

The Economic Club of Detroit

The Honorable William D. Eberle
United States Trade Representative

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Introduction

Moderator: I present to you Ambassador Eberle.

The Honorable William D. Eberle

United States Trade Representative

Thank you Mike. Mr. Chairman, distinguished members and ladies and gentlemen, it's a pleasure to be here in the industrial hub of America. First, because I have so many good friends—most of them sitting around me up here – and if you saw us talking up here they were already starting the internal negotiations with me as to what I should be doing. So this is all part of the job.

But I was delighted with Mike's description of the job because he's so right. I couldn't help but note as I read the morning paper; I came from the east, the two different size-ups of the trade job and the trade bill which is in the Ways and Means Committee today. And the first one was that this was, that the administration policy was a great rip-off in favor of free trade and that we were going to give lots of jobs away. And on the other side was the fact that this was one of the most protectionist bills and the president could retaliate against anything, and here I am in the middle. And as Mike said, I do have a motto, and that is: When in Doubt, Do What's Right.

I thought it might be useful to just take a few moments and try to put in perspective for you the

whole trade issue because trade by itself cannot be understood unless we look at it in the overall. First of all, this administration has two objectives in the trade area. First, to increase world trade and secondly, to improve the world trading system.

We want to increase world trade because a more open world, we believe, creates jobs, and it creates the products at a lower cost which will help us control inflation. We want to reform the trading system because if you increase world trade, you've got to manage it with understandable rules throughout the world if you're going to keep the tensions and irritations from an economic point of view down to some level so that it doesn't poison other relationships with other countries.

But these policies and objectives of ours are only part of a much broader interdependent look at policies of the world. And in seeking these objectives the thing that we really have to manage is how do you accept this high degree of interdependence among nations and still allow sovereign nations to set their own priorities and make their own decisions.

One nation's policies in the economic side often have a direct impact on other nations. This may be subsidies for products which allows them to enter markets unfairly. It may be quotas which prevent products from being exported from country to another. It may be undervalued currency which I'm sure Detroit understands very well after the last five or six years. Or capital restrictions which prevent the free flow of capital and investment around the world.

How do we ensure one nation's freedom to act in such an interdependent world? I would suggest to you this is not a new problem. It's very similar to how is an individual's freedom maintained living in a nation? A policy that we feel leads to real economic freedom is found only in a framework where you have international guidelines which provide for alternative options so that individual sovereign nations can make decisions of their own priorities and yet those decisions will fall within these acceptable guidelines and at least keep the tensions and irritations down.

Now this economic friction, if we do not have these guidelines, will be one of the first areas which will pull apart the various trading partners of the world instead of being a cohesive force which it ought to be to pulling the world back together and trying to negotiate policies in the political and security area.

As the president stated in his trade message and repeated again over this weekend, that our common goal should be to set in place an economic structure that will help, not hinder, the world's historic movement toward peace. Now beyond these considerations, we also have to look at the interdependence of the economic, political, and security of the world. And I think it's very easy to grasp this problem if you view the fact that the president's trips to Peking and Moscow brought about an easing of the political and security tensions in the world. And what has happened is we've had a great boon on the economic side.

All we have to do is look around the world today and find a tremendous range of issues that are being negotiated. We have our strategic arm limitation talks, SALT-II. We have the Mutual and Balanced Force Reductions, the MBFR, the Conference on Security and Cooperation in Europe. We have been calling for a world conference on energy. We're calling for a world conference on food. We have a whole string of conferences on the Law of the Sea and the use and control of our natural resources and ecological balance.

All of these are taking place either in the political side, the economic side, or the security side. It is not our intention to hold any one of these as a hostage for the other. But when you live in the real world it's very clear that unless you manage all of these areas pretty well, the irritations and tensions in one field will create an atmosphere and a bad atmosphere which can flow over and harm the projects that are going on in the other field. It's this kind of interdependence that we're looking at and why we're trying to find an improved system to manage trade so that we can keep the tensions down and play its part in this overall movement away from confrontation and toward an era of negotiations.

But there's another whole set of interdependencies that we can't ignore. And that's the inter-relationship between trade, monetary, and investment. And here I would say I'm delighted that Mr. Kaufman is coming to tell you about monetary next week. I've applied to George Shultz to change me from a trade negotiator to a monetary negotiator because first of all you don't have a room this size full of negotiators to deal with, and secondly it doesn't affect everybody's job and

usually no one understands it. It makes life a lot easier.

But be that as it may, we feel that here there is a very close relationship between these three, among these three areas. We do anticipate that the monetary negotiations will proceed down its channel, in the IMF. The trade negotiations will proceed in its area, in the GATT. And that the investment negotiations will proceed in its area, in the OECD. All of these making movement in parallel. But the important thing here is that we're trying to build a new and improved overall economic structure. And in building that economic structure, we are hopeful that each of these three segments of that overall economic structure will support that overall structure and therefore in negotiating and trying to develop an improved system each of these areas must be consistent with and not frustrate the other system.

An example of this is you could have the best monetary system in the world and that's whatever you believe in, in the way of floating rates or fixed parity, but if you have trade quotas or a high variable levy which precludes trade, the exchange rate either has to be a greater change in order to get a change of impact or it has no impact at all because there are either no goods moving or the rule, such as the variable levy, takes up the difference and it compensates for the exchange rate difference. It's that kind of interrelation that must be assessed as we go along, and it's that kind of parallel effort that we're talking about.

I think it's fair to say that we are embarked at this time on a profound historic movement away

from this era of confrontation that we've been in to an era of negotiation. And we see the trade negotiations as part of that. And we see these negotiations not as a test of strength but as a test of joint statesmanship. It's that kind of approach that we think when we start to move away from this confrontation we can then be able to start the process toward erecting a durable structure of peace in a world from which all nations can benefit from increased trade.

Now recognizing that this is a very broad picture, but I think it makes the important point that the only way we're going to be able to do this and have an improved system is that the political will is created. And that political will must be created at the highest levels. And why I put trade in this total perspective, because you will have that high political will when you have the ministers who have the responsibility for monetary, trade, defense, security, whatever it is, all looking at the broad picture and working toward a better world.

But I think the question that you all would like to ask me is what are the objectives and principles which should guide these political relations which will be helpful to a trade negotiator? And how does this fit in? I think to build a better world economic structure is not an easy task. Because the rigidities, not only in the system but in those areas where preferences and benefits have been built up throughout the world, it's very difficult to get people to want to give up the benefit to themselves in order either to help a country or to help the world. And it's those rigidities that we'll be focusing on which not only as Mike has said affect whole industries, regions, plants, but individual jobs themselves. We in the United States and this administration

have chosen a course; a course which we feel can achieve these kinds of objectives and lead, not only the United States into a better situation, but the world into a better world.

I think this is represented by what has been prepared and is now residing in the Ways and Means Committee in the Trade Reform Act of 1973. This trade bill illustrates the kinds of things that will be necessary for the United States and the world to move on if we are to have a better world.

The first part of this bill provides for the trade negotiating authorities, and although the administration talked in terms of zero tariffs across the board, the bill itself now carries the provisions of going to zero below 5% tariff to going to 60% reduction below 25%, and 75% reduction above 25%. Substantial authority, adequate authority for us to negotiate with other countries. It also will give us the authority on non-tariff barriers – non-tariff barriers, many of which are more important than tariffs and are really the hard core of some of the restrictions around the world – where we can negotiate them, bring them back to Congress for 90 days to get their advice, and then if we sign the agreement, we'll be able on 90 working days to submit it back to Congress and it will become approved unless either House of Congress vetoes it.

And this is a far cry from the days when Mike was involved when you asked Congress to act and six years later nothing had happened. It creates a credibility crisis and why this kind of authority is so important to give the United States a method where Congress is charged with the responsibility of regulating commerce, to have them participate in a way that we can get quick

decisions. We can consult with them and we have every reason to believe that this kind of authority will give us all we need to go in the world and negotiate with our trading partners. And I can say that affectionately trading partner is the diplomacy for trading competitor which is a businessman you better understand.

The second part of the trade bill relates to managing the day to day problems both here and abroad. Today the United States is one of the few countries that does not have the same authority as other countries in the world. And the authority we've asked for in this bill and now resides in the bill as presented by the Ways and Means Committee gives the president that kind of authority. The first time that we'll be able to, if we are treated unfairly or illegally, where we can retaliate on industrial goods without having to go through long hearings. We've had this for agriculture but not for industrial goods. We'll be able to respond if we negotiate to raise or lower the tariff on import relief. We'll be able to give compensation which is we can lower some other barrier and negotiate with our trading partners. And the whole time the prior predecessors had this job there had been no authority for compensation, so it was a pure confrontation.

And the third area of the trading bill follows the principle of opening up the world. Here we have provided for the generalized preferences for the developing world which will help the developing world and 70% of the world population to become part of this world. Try to bring them and give them more foreign exchange earnings so they can develop, be decently fed and housed as opposed to the poverty they're in today.

The second part of this bill would give the president the authority to grant equal treatment to other countries, commonly known as the Most Favored Nation Provision, to the non-market economies. However here, I hasten to add that there is a provision in the bill today which was added in the Ways and Means Committee which will limit the president from granting this to any country which discriminates against any individual in that country, human rights. This relates primarily, of course, to the Jewish immigration problem from Russia. We were, needless to say, disappointed that this provision is in the bill because although we are thoroughly as impressed with the importance of retaining the human rights and recognize the seriousness of this problem throughout the world, whether it be Russia or any place else, we feel this is the wrong way to go about it.

It's very difficult to pass a domestic law in the United States which says to a country, do something and you change your domestic law. It's very much like saying if a foreign country were to pass a domestic law in their country telling our Congress to change its policy, I'm sure you'd find that our Congress would be even more reluctant to change that policy.

We think and hope that this provision can be modified as the trade bill proceeds through Congress and that we have the authority to grant this treatment to the Socialist countries and that we continue with the same strength and force to use our political and diplomatic will to solve the human rights problem. And I can report that in the last 18 months this administration has done a

tremendous job in freeing up the trickle of emigres from Russia from something in the neighborhood of under 3,000 a year to almost 3,000 a month at the present time.

This is what this is all about. This is a trade bill that will give us the kind of authority which will move us toward the objectives which are to increase world trade and then allow us to manage this system and improve the system. I always go back to my business days and say that the best competitors I know are those competitors who know that their competitor can react. And before I take an unfair or a practice such as cutting a price and I know my competitor can cut a price, I'm probably not going to do that if he can meet me or match me down the road. And I think a trading partner is going to be a better partner if he knows the United States has the power to react if they take unfair or illegal acts against our government.

Having said that, we then can move on to the multilateral trade negotiations which were formally initiated in Tokyo last month. Now this was on the 14th of September. Even though the United States and the European community do not have their trade bills or their mandates for negotiation, everyone agreed, 102 countries sitting in a room with many more people than this in it, agreed to the Tokyo Declaration which is the political will to start the trade negotiations.

The objective set forth in that declaration is consistent with what the United States has asked for and consistent we believe with the kind of approach that will be helpful, not only to the United States but to the world. But in no way does this mean that these negotiations aren't going to be

terribly complex and very tough. There's going to be some very tough negotiations and the kind of negotiations that sometimes will be reported as terrible confrontations. I would only say to all of you that that's part of commercial negotiations and they're not confrontations. It's simply getting the facts on the table and trying to find some resolutions which will benefit the particular interests involved.

We think that this general approach which tied together a commitment to substantially increasing world trade by lowering all trade barriers generally – tariffs, non-tariff barriers, both in agriculture and in industry – is a very good start. It also stated that we would focus on agriculture as part of that general objective and yet still recognize some of the particular problems that are inherent in agriculture. And here I can only say that it's not enough in the agricultural area to simply lower barriers because that's the traditional way of getting at these trade problems, because even if we had opened it up completely, free of trade barriers, we would not have gotten to the second problem. And that is what do you when you have a shortage of food products in the world or when you have a surplus? We've got to find a better way to manage the food problem. The market mechanism works well in the middle range. It doesn't work so well when we have a shortage or a surplus. And we know a little bit about both of these, the surplus in the past and a shortage at the current basis. And that's the kind of negotiation that will be going on in the agricultural area.

We would expect to see a safeguard system established. A safeguard system, international

guidelines which would prevent abrupt market disruptions of markets, industries throughout the world but still allow some growth – a system that would encourage people to lower their trade barriers because they know they'll have access to a safeguard system that will allow growth in the long run.

And lastly, as we negotiate these barriers away, we would hope to be able to improve the system. Improve the system in two ways. First, by, if you negotiate a new protocol on the safeguard, that would become part of the new rule. Or if we came up with a new standards code so that there would be common standards throughout the world or at least a common base for standards. Or if we can find a way to harmonize the government procurement area. There's somewhere between \$30 billion and \$50 billion a year of foreign government procurement that's not open to American companies today. These are the kinds of codes that could be added to the GATT and to the protocol that would become part of the system.

And you'd change the system in this way as well as taking on a couple of areas of the system itself such as the relationship of the present rule to the Monetary Fund. It now provides that when a country has a persistent deficit, that you can put on quotas. No one puts on quotas. They only put on surtaxes. You need to harmonize those rules. And this is why again we want to assess that relationship between the trade and monetary relationship.

While this is going on, we're going to continue with our bilateral discussions, whether it be with

the European community on their enlargement to look after the American interests and receive compensation where they're raising trade tariffs against us. We'll continue our discussions with Canada. And we'll continue our discussions with Japan where there are still many illegal barriers to our trade.

Obviously you can see this is a very complex and intricate maneuver, which is part of a much broader picture. But I think it's a worthwhile procedure to go through. It's a worthwhile procedure because if we can increase world trade, in the process of doing so, build a better system, and that system in turn can give the kind of support to a better economic system to manage the tensions and manage the irritations between countries and still give us a more open world, we have a chance to build a better world society.

It is this trade negotiation that we are entering into. The trade bill is before Congress today. And I might add that if you like this philosophy, and even though the law, and if you read the Wall Street Journal this morning, you know the law is quite precise that government officials cannot ask you to talk to your congressman or your senator in relation to any bill. So I'm not doing that. However, if I was in your shoes...(Laughter)...and felt strongly after the information I was able to give you today, and felt this is something we ought to do, I'm sure your congressman would be happy to hear from you.

But this is a joint effort. This is a joint effort of the people in this country, it's a joint effort of

people around the world to give support to their governments, to create the political will to build this new system, an improved system, and to give the kind of structure to this world that will move us forward toward the kind of world that we'd like to have.

Now simply let me close by reading to you a statement of the president this weekend. The structure of peace cannot be strong unless it encompasses international economic affairs. Our progress toward world peace and stability can be significantly undermined by economic conflicts which breed political tensions and weakens security ties. It is imperative, therefore, that we promptly turn our negotiating efforts to the task of resolving problems in the economic area.

Thank you. (Applause)

QUESTION AND ANSWER SESSION

QUESTIONER: Thank you very much, Ambassador Eberle, for giving us this most interesting rundown on the objectives and the status of the bill and the upcoming negotiations. There are a fair number of questions that have already come in, and we're happy that you have consented to deal with them. And following up on the thought that there are particular interests that come to the fore, in particular communities or areas, you will, I hope, not mind if we begin with one that is close to our community. And it has to do with the future of the U.S. - Canadian Automobile Agreement. This is an agreement that has been in existence for some years. It is very popular in some quarters and I've heard it said, somewhat unpopular in others. Can you tell us what the

future of that agreement and the framework of the negotiations is? Whether there will be talks beginning with Canada on updating the agreement? And what type of an updating you foresee if that should take place?

THE HONORABLE WILLIAM D. EBERLE: I hardly expected to come to Detroit without that question being asked, Mike. Let me try to put it in perspective this way. This administration feels that the automobile agreement is a good agreement. It has brought many benefits to both sides of our border. And that we think it ought to be continued with the same kind of support in the future. At the same time we think that it ought to be updated. And by updating it, I think there have been certain criticisms leveled at it in Congress pertaining to the first two transitional provisions. There's some misunderstanding of it. But the important thing here is to find a way, I think, to make it broader, to encompass more products. And I think these kinds of discussions will take place as part of or certainly parallel with the multilateral trade negotiations. As I tried to indicate, we will be proceeding on both fronts, both the bilateral and the multilateral at the same time because there are many problems which can be solved in the multilateral context that can't be solved in the bilateral although the automobile agreement is peculiar to the United States and Canada in that it does give preferences to this segment of the industry. And we think that by updating it, it can serve a very valid purpose for the future.

QUESTIONER: Thank you. I now come to a second question that has evoked a number of queries from the audience. I will read two of them. One of them is somewhat more circumspect

and the other is very direct, Mr. Ambassador. The first one says, what objectives were reached in the U.S. - Russian wheat deal that will pay off for the United States? That's the subtle one.

(Laughter) The direct one reads, after the Russians pulled that fast one on the wheat deal pushing prices up to \$5 a bushel and with them lobbying against our military program, why should they be given Most Favored Nation treatment?

THE HONORABLE WILLIAM D. EBERLE: There's a whole range of questions there. Maybe I can segment them and take them one at a time. The first question is on the wheat deal. I think there's a basic misunderstanding on the wheat deal. As George Shultz has said that we didn't handle it so well insofar as the part we were involved with. But as a practical matter, if you analyzed what happened, the agreement with Russia was that we would settle the lend lease, that we'd grant MFN, that we would give credit up to \$750 million, \$500 million for agriculture products, we would open up business facilities for our businessmen in Russia, have broader counsel services in Russia. The Russians, on the other hand, agreed with the United States government that they would grant credits for Russian products coming into the United States for an equal amount, and they settled the lend lease and we'd have certain business facilities for the Russians here. That was the deal. Now while that was going on, the Russians were negotiating with their state trading agency with our private enterprise, and they were negotiating with some five or six different companies for packages of grains. And they in fact, not only were they trying to get the best price and those companies were competing with each other, no one was sure whether they were going to buy all of that or whether they were just going to take one package

from the best price from one company. That was not part of the United States deal. That was between Russia and our private enterprise. Now the place where we got involved is that we had standing on our books a law which provided for subsidies for shipments abroad which allowed our grains to compete abroad with other governments who subsidized their food. And as this grain started to move out, we probably should have cut back that subsidy faster. And that's where we were slow. The second area was we were probably slow in not fully analyzing the need of the Russians for this wheat and so informed our private enterprise. But assuming we had done both of those, it was still up to the private enterprise to make the sale, not the United States government, and I doubt that there's a businessman here that would want us to get into the wheat field business and preempt our private enterprise. So the point I'd make here is that we've got to learn, both as a government and in private enterprise, how to work with Russia, and if this wasn't a good example of how not to do it, I guess it'll give us a way to get started so that we can do this. The important thing about dealing with Russia, however, and other Socialist countries, is not only do they want to deal with us and it opens up the borders and we have seen this time and time again, that commercial contacts around the world is one of the better ways of creating and opening up the world to allow us to have better political and security talks. What was the second part of that, Mike? Oh, the second question is why should we give them the Most Favored Nation treatment? As a practical matter this would simply lower the, what we call, some of the tariffs down to everybody else? This is a matter of political pride. They get Most Favored Nation Treatment from practically all other countries in the world. And the question is why should we treat them as a second-class citizen? It's a matter of pride to them and a matter for us of trying to

work with them in a way of bringing them into the world community, to make them part of the community, and to make them live within international accepted guidelines, both in human rights as well as trade. And I might say to all of you that our agreement with Russia where it says we will try to grant Russia the Most Favored Nation treatment, equal treatment that we give everybody else, by 1974, in paragraph 1. The second paragraph says that if you disrupt our market in any way we can stop your products coming into the United States. So the worry that people have about them coming in here just is not a worry because we have the authority under that agreement to react. The important thing here is how do we make a better world out of this from a diplomatic point of view and keep the pressure on, because I can assure you that if the world, if we do not have open relations with Russia, how are we going to have the political pressure to be able to help them do a better job in the human rights area. That's the real question.

QUESTIONER: As the stand up fellow here reading these questions, I sometimes have to read some that appear to be a bit in the nature of curve balls. Here's one, though, I think that you will like to have. And it's as follows and I'll read it exactly the way it's written, Mr. Ambassador. The Detroit Common Council may be asked to pass a resolution supporting the Burke-Hartke Bill. Councilman Brown is seated the speaker's table. Could you give your opinion as to the effects of the Burke-Hartke passage on Detroit industry? I think you'll like that one.

THE HONORABLE WILLIAM D. EBERLE: Well, I think there have been a number of studies made as to the impact of the Burke-Hartke, and with the exception of the one made by labor, all

the rest of them are unanimous in that this would move us back by putting quotas across the board on all industries back to the days of the Smoot-Hawley where we would start a reaction toward limiting imports. And, of course, it's very clear that if we start that, our trading partners are in turn going to react against us. Remember we export about \$65 billion and we'll import about the same amount. The records show, first of all, that companies who export have increased their employment faster than companies that have not exported. Two, the question on the investment abroad is very clear. The companies who, American companies that have invested abroad, products produced by those plants coming back into the United States are less than 8% of the production of those plants, and 80% of that 8% is under the Canadian automobile agreement with the United States. So you've got less than 2% of the investment abroad or the production from that investment abroad that comes back into the United States. I think it's a very dangerous precedent. I think it's the kind of thing that would be very harmful because you cannot start this trade war without getting the impact on the other side. Not only does that, as an example, raise the cost to the consumer of a whole range of costs, and that's one of the last things that, we've got enough high costs without raising everything else today. But it also will cut back on the jobs in this country based upon every analysis that I've seen. So I think the important thing is to understand what you're talking about when you talk about supporting a measure of that kind. It's this kind of information that I hope will be useful to you in talking to your friends.

QUESTIONER: Thank you very much. Perhaps I should add, Bill, that I'm not really aware of

any major industry, industry group, represented in the Detroit area that has come out in favor of that bill. I think it's been, what you've said has been universally recognized by us. Turning now to the bill that is before the Congress, there are two related questions here. One of them is what is your best guess as to the passage of the trade bill by both the House and the Senate? I presume that refers both to the timing as well as to the content. And the second related question asks whether or not you are satisfied with the trade bill that the House Ways and Means Committee has reported out last Wednesday it says here.

THE HONORABLE WILLIAM D. EBERLE: Let me start with the last question first. We think the trade bill is a very satisfactory bill. It will give us the authority that we need. It sets up the provisions for us to work with Congress, with industry, with agriculture, labor, in a way that makes sense and that if it would stay intact as it now is in the Ways and Means Committee with the one exception of MFN, it would give us all we need. I think the only place that we have real concern is over the issue of MFN as I've indicated and we hope that can be discussed as the bill moves along in Congress. Now the bill today is residing in the Ways and Means Committee. A vote will be taken to report the bill out in total and request a rule from the Rules Committee this Wednesday. Then it should go to the floor within a week or ten days at the most at which time if everything goes well, it will move over to the Senate. When the bill passes the Senate is really going to be determined as to how long Congress stays in session. If they're going to get out, in that unspoken word in Washington, we like to go home by the first of November; obviously the bill will not be heard in the Senate and passed. If they stay until mid-December, I think there's

reason to believe that the bill could be acted on. So it'll either be late this year or early next year. And obviously after passage in the Senate, undoubtedly because you have a different rule on the floor in the Senate, it will have to go to conference. So I would judge that it'll be early next year before we have the bill. And gratuitously I would say that we think that is about the right time. We'd like to have seen it a little earlier. We certainly don't want it any later than that. But it's about time because it will not hold up our preparatory negotiations and the analytical and substantive work which starts the 24th of October and will continue through December 31, 1975 in the negotiations, because we would not expect the actual bargains, the offers and counter-offers, to be made before the summer of '74 in any event.

QUESTIONER: In connection with the provisions of the authority that will be granted the president in that bill, here's a question that relates to that and it is in two parts. The first one is, will not a known sliding scale of tariff reduction show the hand of the U.S. negotiators? And the second part of it is the trade bill delegates a great deal of authority, what would happen if Hartke and not Nixon were president?

THE HONORABLE WILLIAM D. EBERLE: The first question on the so-called sliding scale does not show our hand in advance. In the Kennedy round, we had authority to cut tariffs up to 50% and as I recall it averaged out about 35%. We didn't use all the authority that we had at that time. This sets a limit. Incidentally, the European community has indicated that they think somewhere between 35 and 50% cuts is about what they could support. We just don't know until

we get into negotiations. But the fact that there's an outside limit in no way hampers our negotiating authority because they don't know, no one knows what we're prepared to give in order to get. And that's going to be guided by industry, labor, and the various groups that are involved. Now the second part of that...

QUESTIONER: About the excess authority, great authority delegated and what happens if Mr. Hartke...

THE HONORABLE WILLIAM D. EBERLE: Let me, first of all, I don't accept that this is a great granted authority to the president because if you look at the trade negotiation tariff authority, you have to get your trading partners to agree before you can get any understanding. So I think you've got a counterweight there. Two, all non-tariff provisions must come back to Congress. So on the negotiating authority you've got parameters on it. On the management side, which is the part that will protect American industry and agriculture and help manage the problem here, there is a lot of authority. But in each of those cases there are parameters set up with the Tariff Commission, actions where Congress can step in afterwards. But more importantly, no country in the world, put the other way around, all countries in the world have more authority than the United States does. And for anyone to say giving this authority to the president is such a great grant doesn't make any sense to me when everybody else has this authority. And why should we be handicapped going into negotiation with one hand tied behind you. Now let me illustrate this. Under three presidents, Kennedy, Johnson, and Nixon, our power

to retaliate on agricultural products has been there. It's been used once. So whoever is president, and I can only say to you that there is a strong international guideline that will be permanent here and we're going to have to look at those and act only when we find that there has been the kind of violation or change against these international guidelines. But when that happens we've got to be able to act. So if you're assuming it's great authority, what you must assume first is that our trading partners are going to do something illegal, unfair, or unreasonable. And I think if they're going to do that, the president ought to have the kind of authority to react because if he has that authority, one, he probably won't have to use it because they won't do it, but if they do do it, they've got to know we're going to protect our own interests. And I think that's fair in a two-way trading system.

QUESTIONER: Thank you very much. I now come to the last question and it appears to me only fitting that we come around full circle and once again in conclusion talk about an interest that is close to home. In addition to the Burke-Hartke bill there are also some bills in the Congress that would limit permissible foreign investment in the United States, to I believe something like 5% of the voting stock of a publicly held company. So this question is relevant in that regard. And it says what do you think of Volvo's building an auto plant in the east? Should we encourage this sort of thing? What effect does it have on the trade negotiations?

THE HONORABLE WILLIAM D. EBERLE: What we're really talking about here is the parallel effort for the free flow of capital and investment around the world. And as we are

working hard to have a non-discriminatory trading system, a monetary system that is flexible and is uniform and moves people toward balance, we think it is totally consistent with that kind of approach to have a free flow of capital and investment throughout the world. And therefore, we believe that such a neutral policy would make it so that anybody who wants to come in and build plants in the United States and create jobs can do so. One, I personally have enough confidence in the competitive ability of this group sitting here around me that I don't think I'm going to worry too much about it. And secondly, that we have tremendous investments around the world. And I think it's been those investments which have helped America and I think if we start to put restrictions on capital investment here, we'll create the same kind of problem of discrimination against our companies and our businesses around the world. And let there be no mistake, there are certain things you can export and there are certain things that you have to build locally. And it's a combination of those that have increased our world trade. The component facts that are shipped to production facilities abroad have been one of the great assets in increasing our world trade. So I have to include, we neither encourage or discourage investment here. We think it's fine to do so. And we think it's the kind of thing that makes sense in improving our world economic system. (Applause)

MODERATOR: Mr. Blumenthal, thank you for serving as our presiding officer today. And Mr. Ambassador, we wish you great wisdom with the most difficult, frustrating job, and I know you have it. Thank you very much for coming. This meeting is adjourned. Thank you all for coming.

End of Meeting