has also laid the foundation for sound management practices which will serve our country well in the future.

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Mr. LEVITAS. Let me move into the specifics of this proposal that is before us this morning.

For what it is worth, it would be my suggestion, as between a legislative route and the use of a reorganization plan, that the administration consider using a reorganization plan with the type of prior consultation—for which I commend you—that OMB has been doing, with the opportunity during the hearings on a reorganization plan to have any persons who have concerns come before this committee and make suggestions. As you know, you can amend your plan. That would bear fruit in a much shorter frame of time than going through a full legislative enactment.

I would suggest that the reorganization plan, subject of course to that very useful, well-known, and effective one-house veto mechanism which both the administration and I so strongly support, would be the most effective way of doing it.

Mr. McIntyre, we are talking about improving U.S. trade. That is what this is all about. In order to make sure we are accomplishing that, I wonder if you could tell me what is the U.S. trade policy.

Mr. McINTYRE. Let me ask Mr. Heimlich to discuss with you our trade policy and its embodiment in the MTN agreement. He has been involved in this with the Office of the Special Trade Representative.

Mr. LEVITAS. Before you do that, let me read something to you.

Mr. McINTYRE. Certainly.

Mr. LEVITAS. There was, as you know, a Joint Commerce-State Evaluation Committee several years ago which issued a report. In that report they were critical of some of the mechanisms and relationships. However, they also said in that report that, "There is a present lack of a generally agreed or widely understood U.S. policy on the extent of need for or the purposes of official export promotion." That was what the report said. It was endorsed by this committee in 1977 as an accurate description of the lack of a U.S. trade policy.

Mr. HEIMLICH. Mr. Levitas, I think your question could be answered at any one of a number of levels. I will try to answer it at the most general and most simple level. I think if one tries to define all the details, this exercise would take a good deal of time.

At a fundamental level our trade policy is one which is directed at maintaining as open a trading system as possible but also assuring that trade takes place on a fair basis. In other words, the basic economic factors that ought to determine trade are given a chance to really determine the trade flows.

As for how individual areas of trade policy relate to this, I think you would have to go through that in detail and look at each one.

In the case of export promotion, last year the President announced a national export policy. That policy is still valid today.

In the context of the MTN, the linkage between the agreements we negotiated and the bill that Congress has passed and this general objective of maintaining an open system in which trade can take place on a fair basis is very clear.

Mr. LEVITAS. What percent of the U.S. gross national product is attributable to exports?

Mr. HEIMLICH. My guess would be it is on the order of 7 or 8 percent today.

Mr. LEVITAS. How would that compare, for example, to West Germany, France, or Japan?

Mr. HEIMLICH. Among the Western countries we probably have the lowest proportion of trade to economic activity of any country. We could supply you with the details on some of these other countries. My guess there would be we would be talking about percentages on the order of 25 to 35 percent.

Mr. LEVITAS. I would appreciate for the record, if it would be possible, a comparison of the percentage of gross national product attributable to export trade between the United States, the European economic community countries, and Japan.

Mr. BROOKS. That would be excellent. I'm sure it would be no trouble for Mr. McIntyre's staff to supply that. It will most probably reflect that the U.S. percentages are very small compared to European economies.

Mr. LEVITAS. Thank you, Mr. Chairman.

[The material follows:]

EXPORT SHARE OF GROSS NATIONAL PRODUCT, 1978

UNITED STATES—JAPAN—EUROPEAN COMMUNITY

1978 exports percent GNP

	Percent
United States.....	8.3
Japan.....	11.7
European community:	
France.....	19.9
Germany (Federal Republic).....	27.0
Italy.....	24.6
Netherlands.....	47.4
United Kingdom.....	27.6

Source: International Financial Statistics, IMF.

Mr. HEIMLICH. Excuse me Mr. Levitas. I would like to comment on that.

There are reasons why that percentage is small. It is not simply because we have been negligent in trying to promote exports, but because we have the largest market. It is also because we are very self-sufficient in farm goods and mineral resources. Therefore, we have a much more favorable base for our domestic economy than most countries. As a result, trade is not as necessary to us as it is to other countries.

Mr. BROOKS. We understand; but that is not particularly true now when we have a substantial deficit in our foreign trade. We are spending \$30 or \$60 billion for fuel. Therefore, now our imbalance is a serious problem for us. We have to give greater emphasis to programs and policies which encourage export.

Mr. HEIMLICH. Mr. Chairman, you are very correct in that. In the past 5 years it has become twice as important in terms of our total economic activity as it was in the past.

This reorganization proposal is directed at recognizing that reality and meeting the challenges that creates.

Mr. LEVITAS. Mr. McIntyre, am I correct that when the plan or bill relating to this comes before the committee you will supply us with a chart showing the structural realignments, the transfers, and how the new structure is proposed to look as compared to where it is today?

Mr. MCINTYRE. Yes, we will. All of the attendant backup informa-

tion that is required or necessary to support those changes, including the personnel transfers and costs or savings involved, will be supplied.

Mr. LEVITAS. This committee has issued two reports in the past 2 years. One was entitled, "The Effectiveness of the Export Promotion Policies and Programs of the Departments of Commerce and State." The other was a followup report, "Effectiveness of the Export Promotion Policies."

In formulating this proposal that will come to us, has OMB carefully read and considered the findings and recommendations of these reports? If so, who in OMB?

Mr. McINTYRE. The staff that did the basic study on trade reorganization would be the staff that would have looked at those reports. Mr. Eric Hirschhorn, sitting on my right, is the individual who was responsible for coordinating that staff work.

Mr. LEVITAS. Mr. Hirschhorn, were these reports in fact carefully considered in formulating this proposal?

Mr. HIRSCHHORN. We examined them carefully at the very beginning of our work on the proposal, which was in late 1977. Coincidentally, I was a staff member of this committee when they were originally prepared and issued, although I had no involvement with them at that time.

They played a large role in our initial decision to focus on, among other things, the question of commercial representation abroad.

I could not claim to have read them closely recently. However, at that time we did read them over, and they started us on one of the paths that led to this proposal.

Mr. LEVITAS. May I suggest now that you are getting near the end of the process that you might want to go back and take another look to see whether there has been some response to this? I have recently reread these reports. While not exhaustive, I think they do point to some of the more critical problems in the reasons why we have had, in my opinion, a relatively poor export policy.

That leads me to the next question to which Mr. McIntyre responded earlier. On several occasions you referred to the field offices of the Department of Commerce and how they are supposed to reach out to American business and provide the intake for promotion of export trade and tie in through the Department of Commerce to our foreign commercial officers in other foreign-based, American Government export promotion programs.

It is my impression from having spoken with a number of people in the Department of Commerce, both in this country and abroad, that these field offices are not really doing a very good job. There is not much in the way of understanding by the American business community, especially small- and medium-sized business, as to what is available to them and how they can get into the export business. It is not working now in my opinion. I do not see anything in this proposed reorganization that would change that. It just keeps it in place without improving it.

If you do not improve something out in the field dealing with small- and medium-sized business, nothing is going to happen in Italy.

Mr. McINTYRE. You can improve things without moving them. In this particular case, there were two primary considerations that we took into account in our proposal.

First of all, by making trade activities a higher priority in the Department of Commerce, making it a primary mission of the Department, I think more attention would be focused upon the offices around the United States, insuring that those offices have the tools that are necessary to do their jobs. The link from the companies in the United States to the foreign markets through our commercial attachés, being attached to the same Department, would provide the communications flow that is necessary for both the commercial attachés and the Commerce Department's regional offices to be effective. That was one primary consideration.

Second, by making trade a primary responsibility, it is our judgment that there will be better information available through the beefing up of the sectoral analysis functions in the Department of Commerce which provide information, facts and figures, to American businesses.

The field offices will be an informational point on the MTN implementation and enforcement. They will explain to American business what the codes mean and that relief might be available under those codes.

By putting all of these trade-related functions together in the Department of Commerce, we will have better opportunities to provide information to American businesses on how to get involved in the export business. We really have not had that emphasis in the Department of Commerce or any other department in the Government of the United States.

As you may recall, Mr. Levitas, when you were a member of the house of representatives in the State of Georgia the State was getting into the business of inducing foreign businesses to come to the State and also to promote exports from the State. It was very difficult to get anybody in the Federal Government to pay any attention or help us get involved in export markets, to help the businesses of the State understand how to get involved in the export business.

With this new structure and this new focus and emphasis on trade, we can overcome those barriers and provide better information and educational opportunities to American businesses on how to get involved in international trade.

Mr. LEVITAS. That is a good point you make. As a matter of fact, in recent years States—not just the State of Georgia but many States, such as Indiana—have taken very strong initiatives in promoting export of their State products and services.

I wonder if any attention was given in this new structure to establish a State-Federal coordinating effort so that everybody is not running off in different directions and the resources of the State trade departments and export agencies can be brought in as additional resources in this program.

Mr. McINTYRE. The Department of Commerce has been working very closely with the State people, particularly since the National Governors Association has a committee on international trade. I do not recall the exact name of that committee.

I believe there is more discussion and contact going on now between Federal and State officials with respect to trade.

Mr. LEVITAS. One other problem I have detected and to which our reports have referred—and I have had on-site interviews with people

at American embassies abroad about this—is the relationship between personnel in the Department of Commerce and State Department personnel. There is not always a good working relationship and a mutual respect for responsibilities between these people.

Does this reorganization plan in any way address that?

Mr. McINTYRE. It is hard to address interpersonal relationships through structure. To a large extent that depends upon the focus and the mission of the departments involved and the degree of emphasis to which those departments' responsibilities are given in the daily conduct of the Government's business.

With this new emphasis upon implementing and executing the MTN agreements and export promotion, I certainly think the commercial attachés will have the respect and develop the interpersonal relationships that are necessary to carry out these new and important responsibilities.

Mr. LEVITAS. Structurally thinking, what do you think about the idea of having the Department of Trade and Commerce establish its own Foreign Service classifications?

Mr. McINTYRE. Perhaps something like that will be necessary to have some type of Foreign Service officer concept for the commercial attachés, maybe a commercial officer status. That may very well be in order.

In the near term we would want to give those people who are currently Foreign Service officers the opportunity to serve their time and then move back into the Foreign Service if that is their desire. Eventually over a period of a few years we will build up a corps of commercial officers that relate directly to the Department of Commerce.

Mr. LEVITAS. In addition to the concept of a Foreign Service in the Commerce Department for foreign commercial officers, there should be some consideration given, as I understand it, to State Department personnel who perform commercial functions under the direction of Commerce and then would be allowed full credit in terms of the State Department promotion process.

Mr. McINTYRE. Initially, it is particularly important to protect those Foreign Service officers who desire to remain in the Foreign Service after they complete their tours of duty as commercial attachés.

Mr. LEVITAS. I mentioned earlier the need to emphasize, in my opinion, the small business aspect. Is there any consideration in your plan to involve the Small Business Administration?

Mr. McINTYRE. In terms of the effort to involve small businesses in export activities or in trading activities, informing them of their rights under the MTN agreements, that would be carried out by the current Commerce Department field structure.

The Small Business Administration is not on the Trade Policy Committee. We do not think it should be on the Trade Policy Committee. However, we do think that SBA's current relationships with the Department of Commerce in the field of export promotion are satisfactory and we plan to keep that relationship between these two executive branch agencies.

The key link for small business, in my judgment, will be through the domestic field structure which relates to all business in this country. As you well know, Mr. Levitas, many of the larger, international firms could probably teach Government officials a few things about international trade.

Mr. LEVITAS. That is right. That is one of the reasons medium-sized and small businesses need more help from the Government.

Mr. McINTYRE. Therefore, one of the real benefits of this new emphasis on international trade ought to be to small businesses. I think it will. By enhancing the domestic field structure and giving it some relationship to the commercial attachés, we will improve that service to small businesses and provide them with this link to export promotion activities.

Mr. LEVITAS. I will not go through any more of these recommendations. I again urge you to look at them because there were some very specific recommendations about the very thing you are talking about. It would be unfortunate if they were not evaluated at this point.

My last question gets back to the one I asked at the outset.

My main concern with the plan that you are talking about is that by giving the STR primary policy responsibilities in developing trade policy and yet leaving implementation in the success of that policy to the Department of Trade and Commerce is going to create a number of problems, not the least of which is what I consider to be a fragmentation between policy and success of that policy.

Even more significantly, the people who will be on the staff of STR will be dealing with the great macro issues of international trade and not with the nuts and bolts and concerns of how you manufacture a widget in Doraville, Ga., and sell it in Paris, France. That is where the trenches in this battle are going to be found.

By having policies for which there is no responsibility for success being made by people who have broad global concerns, we are going to miss the ball and the ball game.

Mr. McINTYRE. However, Mr. Levitas, the policy will not be made just by people who have broad global concerns. On the Trade Policy Committee, which will be chaired by the STR, there will be people who are responsible for implementation of the policy. That is the key factor.

I would make two quick final points.

One, this process worked well in developing and negotiating the MTN agreements. It worked exceedingly well. That is why we are trying to pattern the proposal along the structure that we developed to deal with MTN.

Finally, there is no way that you could consolidate in one agency all of the trade-related functions in the Federal Government. There will always be some trade-related functions being implemented by some other department. If you tried to consolidate them all, I do not think the Congress would agree to it. You will always have some split between policy and implementation.

We have tried to make the split somewhat reasonable and appropriate so that we can implement and enforce the MTN codes and provide better export promotion and opportunities for American business.

Mr. BROOKS. I recognize the gentleman from Florida, Mr. Fuqua.

Mr. FUQUA. Thank you, Mr. Chairman.

Mr. McIntyre, let me welcome you here. I certainly support the objectives that you have of trying to foster greater trade, particularly exports from the United States, and working with the States and those businesses that are prepared to participate in the export market. I do have a couple questions.

A year or so ago when the President announced the increased import of beef into this country I registered some concern with Ambassador Strauss at that time about the decision. I want to point out I was led to believe—not told—by Ambassador Strauss that no decision appeared to be forthcoming in the near future. Then, lo and behold, someone called from Florida saying they had just heard on the radio that the President had announced the increase in imports.

I am somewhat concerned about the decisionmaking process. If this is going to continue under this reorganization plan, how is that to operate?

I have known Ambassador Strauss for some time. I want to point out that I might not have asked him the right question.

Mr. McINTYRE. Under the proposals the Special Trade Representative would continue to be responsible for the coordination of those policies. The specific responsibilities that are currently vested in STR with respect to waivers would remain with STR.

The key activities in the Government that deal with import relief that we are recommending be transferred are those in the Treasury Department that relate to antidumping and countervailing duties and some of the functions in the ITC.

The functions that the STR currently has with respect to waivers would continue to reside there. We are not enhancing anyone's authority with respect to that. We are simply trying to provide a mechanism in the implementation of MTN responsibilities to see that they are properly enforced both at home and abroad and to provide for protection from unfair import competition.

Mr. FURQA. Therefore, the President could still change import regulations whenever he deemed it appropriate?

Mr. McINTYRE. The Congress has already given him authority to do that through the Office of the Special Trade Representative. In the reorganization proposal we are not trying to enhance or diminish such authority.

Mr. FURQA. I know many times negotiations with other countries are carried on in a private consultation. I can appreciate the fact that that is necessary in many cases. However, many times industry feels somewhat as though they are left out.

I know the citrus industry in Florida has been very much concerned about the inability to export to other markets. It puts them in the position of being totally outsiders in the bargaining process.

Is there anything whereby industry, labor, and perhaps even the Congress could be kept informed about the progress, or lack of progress, in negotiations that may be going on?

Mr. McINTYRE. Absolutely. There are a number of advisory committees that exist to provide the input from business and labor. We see those advisory groups continuing.

In addition to that, let me point out I do not foresee, as I said earlier, any major multilateral negotiations taking place. I think the MTN agreement will serve as the basic trade agreement for this country for number of years to come.

There will be some individual negotiations that will be required to follow up in the implementation process of the MTN agreement. There will always be negotiations going on with respect to agricultural com-

modities. In that process we will continue to involve the affected interest groups, particularly through the advisory committee process.

Mr. Fuqua. Thank you, Mr. Chairman.

Mr. Brooks. Thank you, Mr. Fuqua. I want to remind you of the conference this afternoon at 2 o'clock. I hope you can join us.

Mr. McIntyre, we appreciate your coming. We will be watching with interest your developments in this area.

Mr. Heimlich, we appreciate your coming here and making a contribution. You represent a very distinguished Texan, Mr. Strauss, for whom I have the highest regard.

Eric, we are glad to see you again.

Early in September we will review legislation already submitted and hopefully provide an opportunity for interested Members and others to express their views on the proposed changes.

Without further ado, the subcommittee is adjourned.

[Whereupon, at 11:38 a.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

PROPOSED FOREIGN TRADE REORGANIZATION

MONDAY, SEPTEMBER 10, 1979

HOUSE OF REPRESENTATIVES,
LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:30 a.m., in room 2154, Rayburn House Office Building, Hon. Jack Brooks (chairman of the subcommittee) presiding.

Present: Representatives Jack Brooks, Dante B. Fascell, Elliott H. Levitas, Frank Horton, and John N. Erlenborn.

Also present: Eugene F. Peters, staff director; William Jones, general counsel; Elmer W. Henderson, senior counsel; Don Stephens, professional staff member; Cynthia Meadow, professional staff member; Wilson Abney, professional staff member; John M. Duncan, minority staff director; and James L. George, minority professional staff, Committee on Government Operations.

Mr. BROOKS. The committee will come to order.

Reorganization of trade functions in the executive branch is still a matter of keen interest in the Congress. Nine bills are pending at this time. In addition, the administration has submitted an informal proposal for discussion and has indicated that a formal proposal for trade reorganization soon will be submitted to the Congress.

These pending proposals advance four distinct alternatives for restructuring the executive branch.

One, creation of a new department which would include functions of the Special Trade Representative.

Two, enlargement of the Commerce Department drawing international trade functions from other departments and agencies and incorporating all STR functions;

Three, enlargement of the Commerce Department while retaining the STP in the Executive Office of the President, and

Four, creation of a new agency incorporating STR functions and some trade functions.

Whether the administration's formal proposal is submitted in the form of legislation or a reorganization plan, the Subcommittee on Legislation and National Security and the Government Operations Committee will have jurisdiction over this important matter.

We have, therefore, invited all of the sponsors of trade reorganization legislation in both Houses to testify today to give us the benefit of their insights and experience with trade functions in the executive branch.

Further, we have extended a similar invitation to committee and subcommittee chairmen who have jurisdiction in areas that would be affected by such legislation.

The first witness that we have today is Gillis W. Long, our colleague from Louisiana. He has served in the House for nine terms following distinguished military service. He has served in the Federal Government in various legal capacities; and as Assistant Director of the Office of Economic Opportunity. In addition he has engaged in the private practice of law.

As cochairman of the Joint Economic Committee—Subcommittee on International Economics, Mr. Long has a strong interest in the field of international trade. He sponsored H.R. 4995, which would create a special trade agency.

We certainly welcome you here today. I want to hear your views. But before that, Mr. Long, may I recognize the ranking Republican, our distinguished friend from New York, Mr. Horton.

Mr. Horton. Thank you, Mr. Chairman.

I also join with you in welcoming Gillis Long. I was born in Texas. My family moved to Baton Rouge, La., when I was a youngster of 6 or 7. I went to school in Baton Rouge, Baton Rouge High School and LSU.

Our good colleague from Louisiana is a graduate of LSU. So, we have had some mutual interests over the years that we have been in Congress.

The other is, he came here in the 85th Congress. So, we share something else in common.

I have admired his record and admired the way he has handled himself in the Congress and in the other positions that he has held in the Government. I have a great deal of respect for him. I am happy he is here to testify before us.

Mr. Chairman, the reorganization of this Government's various agencies concerned with foreign trade into a more rational structure is undoubtedly one of the most important reorganization tasks we have faced.

We literally have offices and agencies, all concerned with some aspects of trade, spread all over town. Perhaps more important, foreign trade is becoming increasingly more crucial to our economy involving billions of dollars and millions of jobs.

We export about 16 percent of everything we grow, some 4.3 million American jobs now depend on U.S. exports, and overall trade now accounts for about 15 percent of our gross national product.

Finally, many economists feel that increasing foreign trade will be the only way this country can truly grow. In short, foreign trade and trade reorganization are very, very important.

Therefore, I am very pleased that, for a change, we have the opportunity to look at a wide spectrum of proposals. All too often we have only had one plan to work with, but now we have several ranging from what could be called full consolidation as proposed by Senators Roth and Ribicoff, to a beefing up of existing agencies as suggested by our colleagues James Jones and Bill Frenzel to what might be considered the middle ground of making the Office of Special Trade Representative a separate agency as proposed by another of our colleagues, Gillis

Long. There are more proposals that are equally sound in their approach.

I approach these hearings with no predisposition to any of these plans, but only to choose what is the best of each.

Mr. Chairman, I look forward to hearing from our colleagues on their proposals and again join with you in welcoming Mr. Long.

Mr. Brooks. Thank you very much.

The gentleman is recognized.

STATEMENT OF HON. GILLIS W. LONG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA; ACCOMPANIED BY WILLIAM MORGAN, MAJORITY COUNSEL, JOINT ECONOMIC COMMITTEE; LEANITA SHELBY, LEGISLATIVE ASSISTANT; AND RAYMOND AHEARN, TRADE SPECIALIST, LIBRARY OF CONGRESS

Mr. Long. Thank you very much, Mr. Chairman. Thank you for your kind remarks. Thank you, my friend, Frank Horton, for your kind remarks.

I do appreciate the opportunity to testify before your subcommittee this morning on behalf of legislation I have introduced to reorganize the trade functions of the United States.

At the witness table with me are Bill Morgan, the majority counsel of the Joint Economic Committee; Leanita Shelby, my legislative assistant; and Ray Ahearn, a trade specialist from the Library of Congress.

In keeping with the Library's policy, of course, Mr. Ahearn's presence is not an endorsement of my legislation, but I did ask him to be present as a specialist in the event you have technical questions that I may not have answers to at the tip of my fingers.

I also must confess that this is a little bit unusual an occasion for me. Ordinarily I am on the other side of the dais, listening to testimony from my colleagues before the Rules Committee.

As I am sure you know, Mr. Chairman, I do not usually take the lead in introducing legislation. I have done so in the past only in areas which I thought required immediate action, and only in areas about which I felt very strongly. Trade reorganization is one of those rare areas.

Let me start off by stating that I am not an expert on the details and subtleties of technical trade questions. I think I can claim some experience, however, on broader questions of international economics.

As cochairman with Henry Reuss of the Joint Economic Committee's Subcommittee on International Economics, I have the opportunity to observe firsthand the disarray caused by our country's lack of an efficient, centralized manner of dealing with negotiations, enforcement, and policy in a consistent, systematic fashion.

Over the course of the past couple of years, our subcommittee has had a chance to look rather closely at the problems associated with export policy, and my legislation stems directly from the concerns expressed by witnesses at our hearings.

Equally important in helping to form my perspective on what needs to be done about trade reorganization, I think, is my past experience as a corporate attorney and as an investment banker, together with my experience as a congressional staff member and as an official of the executive branch of Government.

The sum total of this experience, Mr. Chairman, has directed my efforts in dealing with problems we all face as Congressmen. I am interested in results. I believe in problem solving, not conflict avoidance. I believe in practical solutions, above all else, that work. A workable framework is what I have tried to produce in H.R. 4995.

I don't think it is necessary to go over again the statistics that make trade reorganization imperative. We are all aware of our country's trade deficits, of our declining share of the world trade market, of the erosion of the dollar, and of the effects of our trade performance on our rate of inflation.

Trade reorganization is no panacea. It will not cure inflation. It will not solve our problems of capital investment or of declining rates of productivity, or of declining rates of growth in the GNP. But it will help.

There is general recognition that trade reorganization is of critical importance. What is being contested, these days, is the manner in which our trade functions ought to be carried out.

In brief, the legislation that I have introduced will accomplish the following objectives:

It will retain Cabinet-level status for the Special Trade Representative.

It will make the STR not only the chief trade policy coordination officer of the United States, but it will make the STR the chief trade policy development officer, as well.

It will expand the duties of the STR to include enforcement against unfair trade practices and will increase his responsibility for all trade negotiations.

In addition, under H.R. 4995, substantial trade responsibilities would be transferred out of the Departments of State and Treasury, and to this extent the bill is not inconsistent with the proposal offered by the President.

The President's proposal, as you know, also calls for rather extensive changes in the way that our trade functions are performed. I think it is fair to say that we agree substantially on objectives, but we differ greatly in approach.

While it is important to consolidate negotiation functions in the office of the STR, and to transfer the slots of commercial attachés out of State, and the enforcement functions out of Treasury, it seems to me that the President's plan is otherwise flawed, and in a fundamental way; that is, it appears to me as though the purpose of reorganization has been lost somewhere along the way.

The purpose of reorganization—OMB's mission notwithstanding—is not to abolish the jobs, or to save the jobs, of several hundred Federal employees. Nor is it to work out a compromise to solve internal political problems between competing Cabinet-level offices.

The purpose, I submit, is to develop a rational consistent and strong overall national trade policy for our country, and to establish the functional offices that will make our policy successful.

The ultimate purpose is to help business in our country to compete for our fair share of the world trade pie. That, I suggest, is the bottom line justification for reorganization.

Mr. Chairman, we all know what some of our trade organization problems are. Trade has been a stepchild of foreign policy, of mone-

tary and investment policy, and of many other diverse and competing policies. There has been no centralization of authority, nor of responsibility, and consequently, no direction.

Foreign trade has been the responsibility of everyone, and has consequently been the responsibility of no one. If this situation is allowed to continue, trade functions will deteriorate into a battle for political turf, the purpose will become lost, and we will defeat ourselves with bureaucratic squabbles and resentments.

In my opinion, the division of responsibility and authority for trade matters that is an inherent part of the OMB proposal virtually guarantees conflict and turf battles in at least two areas—between the Trade Policy Committee and the STR in the first instance, and between the Department of Commerce and the STR in the second.

Let me illustrate. The proposed Trade Policy Committee, according to OMB, will be responsible for trade policy development, and the STR will be responsible for trade policy “coordination.”

Mr. Chairman, my experience in both the public and private sectors has assured me of one thing, and it is this: Strong policy initiatives will never come from a committee that is composed, by definition, of competing interests.

Policy “coordination,” without centralized authority for decision-making, in my judgment, has a way of becoming just another way to pass the buck.

The legislation I have introduced, indeed, calls for a coordinating council that is in many ways similar to the one envisioned by the President, with this chief difference: It is a forum in which the legitimate trade-related concerns of the various executive departments can be presented and articulated, but it is not a forum which can or will take precedence in the development and formulation of trade policy. That function, under H.R. 4995, is the province and responsibility of the STR.

Officials of OMB have stated repeatedly that it is important to retain the STR's reputation as a “fair broker” between competing interests in the various departments at any cost. I strongly disagree. In my opinion, the United States needs a trade advocate much more than it needs a trade arbiter.

We have had so many arbiters over the years between the conflicting interests that we have ended up with no policy at all.

What the administration is proposing to you in its reorganization bill, is a continuation and even a further division in that regard which will do nothing but lead, in my opinion, to conflicts.

If interagency trade disputes cannot be worked out by negotiation and consultation through the Trade Coordination Council, then the STR will have responsibility to resolve the question. If there is still strong policy disagreement, the parties can always take the subject to the President. He is, after all, the ultimate arbiter for his administration.

I think we recognize matters of that magnitude are not going to be a day-to-day matter, and it is going to take a relatively small amount of his time.

Not only is there a clear and apparent conflict between the policy role of the TPC and the STR under the President's proposal but there

is studied vagueness and equivocation about where the ultimate responsibility for trade resides.

Which Presidential appointee is the ultimate trade voice of the United States under the OMB proposal? Is it the STR? The Secretary of Commerce? The Under Secretary of Commerce for Trade?

I have posed these questions before, and so have others. The response can be characterized charitably, as evasive. For example, at a hearing of the Trade Subcommittee of the Ways and Means Committee last Thursday, OMB was asked the following question: Who is going to be leading the whole trade effort?

The OMB spokesman replied to this effect: The Commerce Department will have lead responsibility for export promotion, The Trade Policy Committee will have responsibility for coordinating policy. The STR will provide the best process to develop trade policy.

Gentlemen, I ask you, who is in charge? I don't know, and I can't tell from a structural reading of the proposal by OMB.

I suggest that the reason no straight forward answer has been forthcoming is because it would force the administration to make some unpleasant political decisions.

If the answer is the STR, then the new Department of Trade and Commerce becomes, by definition, secondary in importance to the Cabinet-level STR.

If the answer is, instead, the Secretary of Trade and Commerce, or the Under Secretary, then I expect that such a response will provoke some rather lively congressional comment.

I also suspect that OMB, at least for this administration, has already determined that the Department of Commerce, and not the STR, will be the agency that speaks for trade interests at the Cabinet level.

We have had a chance to look at the internal reorganization of the Commerce Department only since it was publicly aired at last Thursday's meeting before the Ways and Means Subcommittee on Trade.

I think the members of this committee will find that proposal striking in its implications. It appears to me that OMB and Commerce have already staked out Commerce as the agency to carry the burden of argument against foreign policy interests of the State Department, against the financial bias of Treasury, and so forth.

If the past really does serve as prologue to the future, then I suggest that this will be no contest at all. The Commerce Department simply does not have the stature or the clout of State, or Treasury, or Energy, or Justice, nor does it have the clout of an expanded STR with an enhanced role.

Mr. Chairman, I am reluctant to make the following observation because it is inherently unpleasant. But it is nevertheless one that is widely shared and one that goes to the heart of the matter.

Unfortunate as it may be, few people either on Capitol Hill or in the private sector have any historical confidence in the ability of the Commerce Department to conduct U.S. trade policy effectively or efficiently, and there is little prospect for an overnight change in attitude.

I do not mean to condemn out of hand the many fine and dedicated men and women who work for the Department of Commerce. I have nothing but the highest regard for Secretary Kreps and Mr. Hodges,

both of whom have performed remarkably well, given the difficulties they have faced.

There are many other resourceful employees of Commerce whom I respect and admire, several of whom, incidentally, are personal friends and staff alumni of the Joint Economic Committee. I have had the privilege and honor of working with them over the past years.

In many ways the Department of Commerce is itself a victim of the existing system, but the ill-conceived proposal offered by the administration would not cure the problem, it would make it worse by starting new battles over new turf in new areas.

I find it difficult to accept that we are seriously considering trying to solve our trade problems by turning over a major portion of trade responsibility to a department that is weighted down by dozens of diverse missions, as well as by bureaucratic lethargy.

Most of my testimony this morning has centered on the organizational and management difficulties that I think are an integral part of the OMB proposal. A second, related area of major disagreement is the proposed location of the enforcement mechanism involving dumping and countervailing duties.

I agree with the sentiment expressed in the OMB proposal that enforcement ought to be removed from Treasury. For whatever reasons—lack of priorities, lack of funds, lack of centralized direction, lack of personnel—the Treasury Department has simply not performed its duties properly in this field.

This is a view that is widely shared in Congress, and by both the business and labor communities. However Treasury might perform in the future under revised congressional mandates, the Department simply does not have the confidence of its constituents or of Congress in this area.

The same arguments against enhancing the role of Commerce in trade policy development, I believe, apply equally to unfair trade practice enforcement. The problem, as one witness observed last week, is that the OMB proposal places the resources where the expertise isn't.

What the administration proposal fails to recognize is that enforcement can be a negotiating tool. Control of that enforcement strengthens the negotiator's hand and increases the bargaining leverage for our country.

To take that away is sort of like tying one hand behind him. He has lost one of the most effective tools he could have in any negotiations.

I would like to make another point. Most trade observers agree that countervailing duties and dumping cases will be the major sphere of enforcement activity in the coming decade.

In my opinion, proper and evenhanded treatment of enforcement cases—in an efficient fashion—is best placed in the hands of a strong trade representative whose interest is the legitimate protection of U.S. business and labor against truly unfair and predatory practices of some of our trading partners.

I suspect that the real reason that enforcement functions are transferred to Commerce under the administration proposal involves numbers more than it does policy.

If the STR must remain in the Executive Office of the President, then clearly the President cannot accept the number of people in the EOP that would have to be transferred from Treasury.

Removing the STR from the Executive Office, on the other hand, would help to solve the numbers game we are all sometimes compelled to play.

Mr. Chairman, I stated at the beginning of this presentation that H.R. 4995 is a practical approach toward resolving our trade organization difficulties. It is not perfect. It lies somewhere between what the President has suggested and the various proposals that have been offered for a new Department of International Trade and Investment.

In the best of all possible worlds—despite our sometimes unfortunate experiences with the creation of new departments—I would still prefer to see us establish a new Department of Trade. That is clearly not presently an attainable goal because of both congressional and Presidential opposition.

Yet the need to develop and to implement a comprehensive and consistent trade policy remains a compelling objective. Given the constraints, I believe that H.R. 4995 is the best legislative vehicle to achieve that goal. We must remain open for discussion and improvement of the measure.

Except for the central thrust of responsibility, I am willing to consider any number of variations to the proposal. Ex-officio membership on the Export-Import Bank by the STR, for instance, rather than the Chair, is an acceptable alternative. On details such as this, I think we can all afford flexibility.

At the same time, I would be derelict in my responsibility if I did not candidly express to you my unrelenting opposition to the OMB proposal as it is presently constituted. I think I can say that there are others who are similarly inclined.

I, for one, do not believe that just any reorganization is better than what we have now. Acceptance of the OMB proposal, as it now stands, will make matters worse, in my judgment, because it will defuse congressional efforts to make some sense out of, and to bring some order to, the conduct of trade relations.

In the final analysis, gentlemen, under the Constitution the conduct of trade is the responsibility of the Congress. It is up to us to determine how and by whom the trade interests of the United States should be represented.

It is up to us to determine whether the representation can best be carried out by Commerce, whose past performance has been neither aggressive nor impressive, or by the STR, an agency which has a deserved reputation for efficiency and effectiveness.

I thank you for your attention. I will be happy to try to answer any questions that you may have, as long as you recall my first admonition; that is, when it comes to the technical aspects of this, I do not hold myself out as an expert.

Thank you, Mr. Chairman.

Mr. Brooks. Thank you very much, Mr. Long, for a definitive statement. It certainly is helpful to us as we try and hammer out some kind of improvement in our trade operations.

What steps would the administration have to take to make its reorganization more compatible with your legislative proposal?

Mr. Long. Well, frankly, Mr. Chairman, I am not sure that it can. The discussion my staff has had with OMB to date has been less than fruitful in finding any common ground. We have been told in effect

that when it comes to the major areas of disagreement, which is the centralization of authority and the centralization of responsibility, that OMB has assumed a take-it-or-leave-it type of posture.

I might add that this is not really the posture that I expected the OMB to take, particularly in view of its promises of consultations and congressional input when they appeared before your committee 1½ months ago.

Mr. Brooks. They consult a lot. They don't accept new viewpoints, but they do consult.

Mr. Long. My definition of consultation leans more toward yours than toward just sitting down and talking.

Mr. Brooks. Now, if it is passed by Congress, how would your proposal, Mr. Long, enhance the trading position of the United States in international commerce?

Mr. Long. I think, again, we have to recognize, at least in my view, that the United States does not at the present time have a trade policy. Trade relations and negotiations are often subjected to nontrade interests. I guess that is to some degree inevitable, given our pluralistic form of government.

Unfortunately, trade implementation is uneven; it is inconsistent. For example, our posture toward totalitarian regimes is certainly inconsistent. It is sometimes all right to trade with totalitarian regimes, and the next day it is not all right to trade with them.

All I am saying is that somebody needs to be able to make sense out of our trade posture, and the somebody, under my plan, that Congress can come to and say, "Why haven't you done something about straightening this mess out?" is the STR.

The basic shortcoming of the OMB proposal is that there is nobody in that position.

Mr. Brooks. Mr. Long, the Stevenson bill, S. 1493, calls for enlargement of the Commerce Department by transferring some trade functions from other departments and agencies and incorporating all Special Trade Representative—STP—functions within the enlarged department.

Now, what problems do you see in this approach; that is, a single department which includes the STR.

Mr. Long. Well, if you study the history, Mr. Chairman, of this whole problem, we might be recreating the problems which the STR was established to solve in the first place.

I am afraid if we do that, it is going to effectively reverse the direction that Congress has dictated for trade function and policy since the time of the creation of the STR.

Now, you know STR was created in 1963 to help eliminate the rivalries that existed, and the complaints from competing factions that the U.S. trade interests were not being adequately represented by one of the departments.

If we were now to lump all these trade elements, including STR, into the Department of Commerce, with the kind of constituencies with the Department of Commerce already has, we would raise a serious question as to what happens to the legitimate trade interests of departments such as Agriculture and Treasury and State and Labor, and open up exactly the same questions that we had hoped that we resolved by the creation of the STR in the first instance in 1963.

Mr. BROOKS. Mr. Horton?

Mr. HORTON. Thank you, Mr. Chairman.

Many people feel that the STR has to be in the White House for two reasons—one, to have more clout, and two, to be a so-called honest broker.

Do you think a separate agency would have the necessary clout to be perceived as an honest broker?

Mr. LONG. As I said, Mr. Horton, I am not sure what we need is an honest broker, in the first place. I think we need an advocate.

I think if the responsibility is given to the STR, the very fact that he is not sitting there in the Executive Office of the President, right there, wouldn't particularly concern me.

I don't think that it in any way impedes Mr. Miller's ability as the Secretary of the Treasury, that he is downtown rather than sitting there in the White House. I think it is a question of what his responsibility is, and what authority he has been given to carry out that responsibility.

Mr. HORROX. Mr. Long, since the Special Trade Representative does have Cabinet rank, wouldn't your bill in essence create a new department?

Mr. LONG. Well, not really. It comes about as close as I can to it without doing it.

Mr. HORROX. How do you compare your approach—and I have heard your criticism of the administration—how do you compare your approach with the so-called Roth-Ribicoff approach, and the Jones-Frenzel approach?

They are here now and they are going to testify on their proposals in a moment, but I just wondered how your proposal compared vis-a-vis those proposals.

Mr. LONG. I think mine is a middle ground from these two positions, with a movement toward perhaps strengthening authority and responsibility in one particular individual, so that it is more clearly definable than is suggested in what Mr. Jones and Mr. Frenzel have proposed, and perhaps nearly what has been proposed in the bill that is being considered by the other body.

Mr. HORTON. You don't transfer the functions out of Treasury into Commerce, do you, in your approach?

Mr. LONG. We would propose that they be transferred out of Treasury into the Office of the STR. Insofar as transferring functions out of Treasury, my proposal is similar to the proposal set forth by OMB representing the President's position.

Mr. HORTON. There is some concern about transferring those over to the Department of Commerce, but you would set up a new agency which would accept those responsibilities that are now in Treasury.

Mr. LONG. That is correct. I think in addition to an organizational structural problem, there is a very serious morale problem involved in the event a transfer to Commerce is attempted.

Mr. HORTON. One of the problems we have in this business or reorganization—we have seen it time and time again, in my 17 years in the Congress—is that anytime you try to move anything out of an agency, you start stepping on toes, and then you cannot get anything done.

Mr. LONG. I think it is interesting, Mr. Horton, that in the discussions that we have had with some of the people involved in this is that

they are not nearly as upset about being transferred to STR as they are about being transferred over to Commerce.

I think that they are afraid this is a step backward and that we are moving back where we were before we created the STR, and that they are going to be lost in the shuffle.

Mr. HORTON. But in working your plan through, you had the reaction that there is not as much opposition to transferring it to a separate agency as it would to transfer it over to Commerce. Is that correct?

Mr. LONG. Not nearly the strong opposition. I cannot say there is no opposition, but much less. Much less.

Mr. HORTON. I guess that if we all sat around a table and talked about it, we would certainly all agree on the goal, that there is a need to do something. The question is, what can you do?

What we have to decide is what can practically be done. Normally, as I say, when we get into these reorganizations and start talking about transferring functions from a department like Treasury, you get some pretty tough opposition, and it can make the whole thing go down the drain and you end up with nothing.

That has happened time and time again, but it is your feeling that if we got to that point, that yours would have less opposition and probably a better chance of getting through than those proposals which transfer it over to Commerce.

Mr. LONG. Mr. Horton, if the people I have talked to, who are in positions of responsibility in the associations that represent the affected employees—and I have no reason to think that they are not representing the employees' point of view—I can very definitely assure you that this is the case. There will be considerably less opposition than you would find if they were transferred to Commerce.

Mr. HORTON. Thank you very much.

Mr. BROOKS. Mr. Levitas?

Mr. LEVITAS. Thank you, Mr. Chairman.

Mr. LONG. your criticism, or part of your criticism, of the administration's proposal touches on an area that I have some concerns about, and which I raised with Mr. McIntyre when he appeared before this committee earlier; that is, I get the feeling that there is no one person, would be no one person, in charge who could be looked to.

I am not sure that your proposal altogether eliminates that. Let me put it in a little different context.

There is obviously the policymaking aspect to development of trade policy. But then you also have the essential aspect of implementation of that policy in this country and overseas at much lower levels of the bureaucracy, which are today primarily carried out by the Commerce Department and to a lesser extent or to a certain extent by the State Department.

I am concerned that if we adopt the program or the policy that is involved in your legislation or, to a certain extent, in the administration's proposal, that the responsibility for developing policy will be placed, in your case, in the STR essentially, and yet the responsibility for implementation will be left at Commerce, as I understand it.

Since those two things would be separated, there would be lack of followthrough or accountability by the policymaker for the fulfillment of that policy.

Would you comment on that?

Mr. LONG. There is no question but what your criticism is true of the administration proposal. I think, Mr. Levitas, that it is less true of my own plan, even though I must say I am not completely happy with it.

I would prefer putting all of it into one department, but I think political practicalities being what they are, it is impossible to get that at this time. So, I had to take something less than that.

As I say, I think it is less true of my plan than it is of the plan that has been set forth by the administration. We have given the STR both the policy and the implementation of authority in two of the three areas of principal concern; that is, negotiations and enforcement.

Mr. LEVITAS. One of the objectives, perhaps the principal objective of not only the reorganization but also the development of a trade policy, which I am not sure we even have at the present time, is, simply stated, the increase of American exports of goods, services and commodities.

In order to do that, we need to have people in the field contacting, making contacts with business and agribusinesses, other groups in this country, letting them know what is available, and then following through in Africa, Europe, wherever.

During our oversight hearings of the Commerce and State Departments' present role, we found there was a great deal of confusion on the part of the people in the field as to what U.S. trade policy really is, and who they are accountable to.

How would your legislation address that problem?

Mr. LONG. I think the principal way it would is that we would have one person that you, as the oversight committee, could call to sit in this chair right here and say, "What are you doing about it?"

At the present time we don't even have a way of finding the answer to that particular question, as I see the organizational structure that exists today.

Mr. LEVITAS. Thank you very much.

Thank you, Mr. Chairman.

Mr. BROOKS. Mr. Erlenborn?

Mr. ERLENBORN. Thank you, Mr. Chairman.

Gillis, let me thank you for your testimony, which was extremely well prepared and presented.

Mr. LONG. Thank you.

Mr. ERLENBORN. Most of the questions that I might have asked have already been asked by my colleagues. But let me just extend one additional question to you.

Since you transfer most other functions to the Special Trade Agency, why in your bill do you transfer the commercial attachés to Commerce?

Mr. LONG. In essence, it is a matter of compromise. We did not feel that we could transfer a large number of persons from State to the new STA and still maintain a personnel ceiling of 400 people.

It was a compromise that I am not particularly happy with. But all factors being considered it was the best one I could come up with.

As I said, I don't see my proposal as a panacea. I see it as a compromise. Other than the point that Mr. Levitas raised of authority and responsibility, I am willing to negotiate. But I think that clarifying responsibility is a central point to which I would recommend you give your serious consideration.

Mr. ERLBORN. One procedural question.

As you know, the administration will have a choice of sending either a reorganization plan to the Congress or a bill, either one of which would come to this committee.

The reorganization plan would not be subject to congressional amendment, although under the new law it would be subject to Presidential amendment.

The legislation would, like all other legislation—depending on what your Committee on Rules might do when we get to the floor—be fully subject to amendment. Which of these two routes would you recommend the administration take?

Mr. LONG. Mr. Erlenborn, I am familiar with the fact that there is some pressure to try to have a reorganization accomplished by January 1, 1980, for what may or may not be valid reasons.

But assuming the reasons are valid, I think that if your committee would take the reorganization plan, work the plan to the degree that it would build a centralized authority and centralized responsibility around the STR, this could solve the problem of having something effective relatively soon.

I have no pride of authorship with respect to this at all. Consequently, I don't have any strong feelings that it ought necessarily to be in the form of legislation, as long as you could accomplish the objectives that I think ought to be accomplished.

Mr. ERLBORN. Thank you very much. Thank you, Mr. Chairman.

Mr. LONG. Thank you, Mr. Chairman. Thank you, members of the committee.

Mr. BROOKS. Thank you very much.

Next we will have Congressman Jim Jones, our colleague from Oklahoma; and Congressman Bill Frenzel, our colleague from Minnesota.

Congressman Jones is a lawyer who has served both in Congress and on the staff of a U.S. President. He has been in private practice of law and was elected to Congress in 1972. He is a member of the Trade Subcommittee of the Ways and Means Committee, and worked on the recent multilateral negotiation legislation.

He is cosponsor of H.R. 4567 and H.R. 4691.

Congressman Frenzel has been a Republican member of Congress for 9 years. His educational background is business administration, and following his naval service he was in private business and served in the Minnesota Legislature.

Currently he is serving on the Trade Subcommittee of the Ways and Means Committee, and has cosponsored H.R. 4596 and H.R. 4691 along with Mr. Jones.

We appreciate your interest in the trade reorganization and we are interested in your views, and we would be pleased to hear from you individually, both of you, or in any fashion that you would like.

STATEMENT OF HON. JAMES R. JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. JONES. Thank you very much, Mr. Chairman.

With your permission, I would like to submit the full text of my testimony for the record and then summarize and answer any questions.

I unfortunately had a speech scheduled in Oklahoma this morning, which I was unable to make, but I am going to deliver it by telephone at 11:15. So I will have to leave a little bit early.

Let me just say that the Multilateral Trade Agreement which was achieved by this administration and passed by the Congress opens up some tremendous new trade opportunities that will help significantly the development and viability of our economy in the years ahead.

In order to realize that, however, I think there is general agreement that our trade functions in the executive branch must be reorganized and coordinated in a more rational fashion. The issues basically before this committee—and incidentally, I thank the chairman and the committee for holding these hearings so expeditiously—first of all, how do you implement a reorganization that everybody agrees should take place? Do you do it by a reorganization plan or do you do it by legislation?

My personal preference is that we do it by legislation, because as Senator Taft once told President Truman, "if you want Congress along for full flight and full ride and perhaps even a crash landing, you better have them along on the takeoff."

I think if Congress puts its full resources and imprimatur behind legislation reorganizing our trade functions, I think it would help send this reorganization off to a better start. However, I also recognize and believe that it is important that the reorganization take place before January 1, 1980, when the Multilateral Trade Agreement becomes effective.

Therefore, I would suggest to the committee that we operate on a two-track system. If the administration sends up a reorganization plan, it will, of course, go before this committee, but the committee can also consider legislation implementing reorganization. If we are able to pass the legislation before the 60-day period, that would be the better approach. If not, then I think we should go ahead and approve a reorganization plan as submitted by the administration.

The second vital or central question has to do with where we should make the central point of trade programs in this reorganization plan. Basically, you have three alternatives: To beef up STR, to use the Department of Commerce, or to establish a new department.

Politically, I think establishing a new department is impractical and will not pass in this Congress.

I also believe that focusing this reorganization in the STR is not the best approach and, therefore, Mr. Frenzel and I and six members of the Trade Committee, who have been working for several years on the Multilateral Trade Agreement, have come to the conclusion that the Department of Commerce is the best place in which to center this reorganization plan.

It offers the opportunity to make the Department of Commerce a much more aggressive organization than it has been in the past. In fact, if we implement the reorganization through legislation, it seems to me that this committee could devise an amendment that would allow maximum flexibility to clean out some of the deadwood that presently exists in Department of Commerce, and that would be performing a double public service.

Clearly, we come down on the side that the Department of Commerce is where the reorganization should take place.

Now, one of the major differences between the Jones-Frenzel bill and what we know of the administration's proposed reorganization is that the Export/Import Bank and OPIC—Overseas Private Investment Corporation—are not included in the reorganization. We include both of those organizations in the Department of Commerce and Trade. We still think that is the better approach.

These are some of the major issues. These are the positions that we take.

Our formal testimony deals more directly with these, and I would submit to any questions or ask Mr. Frenzel how he wants to proceed, then submit to any questions, Mr. Chairman.

[Mr. Jones' prepared statement follows:]

TESTIMONY OF REPRESENTATIVE JAMES R. JONES

Mr. Chairman, I appreciate this opportunity to discuss with you the best approach Congress and the administration should follow in achieving a mutually agreed upon objective: a rational and efficient reorganization of our trade bureaucracy.

The Jones-Frenzel legislation (H.R. 4567, H.R. 4691) now before this Subcommittee represents one major effort to achieve this reorganization. The administration's own reorganization proposal, as it has been described to you and other committees of the Congress, represents a similar approach.

The need for reorganization is without question. Currently the major responsibility for expanding exports is divided between the Commerce Department, State Department, Eximbank, and Treasury Department. Various import relief problems are handled by the Office of the STR, the International Trade Commission, Treasury, Commerce, and the Labor Department.

The legislation which Congressman Frenzel and I have developed will consolidate the various trade functions by moving all export expansion and import relief programs into an expanded Department of Trade and Commerce. At the same time, international negotiating authority would be consolidated in the office of the U.S. Trade Representative, which would retain its coordinating role as chair of the interagency Trade Policy Committee.

The trade reorganization proposal advanced informally by the Administration in hearings before this Subcommittee, the House Trade Subcommittee and other Committees of the Congress, is very similar in most respects. Variations between the two proposals are numerically few, but substantive differences nonetheless exist and need to be resolved.

Mr. Frenzel and I feel strongly the new Secretary of Trade and Commerce should serve as the Chairman of the Eximbank and OPIC; the Administration would make the Secretary a nonvoting member of Exim only. The issue of whether the Secretary will need new statutory authority to accomplish an orderly transfer of federal employees from other agencies to form the new commercial corps and other trade components is in considerable doubt, and should be studied more closely by Committees of the Congress and the Administration. The appropriate and precise roles of the new Undersecretary for Trade, and the U.S. Trade Representative, need clarification that can be provided by Congress. These and other issues, Mr. Chairman, can be resolved expeditiously I believe, during the regular legislative evaluation by our Trade Subcommittee and subsequently refined and perfected by other Committees and our colleagues on the House floor. Further, this refinement of the basic trade reorganization proposal advanced in the Jones-Frenzel bill and the administration's own informal proposal, can be accomplished in a relatively short time.

Mr. Chairman, Congress will have a much clearer idea three or four years from now just exactly how successful the Multilateral Trade Negotiations and the subsequent implementing legislation have been in reducing our trade deficit and expanding our export capabilities.

Success in this regard will not be accomplished overnight, but certainly the most essential prerequisite to achieving a favorable balance of trade and expanded export market is a rational and efficient reorganization of the trade bureaucracy. It is a fundamental, institutional change that should not be done hastily or without thorough deliberation by Congress.

For these reasons, Mr. Chairman, I am hopeful you will agree to move ahead on the trade reorganization issue utilizing a two-track system, allowing House Government Operations as well as others, such as the Trade Subcommittee, to evaluate and improve the basic trade reorganization proposals.

In my judgment, a revised and perfected Jones-Frenzel bill can be acted upon and reported from Government Operations and other Committees at an early date, with adequate opportunity for evaluation and recommended changes prior to final action on the House floor. Similar action which can get underway in the Senate will make it possible for a reconciled version of the trade reorganization legislation to be presented to the President this fall. If a legislative impasse occurs, Government Operations could at that point report out the Administration's reorganization Plan and House approval or disapproval could be voted within 30 to 60 legislative days. I personally prefer accomplishing reorganization through statutory rather than executive authority, since this will give Congress full and ample opportunity to effect any necessary revisions in the basic proposals that are now under discussion.

I believe, Mr. Chairman, that at this point the two-track approach is one that is in the best interests of the affected government agencies, the Congress, and the American people. It deserves a chance to succeed, and with the cooperation, encouragement and leadership of this Committee, I believe Congress will meet its full responsibilities to help give direction to a new and cohesive U.S. trade policy. Thank you.

Mr. Brooks. Please proceed, Mr. Frenzel.

STATEMENT OF HON. BILL FRENZEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. FRENZEL. I would make the same request as my colleague, that my remarks be inserted in the record and that I might have a minute or two to comment. Like Mr. Jones, I would prefer legislation, but I really leave that up to you folks on this committee. You are the experts; you know whether you want an executive plan or a bill. But like Mr. Jones, I believe that it is important that we complete the reorganization before the effective date of the implementing legislation for the MTN and that date, of course, is January of 1980. So we are very short on time.

Second, I want to thank the chairman who sat in with us through some of the most difficult parts of the conference on that implementing legislation. Without his presence the bill would have been passed, but it certainly would have taken a lot longer. We really appreciate the help that you gave us on that, Mr. Chairman.

Mr. Jones and I have done what the song says in the revival of "Oklahoma," which some of you have been fortunate enough to see in the last couple of weeks at the Kennedy Center. We've gone about as far as we can go. I believe a lot of us would like to see the Roth-Ribicoff version, a new Department of Trade, that the Senate seems to prefer and ultimately I would like that, too. Maybe some of you would like to support our good colleague Gillis Long's approach. I think that is a good idea, also.

Congressman Jones and I have tried to take the worst of the present conflicts and to consolidate them into mainly the Department of Commerce. This proposal will be step 1 of a reorganization process that I think is going to take at least several years, maybe many years before we finally get our trade function organized the way we would like to have it.

We leave the policy to the STR. Agriculture is doing a good job, so we leave Agriculture alone. They run their own agricultural attachés

just as we would have Commerce run commercial attachés at the embassies around the world.

Most of the rest of the transferred trade functions we have placed with the Department of Commerce, because we think it is capable of being our primary advocacy and enforcement agency.

We know that our work isn't perfect. We know that there are many good ideas which are supported by other people, who will testify before you. Nothing that any of us has is so perfect it can't be changed. Many of the other ideas could be integrated with ours. We want to help you get a bill, and we want to get it fast. Mr. Chairman, with that, if the committee has questions, Mr. Jones and I would be glad to answer them.

Mr. Brooks, I want to thank you both for not only doing a lot of work on this but for your constructive attitude in trying to get something accomplished in this field this year. I share that feeling. I have said that before and that is why we are working on this now. If everybody will be as understanding and cooperative and well informed as you, we won't have a bit of trouble passing some good reorganization legislation. Even without that we can do the job, and we will.

I have a couple of questions. Do you feel that the antidumping and countervailing duties function now exercised by Treasury should be transferred to some other organization?

Mr. Jones, We are both in agreement that it should be transferred out of Treasury. We are both in agreement that it should go to Commerce rather than an expanded STR.

Mr. Frenzel, I said yesterday in one of our hearings, that leaving it in Treasury is like continuing to bet on the Cubs to win the World Series. We have been waiting for a color television decision and all kinds of countervailing duty and antidumping cases to come out of there. They don't come. It has got to go somewhere else.

Mr. Brooks, Do you feel the Export-Import Bank should be placed under the jurisdiction of the Nation's principal trade officials?

Mr. Jones, That is our judgment, Mr. Chairman, that it should, as well as OPIC. And the reason for that is when we look at some of our competitors, particularly Japan, we find that the financing functions of trade are integrated with the overall trade policy, and that is one of the areas where Japan is able to do a better job than we.

We think if the Eximbank, at least, and perhaps OPIC also, could be included in this Department, that it would certainly strengthen our ability to compete in foreign markets.

Mr. Frenzel, But there are a number of ways you could do this more subtly and without offending independent agencies. You could put the head trade person in Commerce, as say the Chairman, one of the five members of the OPIC Board. You could do the same thing with the Eximbank Board. You can thus provide coordination without moving those agencies over to Commerce, if you felt that placing those two agencies under Commerce with independent status would give Commerce too much dominance over what should be entirely independent agencies.

Mr. Brooks, Just leave them there?

Mr. Frenzel, Sure. Leave them where they are but change the Board maybe by one person.

Mr. Brooks, Shake up the Board a little?

Mr. JONES. Make the Secretary of Trade and Commerce a member of the Board or perhaps Chairman of the Bank.

Mr. BROOKS. Mr. Horton.

Mr. HORTON. I want to thank my colleagues for their testimony and for their expertise and for their legislation and their proposal with regard to this very important matter.

Jimmy, your kind of proposal has been criticized for essentially splitting policy and implementation. Do you think that this is a serious problem?

Mr. JONES. I don't think it is a serious problem. As a matter of fact, I think our proposal gives a double punch to improving our trade policy, because essentially the STR will operate right out of the Executive Office of the President. It will have the close ability to have the ear of the President and by doubling that with a Cabinet level Department of Trade and Commerce, I think you will give trade added status and priority.

Based upon my experience in 4 years on the White House staff, I do not anticipate that splitting this kind of responsibility will have any adverse impact. I think it will help improve our overall trade posture.

Mr. HORTON. Your proposal is similar to the administration's but—

Mr. JONES. Yes, sir.

Mr. HORTON. But different?

Mr. JONES. Yes, sir.

Mr. HORTON. Can you clarify the differences, pointing out the strengths of your bill over the administration's?

Mr. JONES. The major difference that I see is the fact that we include Export-Import Bank and OPIC in the Department of Commerce and Trade. I don't believe we have any other major differences.

Mr. FRENZEL. The differences are almost differences without distinctions.

Mr. HORTON. Thank you very much.

Mr. BROOKS. Mr. Levitas.

Mr. LEVITAS. Thank you, Mr. Chairman.

I would like to commend you for your presentation which, I think, gets right to the heart of the matter, and it is one that I am relatively sympathetic with, based on those other proposals that I have seen.

One of the questions that I have is relative to the difference in which you treat the Department of Labor. As I understand it, under the administration's proposal, there would be no transfer, but you do make transfers from the Department of Labor. Would you explain why?

Mr. JONES. That was a minor part of the reorganization, the trade adjustment.

Mr. FRENZEL. It was a very modest one. The Department of Labor does make the determination of eligibility for trade adjustment assistance. We thought it might as well go in Commerce. I am sure whatever we are trying to do would not be hopelessly shipwrecked if that jurisdiction stayed in Labor.

Mr. LEVITAS. Would it be fair to say that the major difference or or the difference between your proposal and the administration's is one of emphasis, in that it really gives a little bit more clout and primacy to the new Secretary of Commerce and Trade?

Mr. JONES. I think that is a difference, that we really do try to put the export-import functions together in one department and make one Cabinet level Secretary responsible for the implementation and operation of both of those trade functions.

I think that the other difference is by accomplishing the changes through legislation, we give that Cabinet level Secretary a greater responsibility and sendoff for successful—

Mr. FRENZEL. If I could phrase it a little differently, the policy-making and negotiating were left with STR. We didn't try to take any of its clout away. We established an Under Secretary of Trade over in Commerce to handle the trade promotion and enforcement responsibilities so our approach beefs up the Commerce Department somewhat more.

Mr. JONES. One of the problems I see with our good friend Gillis Long's proposal is if you expand STR it then loses its clout in the Executive Office of the President, and it becomes just another department. You have to start finding buildings and space and doing all the things we had to do with DOE, and there is still no organization there.

I do think we have a better opportunity of working through the Department of Commerce and we are already seeing both from the OMB level and Department of Commerce level recognition that they need to reorganize and clean out and beef up their own departments, so it has already had some good effect.

Mr. LEVITAS. One last question or comment I would like to make. The thing that has troubled me the most, both from the oversight hearings on Commerce and State at the present time and the testimony we have received from the administration, is that you get people at STR who are dealing with these really broad macrointerests of international trade and establishing great policy decisions.

When you get down into the trenches of increasing our trade, it has been done by people in the Department of Commerce, and the extent to which we separate policy and responsibility for implementation to that extent, we are diminishing our effectiveness, so anything that will either bring those closer together or at least give equal strength to both of those functions, so that we don't just have people going over and making policy that can't be implemented effectively. To that extent, I think your legislation has a great deal of merit to it. I wish it went further, quite frankly.

Mr. JONES. As Mr. Frenzel said, it is going to be a step-by-step process. We think our approach is the better first step.

Mr. BROOKS. Mr. Fascell.

Mr. FASCELL. Thank you, Mr. Chairman. I just have one question, Mr. Chairman. It seems to me that if we pursue the plan offered by our distinguished colleagues to put all trade functions in Commerce, including OPIC, one of the things that we would have to consider is that a reorganization plan was recently approved, Mr. Chairman, which puts OPIC under IDCA. I don't see how we can mix the two if we are going to go forward with this and put trade emphasis on OPIC. They ought not to mix up the development and trade. We ought to be sure we have a clearcut decision.

Mr. JONES. That is the main reason the administration is opposed to including particularly OPIC in this new Department of Trade.

They view OPIC as a development or aid function. I personally view OPIC as a trade function and it is a difference of opinion.

Mr. FRENZEL. Before you got here, Mr. Fascell, I suggested that there might be another course, and that is to leave OPIC as an independent agency or put it someplace else, but put our top person from Commerce as Chair or one of the members of the Board.

Mr. FASCELL. I was here when you made that suggestion. But the trouble with that is, if under the reorganization man for IDCA you have that, the Chairman, the Director, as a member of the Board, then you would have a member of the Board also from the Department of Commerce. You have the two on there, you see.

Mr. FRENZEL. You have got a lot of members of the Board. You have five, I think.

Mr. FASCELL. Yes.

Well thank you. That is all I have.

Mr. BROOKS. Well, thank you very much, Mr. Fascell, and thank you, Mr. Frenzel.

Thank you, Mr. Jones.

[Mr. Frenzel's prepared statement follows:]

REMARKS BY MR. FRENZEL

Mr. Chairman, I am here in support of the Jones-Frenzel bill, H.R. 4567, to reorganize trade functions of the government. That bill, which is similar to the Administration's proposal, will consolidate many of our trade-related functions of various departments and agencies into the Commerce Department while retaining the STR as the main policy coordinator and negotiator.

The area of trade reorganization is one that has been fairly popular lately, and for good reason. Our government has suffered too long from an ineffective overall trade policy that has only perpetuated an embarrassing trade deficit. We do not have an aggressive, effective voice for promotion for U.S. exports. Functions relating to trade are scattered throughout the Administration. Some of those functions have functioned effectively, some have failed abysmally, while most could do much better if they were coordinated in a more effective manner.

Our bill chose the Department of Commerce for the main enforcement/promotion agency, because we feel that Commerce's star will rise as it ascends to a position of higher clout in the Administration. That department has been sadly neglected, and it has not been able to recruit as many highly qualified individuals as it would under our proposal. I have no reason to believe that the new Commerce Department will be protectionist oriented or that it will fail to meet the mandate set forth in our proposal.

The Jones-Frenzel bill renames the Commerce Department to the Department of Commerce and International Trade (DOCIT) and places in that department the commercial attaches and international investment policy from the State Department; some of the international affairs functions from Treasury, as well as the Office of Tariff Affairs (countervailing duties and antidumping) and Office of Foreign Assets Control responsibilities with respect to unfair trade practices from STR; sector analysis, tariff nomenclature and investigation of Section 337 unfair trade practice cases from the ITC; determination of worker eligibility for Trade Adjustment Assistance from Labor; and the Division of Interindustry and Economic Analysis from Interior. The Eximbank and OPIC are transferred to the new Department of Commerce and International Trade (DOCIT) as agencies with the Secretary of DOCIT as chair of the board. The ITC would be transferred to DOCIT as an independent entity similar to FERC at the Energy Department. DOCIT will have primary responsibility to formulate and implement export promotion policies, and it will play an important role in developing long-range planning on international trade matters. There will be an Undersecretary for International Trade.

As mentioned above, the STR will remain a lean, specialized agency under the Executive Office of the President which will direct our negotiations in multilateral and bilateral trade negotiations, including East-West trade and commodity agree-

ments. It will play a key role in the trade policy area by chairing the present Trade Policy Committee.

I have just come from two days of hearings on this reorganization area in the Trade Subcommittee of Ways & Means. That committee has a keen interest in revitalizing our trade organization, and we are anxious to work with your committee, which is much more experienced with the intricacies of reorganization matters to come up with some kind of recommendation to the Administration before it submits what we believe will be a reorganization plan. There were many, many good ideas tossed out at the Trade Subcommittee hearings. While I like the Jones-Frenzel approach better than the others, it may be that you will have to make some alterations in our proposal, or perhaps you will choose another proposal entirely. However, the Administration does have what I believe is a fairly good plan which I generally support. I hope we all can work closely with them to come out with a plan that will be satisfactory to you and to as many varied interests as possible. The most important goal right now is to ensure that action will be taken on this matter in order that the new plan will go into effect in January of 1980, in time to administer the Trade Agreements Act of 1979.

Mr. Chairman, I appreciate this opportunity to testify and will answer any questions you may have.

Mr. Brooks. Our final witness this morning is a very distinguished former Member of the Congress, now a Republican Senator from Delaware, Senator William V. Roth. He graduated from Harvard Business School and Harvard Law School. Following distinguished military service in World War II, he engaged in the private practice of law. He served in the House from 1966 to 1970. He has served in the Senate since 1971. He is a member of the Senate Finance Committee and Senate Governmental Affairs Committee.

Senator Roth has been working in the area of international trade and trade reorganization. He is cosponsor with Senator Ribicoff and others of Senate bill 377, a bill which would create a separate Department of Trade.

Senator Roth is a longtime personal friend of mine and I am delighted to welcome you here before this committee and to reiterate my own determination that we have some sort of foreign trade legislation to implement what you and I both agreed earlier in a conference before the Ways and Means Committee needs to be done. In broad terms we certainly do agree and we are pleased to have you with us today and we are interested in your views on the matter, Senator Roth.

STATEMENT OF HON. WILLIAM V. ROTH, A SENATOR IN CONGRESS FROM THE STATE OF DELAWARE

Mr. Roth. Thank you, Mr. Chairman, and members of the committee. I am delighted to have this opportunity to discuss my view.

I would like to express my personal appreciation to the chairman for the interest he has shown in this matter. He was very helpful recently in the conference that we had between the Finance Committee and House Ways and Means.

Mr. Chairman, I believe this matter is of such importance as to affect the very health of our Nation's economy. As many of you know, Senator Abraham Ribicoff and I introduced a bill to create a Department of International Trade and Investment more than 2 years ago.

Since that time, we and a growing number of other Members of both the Senate and the House of Representatives have waged a battle to restructure and streamline the antiquated Federal structure which deals with our international trade policy.

Today I would like to explain our objectives and evaluate the proposed OMB plan for trade reorganization in the light of these objectives.

Our primary goal was simply this—to consolidate into a strong, single entity the activities of the Federal Government relating to trade policy formation and implementation.

We wanted an entity which would provide leadership in reorienting American attitudes toward foreign trade, which would give trade issues the attention they deserve at the Cabinet level, which would be a strong and tough protector of American trade interests at home and abroad, which would attract and retain a corps of highly motivated and experienced personnel, which would effectively enforce the MTN codes and unfair trade practices, which would provide the necessary analytical and statistical backup necessary to sound policymaking, which would aggressively promote the sale of American-made products and services in overseas markets, and which would be accountable to Congress.

Why is such an entity needed? Because the position of the United States in the international economy has changed very dramatically over the past two decades.

On the one hand international trade has become increasingly important to our economy. Exports and imports now total about 15 percent of our gross national product. One-third of our agricultural production goes into export markets, and one of every seven or eight jobs in the manufacturing sector depends on sales abroad.

But on the other hand, the United States is steadily losing out in the world marketplace. Since the early 1960's, our share of world trade has dropped from 18 percent to less than 12 percent.

In this decade, for the first time since the 19th century, we have begun to experience balance-of-trade deficits. This has undermined confidence in the dollar and eroded the purchasing power of Americans overseas. Every \$1 billion in forgone exports means 40,000 jobs Americans do not have.

For years the United States was frankly spoiled by the tremendous trade advantages we had as a result of technological superiority, rich natural resources, a highly educated and skilled labor force, and the economies of scale a large market provides.

We still have many inherent advantages, but other nations have developed high quality products and superior foreign marketing techniques. They have higher rates of productivity growth and investment.

Their governments give top priority to their trading interests. They do not sacrifice trade interests to foreign policy objectives. They do not hamstring businessmen with disincentives to exporting. To the contrary, they provide generous export credits and assist in putting together attractive trade and aid packages to sell their products.

Other governments recognize that trade means income and jobs for their citizens. Exploring is an integral part of their growth and employment strategies.

The United States is the only major industrial country which does not have a strong focal point in government for promoting its trade interests. The Special Trade Representative's office is largely circumscribed to international negotiations.

In the big departments with trade responsibilities—State, Commerce, and the Treasury—trade is a stepchild to other interests. It is very rarely considered beyond the Assistant Secretary level.

Changing our organizational structure is not going to resolve our trade problems, but it can establish a better framework for tackling them. Most importantly, a first-rate governmental structure to promote and protect American trade interests can provide leadership in revolutionizing the thinking of the American Government, business and people toward the opportunities provided by international trade.

If we are going to meet today's fierce competition in world markets and provide jobs for American workers through trade, we need a fundamental reorientation in our thinking about trade.

There must be an entity in the Federal Government to provide leadership and encouragement. At the present time, we are moving in exactly the opposite direction. Unintentionally, barriers to trade have been erected because our trade interests have not received the proper attention and priority.

I need not dwell at length on our related objectives in trade organization. Clearly, in a more competitive world market, the United States needs more aggressive enforcement against unfair trade practices such as dumping and export subsidy practices.

Clearly we need effective enforcement of the new codes negotiated under the MTN. There is virtually unanimous agreement that these new codes are meaningless without effective enforcement.

An experienced trade cadre in the Federal Government is essential to an effective trade policy. In the past few months, we have lost in the public sector many of our best trade negotiators. Our competitors on the other hand continue to have deep trade experience going back to the Kennedy Round and even earlier in their governments.

Given these needs, how does the OMB proposal stack up? Frankly, it does not accomplish our objectives.

Instead of a clear focal point for trade policy and implementation, there are two, maybe three, centers—one in the STR, another in the Department of Commerce, and a third potentially in the Trade Policy Committee.

The OMB proposal makes an artificial and illogical distinction between the trade policy and day-to-day operations. It divorces policy responsibility from operational authority.

This has not worked well in the Government. Policy and operations are inextricably entwined. Policy cannot be developed in a vacuum and operations, particularly in the post-MTN environment, may in practice set policy.

The shortcomings of this separation were described very well in the testimony of the International Association of Machinists and Aerospace Workers, AFL-CIO, before Mr. Vanik's Subcommittee on Trade last week, and I quote:

In the area of basic organizational structure, the administration's proposal is seriously deficient. It does not achieve the goal of unified trade policy direction.

In short, the OMB proposal is a formula for continued competition, conflict, duplication, scapegoating and demoralization in America's trade policy apparatus. There is no clear person-in-charge to set directions, force reconciliation of competing interests and be accountable to Congress and the President for his decisions.

Certainly the United States Trade Representative under the OMB proposal would be no trade policy czar. He has no responsibilities whatsoever for overall export policy, clearly a key element of our trade policy.

He will have to redelegate back to the operational agencies for implementation even some areas where he is given responsibility, such as East-West trade and international commodity negotiations.

The position of the USTR will be analogous to that of the Council on Environmental Quality or the late and not much lamented Council on International Economic Policy. He has a large head but a weak and underdeveloped body, and for that reason will not be very effective. The operational agencies have more clout.

William Walker, a former Deputy STR, has described well the kind of position STR is put in, and again I quote :

During the MTN, STR had staff of between 90 and 100. This was not really enough to do the job properly since it forced STR to rely upon the other agencies for basic research and the development of most positions. The subcommittee is familiar with the "tyranny of the first draft" and will appreciate that there were many occasions in which departments could deflect initiatives with which they disagreed by failing to staff them properly.

In contrast, the Trade and Commerce Department will be a body without a head. I have serious reservations about giving additional responsibilities to the Department of Commerce until that Department has been thoroughly overhauled.

The present Department has been aptly described by Senator Stevenson as kind of bureaucratic orphanage for stray programs ranging from weather modification to fire prevention.

It has become almost impossible to manage effectively although I believe the present Secretary, Juanita Kreps, is making a heroic effort. Symbolic of Commerce's problems has been the unusually rapid turnover at the top. There have been new Secretaries in 1967, 1968, 1969, 1972, 1973, 1975, 1976 and 1977.

To many Americans and to foreign governments putting operational responsibilities for trade in Commerce does not increase their priority, but will be perceived as a downgrading.

Our trading partners will not be very impressed by the new position of Under Secretary for Trade in the Department of Trade and Commerce. Moving enforcement functions from a relatively strong agency to the weak Department of Commerce will neither assure strong enforcement or revitalize Commerce.

Changing the name merely adds more confusion. It means yet another governmental agency with the word "trade" in the title.

Where will an American industry go for import relief under the new reorganization? There will be no single entity. Antidumping and countervailing duties will be in the Department of Trade and Commerce. Section 301 and international dispute settlement mechanisms will be pursued through USTR.

Who will provide for integrating and coordinating trade analytical work around the Federal Government? No one.

What needs to be done?

Mr. Chairman, the most important change needed is to overcome the division between trade policy responsibilities and trade operations. As you know, I believe an integrated, consolidated Department of International Trade and Investment is needed.

Unfortunately, even though such a department would not create an additional Cabinet-level post or require additional personnel, the administration has been unwilling to give the proposal any serious consideration.

I recognize that politics is the art of the possible, and I am willing to settle and support a solid first step.

In my judgment, a solid first step would be the creation of a lean trade agency built around the present office of STR, with policy formulating and operational responsibilities.

This agency should be responsible for the very closely related tasks of international negotiations, MTN implementation, enforcement, and coordination of trade policy formulation through chairing and staffing the Trade Policy Committee.

The head of this agency should be a Cabinet-level official, as is the present STR, who is clearly designated the Principal Assistant to the President for International Trade Policy.

It is of key importance that he be responsible for both MTN implementation and new negotiations. These functions should not be divided because it is only through monitoring code implementation that the areas where the codes need to be strengthened or where there should be retaliation will be identified.

I believe this agency should have a limited number of overseas posts in key industrial countries to follow on a daily basis MTN code implementation and handle the myriad other trade issues that arise with these governments.

This agency should be in charge of coordinating analytical work in the executive branch relating to trade. The bill introduced by Congressman Gillis Long, in my judgment, represents a much sounder first step than does the administration proposal.

Finally, Mr Chairman, let me address the question of the appropriate legislative vehicle for accomplishing trade reorganization. It was through the wisdom of the chairman of this subcommittee, Jack Brooks, that the language in the Trade Agreements Act was redrafted to provide flexibility so that either legislation or a reorganization plan is possible.

I believe that if consensus can be achieved on the right reorganization plan, the reorganization authority should be used. That would affect the reorganization in the most expeditious manner.

I would caution, however, that whatever we do now will be with us for several years. Reorganization is always a wrenching process with short-term costs. Unless the long-term advantages clearly outweigh the short-term costs, it should not be undertaken.

I am not convinced the OMB plan, even with tinkering, provides clear gains outweighing the costs. I do not think we should approve a reorganization plan which divides policy and operations. That flow is fundamental.

Thank you, Mr. Chairman.

Mr. FASCELL [presiding]. We are delighted to have you with us, Mr. Levitas?

Mr. LEVITAS. Thank you, Mr. Chairman.

Thank you very much for your excellent testimony, Senator.

There is one point that you make which underlies my whole approach to this thing. That was the last statement, that the importance

is in bringing together rather than separating policy and implementation of policy; which I don't believe we have today, nor do I see embodied in the administration's proposal or even in Congressman Long's proposal.

So, therefore, that aspect of your position is one that is very appealing to me. The problem that I have is trying to ascertain whether or not we would be better placing that consolidation of policy and implementation in a restructured Department of Commerce rather than creating a new Cabinet department.

I realize there is a Cabinet level office called STR at the present time, but in effect we would be creating a new Cabinet department which does not currently exist and for which there is substantial resistance, certainly in the House at the present time.

My question, I think, is, do you feel that doing what you want to do, but within the Department, restructured Department of Commerce and Trade, would not be effective?

Mr. ROTH. I regret to say that that is my conclusion. I am concerned that even though the consolidations are made that are necessary, that policymaking and operations are brought together, putting it in Commerce will severely handicap what we are trying to accomplish.

As I mentioned in my testimony, the Department of Commerce many, many years ago, long before the present Secretary took over, became known as a bureaucratic nightmare. Having talked with not only many American businesspeople, but foreign people as well, it is clear to me that putting it in a Department of Commerce will almost be looked upon as a step backward instead of forward.

I think that we can meet the objections of the President by consolidating around the STR. It is an office that is in existence and it also is a fact that STR is now Cabinet level, so we are not creating a new Cabinet position.

Very candidly what we need is a lean, mean agency. I think the only way you are going to accomplish it is by consolidating it around the STR rather than letting it get lost in the bureaucratic nightmare of the Department of Commerce.

Mr. LEVITAS. As you point out in your testimony, at the end of the day, what this thing is all about is the promotion of the sale of American-made products and services in overseas markets. That is basically what we are after.

Today much of this function is performed both in this country and abroad by personnel in the Department of Commerce. There are commercial offices in our embassies overseas, regional offices of the Department of Commerce, that theoretically now are supposed to be contacting businesses, small- and medium-sized businesses, and explaining to them export opportunities and encouraging foreign trade generally.

It is not working well. Would you see that these people in the trenches, as it were, would be transferred to this new department or would they continue to operate in the Department of Commerce?

Mr. ROTH. Well, failing a Department of Trade, I think. We propose in the key trading countries that the new agency would have some people assigned to the offices abroad. I think that is absolutely essential, to effectively monitor the MTN codes.

Let me, if I might, just give why I am so concerned about this reorganization and why I think what we do is of such great importance.

I really feel that we have to change the thinking of the American Government. I think we have to change the thinking of American business and labor. They are all used to looking upon the American market as a great market.

Somehow they have got to become aware of the fact that your growth and opportunity is going to lie abroad in the future. That is the reason we have to have a structure that is in a position to persuade the people not only within Government but in the business sector that this is what we have to do.

I don't see that happening under any circumstances in the Department of Commerce. I don't care how able a person the Under Secretary is.

I am sorry we lost Bob Strauss to Trade. I told the President he ought to clone him. We need somebody who can be the point man that can really bring about some very substantial changes here in the Congress and in the country at large.

We have got to recognize when we make changes in the taxes there is an impact on our selling abroad and on American jobs. We are not going to get it by this division and this fashion. To my mind in many ways it doesn't improve what we already have.

Mr. LEVITAS. Thank you very much.

Mr. FASCELL. Senator, I am having a little trouble, frankly, struggling with the concept. Augmenting the Special Trade Representative for policy, implementation, trade negotiation, enforcement and promotion; is that the concept? Is he going to be a salesman, too?

Mr. ROTH. In part, the Commerce Department would continue to function as present, but I would want the STR to become a major spokesman for trade policy for this country, including export promotion.

Mr. FASCELL. Wouldn't he have a little trouble, though, if he is enforcing something where there is a governmental action on the other side, for example, which we consider adverse and inhibitory?

Mr. ROTH. No, sir, not in my opinion. I know that argument is often made.

Mr. FASCELL. I wonder how it would work. Does he use a trade-off of American sales for something?

Mr. ROTH. I want him to be a tough negotiator. I want him to have as many weapons in his hands as possible.

Mr. FASCELL. For example, should we have the power to say to country X, OK, you are not going to abide by a code so we are not going to export to you and you can't export to us? Is he going to have the power to say that?

Mr. ROTH. Well, of course, he couldn't do all those things. He will be reporting to the Congress and in many of those areas it would take congressional action. But I do suggest that to divide this authority between Commerce and STR—and Commerce is well known to be a weak department—will not give us an effective voice abroad.

The thing that bothers me the most is that Japan and West Germany and others with their lead agencies are miles ahead of us in this area of trade and export. I want whoever represents us to not only have the carrot but to have the stick as well.

Mr. FASCELL. We need to do something to strengthen our posture. I think most of us are agreed on that. If there is any difference of opinion it is probably in the approach that we are going to take.

For example, I have a hard time saying that USDA is so great. Besides that, let's face it, we don't have the votes in the Congress to change it. You can't take it away from them. Agriculture is one of the major aspects of international trade. It is going to be left over in another department. We are talking about an integrated effort at trade.

I am not arguing with you on that.

Mr. ROTH. I understand that.

Mr. FASCELL. I am just arguing with myself on this issue. When we had the bill before us we had to compromise that issue as the only way out. Everybody is agreed that it is too hot a potato. So, we leave it alone, the biggest component of our international trade.

Mr. ROTH. For political reasons it is true that certain functions are staying in Agriculture.

Mr. FASCELL. What are we talking about? We are really talking about peanuts.

Mr. ROTH. I don't think so.

Mr. FASCELL. We are talking about the dissatisfaction of the American business with commercial attaché offices.

Mr. ROTH. No; that is not what I am talking about. I am talking about the fact that in the last 10 years the American share of international trade has dropped from something like 18 to 12 percent, and it is predicted that it is going to continue going down.

Mr. FASCELL. Let me ask you this question, I think it is fundamental. Do you really believe Government can help that in some way?

Mr. ROTH. Not alone, but it can be a key factor.

Mr. FASCELL. You don't think American business goes where the bucks are.

Mr. ROTH. Let me say I am not only interested in large multinational business, but I think there is a great opportunity here for medium and small business, if we can properly organize.

Mr. FASCELL. I am for that.

Mr. ROTH. The problem today is that in this country really the only ones that can compete, because we don't have the great trading companies, for example, that other companies have, that enable small business to participate in the number of these vehicles we need to bring about.

We are not just talking about peanuts. I was over in the Middle East, Mr. Chairman, last Easter. I was shocked to find that this country only has something like 5 percent of the construction business in Saudi Arabia, and we are not talking about millions or hundreds of millions of dollars. We are talking about billions of dollars.

Why is that? Every ambassador in that area, whether it was Jordan or Israel or Saudi Arabia, wherever I went, said we are losing out because we don't have American nationals abroad. We fell into that trap for what seems to be good reason, but we didn't have anybody in the Government to tell why that simple factor is important to American trade.

I agree that the big multinationals, of which I have several in my State, can pretty much handle their own problems, but the problem is

how medium and small business get involved and also where are we going to be 10 to 15 years from now.

Right now the Japanese Government is pouring hundreds of millions of dollars in an effort to get their business equipped to be competitive in the computer knowledge area. I want to make sure that we are doing the same thing for our people.

Mr. FASCELL. I think your point is well taken. Again I am not arguing with your concept because your concept of augmenting STR is just as good as anybody else's concept—but all you are going to do is give that man more authority than he has now, more than he can chew on, by giving him enforcement, antidumping and countervailing and some promotional capability on a limited basis or partial basis.

I don't see where that is going to help him do a good job at all. Frankly, I have a hard time with that.

Mr. ROTH. We are trying to do more than that. We are trying to build up an agency, No. 1, that will attract bright young professionals that will stay in the trade business. One of the things that bothers me most right now is the fact—

Mr. FASCELL. In other words, we need specialized professional continuity.

Mr. ROTH. That is right.

Second, we want to have the analytical ability. What I want this lead agency to do is to be analyzing the trade picture and assuring that we are moving in the right direction as we look down the road.

Three, we have got this implementing legislation of the nontariff codes. They sound great in theory, but how they are implemented will be of critical importance if they are going to mean anything.

Twenty years from now we can say Bob Strauss made the greatest step forward in promoting real trade or we can say those codes don't mean a thing. It all depends on how we implement them.

I don't think we can divide that function with the other organizations. They aren't going to take that kind of interest. Look what happened in the environmental area. We have the Council on Environmental Quality and we have EPA.

Frankly, rarely do I ever hear anybody talk about the Council. It is EPA that is operating for all practical purposes the policymaking side, and that is the reason I don't think this division that is being talked about will work.

Mr. FASCELL. Thank you very much, Senator. We appreciate the testimony you have given us and your candid and frank answers to our questions, and the contribution you made to the work of this subcommittee.

Mr. ROTH. You are very nice. As you know, I always enjoyed my years of experience on the Foreign Affairs Committee with you, and I welcome this opportunity to be here.

Mr. FASCELL. Nice to see you back on the House side again. Thank you very much for your assistance.

Without objection, the hearing record will remain open until September 17 for additional statements from Members desiring to support or to submit any statements.

[Mr. Stevenson's prepared statement follows:]

STATEMENT OF SENATOR ADLAI E. STEVENSON

The United States alone among the major industrial nations has no single agency with the authority and responsibility to advance its trading interests. Other nations, more dependent on maximizing their share of international commerce, have long organized for successful and aggressive competition in the world. In the U.S. we have been slow to awaken to the importance of overseas markets and laggard about competing.

Inconsistencies and impediments in the treatment of U.S. industrial and agricultural exporters cost this country billions of dollars annually in lost export opportunities. U.S. exporters face a web of controls—antitrust, antibribery, human rights, environmental review—and other restrictions which their counterparts abroad do not. Nowhere is there an agency with the authority and the mandate to promote U.S. competitiveness. The absence of an advocate with the visibility and clout to fight for consistent policies and minimal bureaucratic restrictions has seriously undermined U.S. export competitiveness in both agriculture and industry.

We can no longer afford the luxury of indifference, and in a post-Tokyo Round world economy the penalties will be debilitating. The Trade Agreements create a framework in which nations can—and must—act if they are to reap the economic gains of expanded trade. While other nations are poised to exploit these opportunities, this nation stands paralyzed by diffused responsibilities for trade and confused bureaucratic duplication.

My concerns are shared by colleagues in both the House and the Senate, and the debate over trade reorganization now comprehends a variety of legislative proposals as well as a pending reorganization plan. There is universal agreement over the need for consolidated trade responsibilities, but the debate has been complicated by the past history of the agency most logically placed to integrate trade functions, and distracted by the success of the Office of the STR in negotiating the Tokyo Round.

For those who seek a single government entity with comprehensive responsibilities for trade policy and implementation, there is only one real course—transfer of trade functions from the State and Treasury Departments, and incorporation of the Office of the STR, into the Department of Commerce. Yet skepticism about the ability of that Department to handle these responsibilities aggressively is so pervasive as the lead to the curious situation wherein those who seek unification of trade functions are actively suggesting and supporting proposals which leave these divided—in an unwieldy, if not totally unworkable manner—between the Office of the STR and the planned Department of Trade and Commerce.

The Administration proposes a Department of Trade and Commerce without responsibility for trade policy or trade negotiations. With functions from Treasury and State, and responsibility for export promotion and MPN implementation, the Department acquires some clout, but not the means with which to use it. Conversely, the U.S. Trade Representative has negotiating and policymaking responsibilities, but not the sources of authority with which to press forward. The efforts to advance U.S. competitiveness at home and abroad will remain disengaged.

World trade has expanded sixfold since Bretton Woods and adoption of the GATT. Over this period, the dependence of this nation on access to the markets and supplies of others has grown no less rapidly. Effective trade negotiation is critical if the U.S. is to continue to push back protectionist barriers and export subsidies which threaten the world's economic stability. Yet the U.S. remains, and would remain under the Administration proposal, the only nation whose trade and commerce authorities are different, uncoordinated agencies, equipped with neither the overall perspective, nor the power to advance the nation's competitiveness.

The Administration's proposal does not go far enough. By leaving negotiating authority in the White House, divorced from the export promotion and import relief functions concentrated in the new Department of Trade and Commerce, the plan leaves voices, lines of responsibility and strengths uneasily divided.

A Trade Representative maintained in the White House has access to the President, we are told. Yet access to the carrots (such as export financing) and sticks (such as countervailing duties) available to negotiators of other nations, would be the province of the Secretary of Trade and Commerce.

A Cabinet officer overseeing an agency with comprehensive responsibilities for commerce, trade and technology would have access to the President and more authority than an obscure, redesignated Special Trade Representative in the White House. The Administration's proposal, and other legislative proposals, miss the crucial opportunity to consolidate the power and create the authoritative advocate U.S. industrial and agricultural producers need. For these reasons, I have introduced legislation to create a Department of Commerce, Trade and Technology, S. 1493. This department would unite trade functions and elevate international trade and investment policy to a status reflecting their crucial importance to our economic well-being.

This Department would also, by absorbing the existing Department of Commerce unite trade functions with the responsibilities for industrial policy and technology. In the debate over trade reorganization, insufficient attention has been paid to the fact that industry, technology, and trade are inseparable. Today there is scarcely an industrial sector in the U.S. which does not face vigorous competition from abroad. In three decades, the Japanese and Europeans have recovered from World War II to challenge our dominance even in those industries where we had not peers—electronics, communications, and aviation. A company which cannot compete abroad soon finds it cannot compete at home. We are losing markets at home too. If, as I see it, trade requires competitiveness, it makes little sense to divide trade policy from the responsibilities for the health of American industry.

Technology is the basis of our ability to compete abroad and at home. Technology-intensive products, measured by R. & D. input, still account for approximately 40 percent of U.S. exports. By contrast, R. & D. intensive exports comprise only 28 percent of the total exports of Germany, Japan, France, and the United Kingdom. But these nations are catching up—and a generation of LDCs is just behind them. Already, foreign technology is making large inroads in the U.S. This year, Japan brings on a fourth generation of computers, and that is the highest of the high technologies. The competitiveness of the U.S. in the world is tied to support for technological innovation—and that goes for its competitiveness at home too.

Over the long term, reversal of our trade in balance hangs on our ability to encourage innovation and increase productivity. Measures to stimulate industrial innovation are being considered in Congress; the Administration will soon report an interagency study on the same subject. In all of these enterprises, the Department of Commerce occupies the center of a now disordered stage.

The stage is disordered, but the critics have been particularly acerbic. We run some risk, I submit, by making organizational judgment on an ad hominem basis, or by magnifying artificial distinctions between "policymaking" and "implementation." As this Committee was well reminded, "policymaking" bodies void of implementing authority tend to atrophy. Moreover, compartmentalization of "policy" and "implementation" may work on the flow charts at OMB, but in reality "policy" tends to evolve from agency operations at least as often as it devolves on them.

The advantages of a policy unit in the Executive Office have been overplayed; the Office of the STR performed effectively during the Tokyo Round, but without Bob Strauss and an ongoing round of major trade negotiations, one wonders whether the Office will not revert to its more characteristic obscurity. And, indeed, its effectiveness should not be made to depend on conspicuous personalities and proximity to the President.

OMB's plan, with its separation of the Office of the USTR from the Department of Trade and Commerce, invites comparison with other attempts to divide Executive Office policymaking from agency operations. It invites recognition that the CEQ, for example, has never enjoyed as much clout as the EPA, and the former Council on International Economic Policy was never able to wrest de facto policy control from strong Departments—or even coordinate it.

The Commerce Department is not strong. Yet there has been a reluctance to acknowledge—in all this debate about past performance—a simple and inescapable fact. Strength, high-caliber personnel, and performance are all interrelated—and all dependent upon the authority and functions an agency commands. Proposals to divide its responsibilities for trade with another office will do little to strengthen the Department.

If, however, the Commerce Department became part of a new Department with significant expansion of its responsibilities, morale, personnel and performance would be improved. The Department I suggest is not the Commerce Department. It is a new Department with the single, strong, coherent voice on trade

policy we all recognize is imperative, and all strive, by our sundry methods, to create.

S. 1493 achieves the comprehensiveness other proposals lack. It unites within the Department of Commerce, Trade and Technology responsibilities for:

1. Export promotion and financing;
2. Import monitoring and relief;
3. Trade negotiation;
4. International investment policy;
5. Industry and trade economic analysis;
6. Export administration;
7. Trade policy and coordination.

The bill draws the Office of the STR into the new Department. It links the Export-Import Bank and OPIC with the Department by making the Secretary of Commerce, Trade and Technology Chairman of their Boards. S. 1493 owes much to the work of colleagues in this House—Representatives Jones and Frenzel; it differs from their proposal by uniting trade negotiating authority with the other sources of trade authority.

Commerce Department reorganization and Trade Department creation must be viewed as twin questions. Industry, technology and trade are inseparable. S. 1493 creates the only logical and comprehensive institutional framework in which technological innovation, industrial competitiveness and export growth, all related, can all be promoted more effectively. The Department of Commerce, Trade and Technology I contemplate will not succeed without serious reform and expansion of existing programs in industrial technology. But this process has commenced. S. 1493 creates a frame within which to proceed. Attempts to create a new Trade Agency or to prune trade policy from operation, play with some parts of the puzzle, ignore others and advance us little.

Mr. FASCELL. There being no further business, the subcommittee stands adjourned subject to call of the Chair.

[Whereupon, at 12:15 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

