

and tactfully glance away from his abuse of his people. We Americans should settle for nothing less than democracy.

An impossible, naive dream? I think not. The Iraqi people, despite the lobotomy Saddam has tried to give them, are a well-educated, skilled people. They know the horrors of dictatorship better than anyone else on Earth. When Iraqis tell me their heartfelt commitment to a democratic future for their country, I believe them.

How do we turn this yearning for democracy into the reality of a free Iraq? Let me lay out a road map. First, we should maintain sanctions on Iraq and return to the inspection system which existed until October 29, when Saddam excluded American inspectors from the teams. If we have to use military force to get Iraqi compliance, fine. We should strive to have our coalition partners join us in this use because the power of the world community to bring an outlaw to heel is at issue here. If Iraq can thumb its nose at the Security Council today, some other rogue state will do the same tomorrow, and the system we and our allies have carefully built over 52 years will collapse. But even if some of our coalition partners don't join us, we should act militarily if Iraq won't back down.

Second, we must convince our core European and Asian allies that democracy, not just the compliance of a dictator, is the right long-term goal for Iraq. We must show our allies the far greater benefits and reduced risks that will accrue to them as well as to us from a democratic Iraq. We must sign up our allies for the long term.

Third, we must make the people of Iraq our allies, too. We must go beyond merely stating our support for democracy and instead put concrete encouragements on the table, solid indicators of Western commitment to Iraqi democracy. We should announce we will forgive Iraqi debt if a democratic regime takes power there and we should encourage our allies to do the same. We should state clearly the loan and foreign assistance preferences which a democratic Iraq would receive from United States and multinational institutions. We should discuss our preparations to supply immediate food and medical assistance to Iraq at the moment of Saddam's replacement by a regime which states its intention to hold free elections. And we should make sure, by means of Voice of America and commercial media, that every Iraqi knows about these encouragements to be democratic. Even before change comes, these steps will restore hope in Iraqi hearts.

Fourth, we should openly and consistently state our goal of a free, democratic Iraq. To accept less and to say less is simply unworthy of our heritage. Let democracy, respect for human rights, and a free economy be our consistent mantra for Iraq, as it ought to be for every country, and some day, not far off, when Saddam's prisons

and graveyards and secret weapons sites are opened and the Iraqi people can tell the story of their suffering, we will be proud that we set a lofty goal.

Mr. President, I yield the floor.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the role.

The assistant legislative clerk proceeded to call the role.

Mr. LOTT. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### UNANIMOUS-CONSENT AGREEMENT—S. 1269

Mr. LOTT. Mr. President, I ask unanimous consent that the Senate now resume the fast-track bill for consideration of the Dorgan amendment, that no amendments be in order to the Dorgan amendment, and, immediately following the reporting of the bill, the Senate resume the Dorgan amendment.

I further ask unanimous consent that, following disposition of or consent to dispose of the Dorgan amendment, Senator REED be recognized to offer an amendment regarding environmental standards, and only relevant amendments be in order to the amendment, and, following disposition of or consent to dispose of the amendment, the Senate resume morning business, and no call for the regular order serve to bring back the fast-track legislation.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LOTT. I yield the floor.

#### RECIPROCAL TRADE AGREEMENTS ACT OF 1997

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

A bill (S. 1269) to establish objectives for negotiating and procedures for implementing certain trade agreements.

The Senate resumed consideration of the bill.

Pending:

Dorgan Amendment No. 1594, to establish an emergency commission to end the trade deficit.

Inhofe amendment No. 1602, to establish a research and monitoring program for the national ambient air quality standards for ozone and particulate matter and to reinstate the original standards under the Clean Air Act.

#### AMENDMENT NO. 1594

Mr. DORGAN. Mr. President, the amendment pending on fast-track legislation, is the amendment I offered 2 days ago. It is an amendment called the End the Trade Deficit Act. It is S. 465, a piece of legislation that I previously introduced in the Senate that I now offer as an amendment.

Let me describe why I bring this amendment to the floor of the Senate, especially when we are dealing with the fast-track legislation.

Mr. President, this Congress has spent a great deal of time dealing with the fiscal policy budget deficit, and with some success. I might add that actions by the Congress and a healthy growing economy have substantially reduced the budget deficit. But there has been very little discussion about the other deficit. And that is the trade deficit.

This country's trade deficit is the largest in history, and growing. For those who don't know much about the trade deficit, let me explain. Understandably you do not hear much about it. All we do is crow about our exports. We talk about how much we exported. Nobody talks about how much we have imported. It is like a business talking only about their receipts and refusing to talk about their expenditures.

Here is the merchandise trade deficit. It is 21 years old. For 36 of the last 38 years we have had an overall trade deficit. For the last 21 years in a row we have had this merchandise trade deficit. This trade deficit represented here in red is getting worse—not better. The last 3 years in a row have seen record merchandise trade deficits. And this year it is expected to reach a record merchandise trade deficit.

Some say the trade deficits are really quite good for this country. They must be ecstatic because these trade deficits are expected, according to some economic forecasters, to go from \$191 billion in the last fiscal year to \$356 billion by the year 2005. Some will make the case, I am sure, that it depends on the kind of trade deficits you have; what the trade circumstances are; what the economic circumstances are of the various regions of the world. I understand all of that.

But I say this: A trade deficit that is persistent and growing a trade deficit that represents a chronic 21-year uninterrupted set of trade deficits is not good for this country.

I propose a piece of legislation, now offered as an amendment, to establish a commission the members of which would hold hearings and make recommendations to Congress on how this country can eliminate the trade deficit by the year 2007.

We are having a discussion about fast track. It is a strategy that describes a procedure here in the Congress with respect to how we handle trade agreements. Most of us understand how trade agreements are negotiated. They are negotiated by trade negotiators sent overseas somewhere, in most cases. They close the door, have sessions, and come up with an agreement. They bring it back to the Congress, and they say, "Here is the agreement. Take it or leave it; up or down; no amendment."

But I want to also underscore why I feel so strongly about this issue, even as I discuss this amendment. I want to once again describe for my colleagues the dilemma we face with, for example, one free-trade agreement. This is the one with Canada. It is undoubtedly

true that there are benefits to the free-trade agreement with Canada. I am sure that there are sectors in this country that can point to substantial success.

I would say this with some certainty. Those who negotiated that United States-Canada trade agreement essentially traded away the interests of family farmers in our part of the country. And the result has been that in the post-Canada free trade agreement an avalanche of unfairly subsidized Canadian grain coming into our country sent here by a state-controlled enterprise called the Wheat Board—which would be illegal in this country—sent here with secret prices that they failed to disclose to anyone undercutting the market for our farmers especially in the area of Durum wheat, and we can't do anything about it.

Oh, we can shout about it, and we can complain about it. We can send people to Canada, and make some noise about it. But the fact is that it does not get solved. It could have been solved. We could have tacked an amendment on the trade negotiation instrument that we negotiated with Canada when it came to the Congress. But fast track prevented any amendments. It predicted that we were going to have this problem, and it predicted that we weren't going to be able to do a thing about it—\$220 million a year out of North Dakotans' pockets as a result of this unfair trade every year and it is growing worse—not better.

Do we think fast track makes sense? Absolutely not. We have seen the result of bad trade agreements, and we have seen the result of trade agreements that do not give us the remedies that deal with patently unfair trade.

Aside from the issue dealing with United States-Canada, I could spend a lot of time talking about our trade problems with Japan and China. I will not do it at this point. I have done it previously on the floor.

But I want to say that the chronic, persistent trade deficits that go on year after year every year in this country are a problem. We need to address it. To the extent this continues and gets worse, clearly this trade deficit will be repaid with a lower standard of living in this country. Now, it is time for us and the Congress to address that issue.

What causes the trade deficit, and what can we do to address the trade deficit?

That is the reason I propose the establishment of a commission that would seriously and thoughtfully address this issue.

Mr. President, in the interest of time I will cut short my comments at this point. We have two on the other side of the aisle who wish to address it, following which I would like to make a couple of additional comments.

With that, Mr. President, I yield the floor.

Mr. ROTH. Mr. President, I rise in opposition to the amendment of the

Senator from North Dakota, and I do so for two principal reasons. But before I discuss those reasons, I would like to point out that in my judgment the truth is that trade policy has very little to do with our trade deficit. My esteemed colleague from North Dakota, Senator DORGAN, has made that point himself. Our trade deficit is a function of simple arithmetic. We consume more than we produce and save, and the difference is basically our trade deficit.

It is also true that when we are growing as rapidly as we are, and our trading partners are not, we are likely to import more and export less. Because they prefer to hold dollars as a hedge or as an investment, our trading partners are essentially financing our ability to live beyond our means.

Now, I do not mean to underestimate the need to get our economic house in order. Getting our budget deficit under control is a significant step in that direction.

What I have said does not mean that we should not do everything we can to ensure that our trade policy does not contribute to our trade deficit. We should and must insist that our trading partners open their markets to our goods. The defeat of fast track would do nothing but hinder that effort. It would offer our trading partners an excuse not to negotiate with us. It would offer them an excuse to maintain their barriers to trade and exacerbate whatever impact our trading policies may in fact have on our trade deficit. We should instead be looking for every weapon in our arsenal to ensure that we open markets and keep them open. Fast track is one of those weapons. I do not see the point of unilaterally disarming if you are seriously concerned about doing something about the trade deficit.

Now, Mr. President, as I said, I do oppose the amendment by the Senator from North Dakota, and I do so for two principal reasons. First, we face many challenges on the international economic front. The trade deficit is one of them but certainly not the only one, nor even necessarily the most significant in my view.

To me, the broader question, and, frankly, the one that is most likely to affect our economic future, is how we come to grips with the increasing globalization of the world economy. The world economy is undergoing fundamental changes that have deep importance for our economic future, and we must decide whether we embrace that challenge or try to hide from it.

While I do not disagree that it would be useful to look at the underlying causes of the trade deficit in that context, there certainly are many other issues of greater significance that have been raised in this debate alone that would deserve similar attention by such a high-powered group as that described in the Senator's amendment.

Second, we should also understand that the amendment will require a

hard look at whether we have our own economic house in order. Since the root cause of the deficit includes our domestic economic policies, we will be asking the commission to delve deeply into our fiscal and monetary policies. My point is that there already are a number of governmental institutions that are involved in these processes where there is expertise on these matters such as the Treasury, the Commerce Department, the Federal Reserve, as well as our congressional committees. I wonder whether the commission is needed given the resources we already have available.

Third, I am always concerned when we raise a proposal for a commission or another advisory board that we not use them as a reason to avoid the responsibilities we have in Congress for addressing these issues. Plainly, we have the resources here in Congress to examine these questions in depth, and I am certain we would want to explore those possibilities before establishing yet another blue ribbon commission. If the question is how do we eliminate the trade deficit and our trade policy is part of the answer, then the first step we should take is to pass this legislation. This bill is, after all, about breaking down trade barriers abroad, and that is undeniably a step in the right direction in eliminating trade deficits.

As a consequence, while the concept may have merit in some sense, I oppose the amendment as offered and will ask my colleagues to do the same.

Mr. President, I yield back the floor.

Mr. GRAMM. Mr. President, let me begin by outlining the points I want to make, and I will try to be brief about it so that we can get on with other business of the Senate.

First of all, I want to talk about why I oppose this amendment. I want to talk about the two principal problems it has. I want to outline changes that could be made that would make it possible for us to support the amendment and to see us proceed on a bipartisan basis. And then, without getting into a long oration or, as a critic would say, a lecture on international economics, I want to talk a little bit about trade deficits, about the sources of America's trade deficit, and talk a little bit about the history of the trade deficit in our country, and I intend to do all of this while trying to deviate from my background as an old schoolteacher and be brief.

First of all, there are two problems with the amendment. No. 1, we are not going to adopt a proposal to create any commission that is going to be stacked on a partisan basis. There is no way we are going to adopt a commission that has three more Democrat members than Republicans when we have a Republican majority in both Houses of Congress. So I think the first thing we are going to have to do, if we are going to have a commission, is to have the same number of Republicans as Democrats.

I think it would be a good idea to try to set some parameters on the kinds of

people that should participate on this commission. If we do not want this to turn into a political commission with a bunch of political hacks on it, it would be helpful to have people who are genuine financial, economic, and international trade experts, and ones who could bring with their expertise a high degree of objectivity. I think the degree to which we could set some parameters as to who would be on the commission would probably be helpful. I do not think we achieve anything by appointing a partisan commission with a bunch of political hacks on it who have an ax to grind and are simply looking for a forum to try to promote their own political interest, their special interest, or their individual agenda.

Second, I cannot see how we could adopt a commission that was given a mandate that without regard to any other policy, our goal should be simply to eliminate the trade deficit by the year 2007. I believe there are things we could do and should do that would be beneficial to the elimination of the trade deficit. And I will talk about them. But the idea that without doing those things we should simply set out to build walls around America, drive up costs to consumers, drive down living standards, disrupt economic growth, is something I think we have to be very careful about.

So I think we could have an agreement here if we have a genuine bipartisan commission. I think we could have an agreement if we could try to focus the membership of the commission so that we are seeking advice from people who actually know something about the subject rather than a bunch of politicians who are simply going to express their special interest. And I think we need a little bit broader objective than simply to say that we should eliminate the trade deficit by the year 2007.

To listen to those who oppose fast track and who are talking about gloom and doom on the trade deficit, you would not realize that yesterday the unemployment rate was announced and it is 4.7 percent, which is the lowest unemployment rate we have had since the early 1970s. In other words, today, with the largest trade deficit in American history, we have the lowest unemployment rate we have had in almost a quarter of a century.

Let me say a little bit about trade deficits. Trade deficits in and of themselves are not good or bad. They are simply an indication of a lot of other things that could be good or could be bad. Let me give you an example. From the moment that the first settler stepped on the North American continent at Jamestown, VA, until the end of World War I, for all practical purposes colonial America and the United States of America ran a trade deficit nearly every single day—every single day. And yet we had the most sustained period of economic growth in the history of mankind.

Why were we running a trade deficit from the time the first American

stepped off the boat at Jamestown until the end of World War I? We were running a huge trade deficit because with this vast continent, with its boundless natural resources, with its fertile land and limitless forests, with its harbors and rivers, and with people who had more freedom than any people had ever had in the history of mankind, people from all over the world wanted to send their money here to invest in our economy. So the British sent the money to build our railroads. Investors from all over the world not only sent their money but their children to come and participate in the American miracle, and so as a result we had a trade deficit practically every single day from 1607 to roughly 1920. And to listen to our colleague from North Dakota, with all due respect, it should have been a bleak, dark, doomed place, this America. But the plain truth was we had more growth, more opportunity, more freedom and more prosperity than any place in the history of the world, then to now.

Deficits are like debt. They can be a path to prosperity or they can be a path to disaster. And it all depends on what you use it for, why it comes about. Borrowing money can make you rich, if you invest the money and earn a rate of return bigger than what you have to pay to borrow the money. It can also make you poor if you invest the money poorly or simply go out and spend it until you have to pay the money back.

Now, let me try, as briefly as I can be brief, to explain why we have a deficit. We need to understand that the exchange rate between the dollar and other currencies is set every day on an international exchange market where there are literally hundreds of billions of dollars of transactions every single day.

Now, on this market people are buying and selling dollars, sometimes by the billions of dollars per transaction. Why do people buy dollars? People buy dollars to buy American goods. They buy dollars to invest in America or to repatriate earnings to America from American investment abroad. They buy dollars to hold as an international currency. In fact, the dollar has become the international currency of the world, and, remarkable as it sounds, we have printed hundreds of billions of dollars and people all over the world hold them to use them in their own economies. And we have been a huge beneficiary of that.

Now, why do Americans buy other currencies? We buy other currencies with dollars because we want to buy foreign goods, because we want to invest abroad, because we want to repatriate earnings abroad, but by and large we do not use other currencies as an international exchange, not nearly as much as the dollar is used. Now, what this means is every day on the market for international currency, the value of the dollar relative to the yen, the value of the dollar relative to the pound, is set exactly at that point where the dollars that are being de-

manded to buy American goods and to invest in America are exactly equal to the dollars that we are supplying to try to buy that currency, to buy its goods, or to invest in that country.

If that isn't so, then the exchange rate moves. Why is that significant? It is significant because what it really says, for all practical purposes, is that anytime you have a trade deficit you have either a capital surplus and/or people overseas are, for some reason, holding our currency. This last factor is not nearly as relevant for any other country in the world, but because our economy is the strongest in the world, because our dollar is the soundest in the world, people want to hold American dollars. As long as people want to invest in America—and today we are having a huge level of investment in America from all over the world—we are going to have a trade deficit because we have a capital inflow. Those who would like to see it otherwise are trying to repeal double-entry bookkeeping, because basically what we are seeing here with the trade deficit is accounting more than it is economics.

We are seeing the accounting of the fact that we have high real interest rates because our Government is still a big net borrower—because we as a nation don't save very much money. We have the lowest savings rate of any industrial country in the world, largely because we have a Social Security system that is pay-as-you-go and discourages personal savings for retirement. It doesn't have a real trust fund. Social Security contributions are taxes, not savings. And, so, we have collectivized retirement and retirement medical care and converted them from savings for the future into taxes for consumption today. We are not building up assets to pay for our future obligations. So, as a result, we are overspending. This is to say that while at the same time we have the strongest economic performing economy in the world on one hand, that people want to invest in, we have the lowest savings rate on the other. So all over the world people are trying to buy dollars to invest here because of high equity returns and relatively high real interest rates.

Now, if we want to do something about that we certainly don't want to do anything about the high equity returns. We don't want to prevent American businesses from growing and providing jobs. We certainly don't want to pass a law that says to people all over the world, "Don't send your capital to America to put it to work." One of the principal reasons we have the lowest unemployment rate we have had in 24 years is that literally tens of billions of dollars of foreign capital flow into America every year. And our foreign investors are, in the process, helping to put our people to work.

But, if we really are concerned about the trade deficit, we ought to deal with the deficit in our budget, not just the

on-budget deficit but all the money we are borrowing for off-budget accounts. We ought to restructure Medicare and Social Security and have an investment-based system where real capital is being built up so we can have real savings to match our growing future liabilities. We can lower interest rates by encouraging people to save more. The chairman of the Finance Committee, with his Roth IRA—and, by the way, Mr. Chairman, I heard a radio commercial yesterday morning from some securities firm advertising Roth IRA's. Those are ways that we can encourage people to save, bringing about lower interest rates, and reducing our reliance upon foreign sources of capital to America. And maybe that is something that this commission ought to look at.

What we are looking at here with this amendment, to try to sum up and be brief, is we are looking at a symptom and not a cause. We have a big trade deficit because we have the strongest economy in the world and people want to invest here. We don't want to do anything about that. We have a trade deficit because we have very high real interest rates, and with very high real interest rates people want to come here to get those returns on their savings. We could do something about that if we encouraged people to save more, and if we did something about the underlying deficit, including the real, unfunded long-term deficits in Social Security and Medicare.

So, to the extent that this commission could look at these underlying problems, then I think we could begin to try to do something about the trade deficit. But I go back and reiterate the point that I made earlier. Trade deficits in and of themselves do not give you any kind of effective measure of the strength of the underlying economy. We had trade deficits from the colonial period to World War I, when we had the strongest economy in the world. We have had trade deficits in trying to rebuild Europe and Japan, when we had very, very strong economies. We have had trade deficits and trade surpluses with countries all over the world. Some of the countries with the poorest economies have had trade surpluses. I don't know what the trade surplus or deficit is for North Korea. It would be a perfect model for many, in the sense that they don't import many goods, they protect their jobs, but the problem is they don't have good jobs because they are poor because they don't trade.

So, what we would like to do, to try to get on with fast track and hopefully pass it, if the House does, is see if we can work out an agreement to do three things. First, have a true bipartisan commission and, if possible, in that bipartisan commission, let's try to put real experts on the commission—not politicians—who could bring some expertise to the problem and help us have some constructive ideas as to what to do about it.

Second, let's look at the underlying causes of the trade deficit. Let's look at protectionism, both here and around the world. Let's look at our deficit in the Federal budget. Let's look at our long-term structural deficit in our two big programs, Medicare and Social Security. Let's look at what we can do to encourage Americans to save, and in the process reduce real interest rates, reduce our reliance on foreign capital, and in the process lower the trade deficit.

So, I think there is room here for a compromise. I hope we can reach it. But in terms of the way the amendment is now drafted, we are opposed to it. But if we could refocus it, if we could make it truly bipartisan, if we could look at the bigger picture, then I think that we could have the ability to reach a compromise. I think we could adopt this—either as an amendment or as a freestanding bill, depending on what happens in the House on fast track—and I think that in the process we could go a long way toward completing the business of the Senate.

I yield the floor.

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER (Mr. BROWNBACK). The Senator from North Dakota.

Mr. DORGAN. The Senator from Texas whetted my appetite once again on economic theory. I studied economics, taught economics in college briefly, and was most interested to hear the Senator from Texas.

Because I did teach economics very briefly, I have heard all of the stories about economists, as the Senator from Texas has, and all the definitions.

The one about, you know: An economist is one who can describe with all great details the workings of the world but can't remember his phone number.

An economist is someone who looks at something that works in practice and wonders whether it can really work in theory.

Let me, for a moment, respond to a couple of the points made by the Senator from Texas. First of all, I am happy to see if we can reach some agreement on some of these provisions. This does not propose to establish a commission with a bunch of political hacks, to use the words of the Senator from Texas. I have no interest in establishing a commission with political hacks. I am interested in establishing a commission that might address a real problem and make recommendations about how to respond to that problem.

A couple of points first. The Senator from Texas mentioned Social Security several times. I just want to clear up a point. It really doesn't have very much to do with this. The Senator from Texas was mentioning Social Security in the context of domestic deficits, as something that is out of control. This year, Social Security will take in nearly \$70 billion more than it will expend. Social Security is not running a deficit, it is running a surplus, and a very significant surplus at that. Why? Be-

cause it is one of the few sober things we have done in the last two decades. We finally required a forced pool of national savings in Social Security to meet the time when the baby boomers retire.

So this year, the Social Security system will run about a \$70 billion surplus, and that annual surplus will continue year after year after year until about the year 2018. So I don't want that reference to pass unnoticed and allow someone to think, gee, there is a huge deficit in the Social Security account.

I have a couple of other points. We are told from time to time that we have a trade deficit because we have a budget deficit, and if we get rid of the budget deficit, gee, the trade deficit will be no problem at all. The trade deficit will disappear.

The budget deficit is going down, down, down, way down, and yet the trade deficit is growing. So I ask those who tell us that the trade deficit is simply a function of the budget deficit, why does your theory now seem to be wrong? You said that if the budget deficit decreases, the trade deficit will vanish. Why, when the budget deficit not only decreases but nearly goes away, do our merchandise trade deficits reach the largest level in the history of this country? Is it perhaps that the theories are all wet?

Then some say, "Well, we know we talked about the budget deficit related to the trade deficit. If that's not the case, then it's the strong dollar. The strong dollar is our problem?" That is what causes this sea of red ink of merchandise trade deficits that are getting worse? It is the largest in history and setting new records every day and getting worse.

When the dollar is strong, we have a trade deficit. When the dollar is weak, we have trade deficits. What do you say about that? Is maybe the theory is all wet there as well?

Might it be, at least in part, something no one is willing to discuss much. That is that we have a free-trade system in which our markets are wide open and we have expectations of trading partners who open their markets but they don't open their markets. Their markets are not open to American goods. Might it be that our markets are open, but the Japanese markets are not wide open to American goods, the Chinese markets are not wide open to American goods? Might that not be the case? Could that conceivably be the reason for part of this or a significant part of this trade deficit? I think it is.

The Senator also discussed what happened at the turn of the century and the prior century about trade deficits. Comparing the economic circumstances of the prior century and its trade deficits to today is like comparing a teaspoonful of water to a bathtubful of water. These trade deficits are serious, alarming, and growing. Let me take this from theory to practice.

At least a part of this red ink is because we are seeing American jobs leave this country and move elsewhere, and those jobs then are used to produce the same products to ship back into this country, and that contributes to this trade deficit.

Bob Bramer worked for 31 years at Sandvik Hard Metals in Michigan. He saw his plant close down, saw the equipment put on a truck and hauled to Mexico. His and 26 other jobs went south. He didn't lose his job in theory. He lost his job, and his family lost his income. He lost his career. His job was put on a truck and moved to Mexico.

Nancy Dewent, 47 years old, worked at a plant for 19 years in Queens, NY. They were making Swingline brand staplers; 408 jobs. Now they are moving to Mexico. Nancy was 47 years old making \$11.58 an hour. Those staplers will now be produced in Mexico at 50 cents an hour, and that will help, of course, increase this trade deficit. Nancy didn't lose her job in theory, she lost her real job. This isn't economic theory, it is what our current trade strategy is producing.

Fruit of the Loom was scheduled to close plants in Kentucky, Mississippi, Louisiana, and Texas last month; 5,100 workers, workers getting up to \$10.50 an hour; moving plants and jobs to other countries for 5 years in a row.

There is Borg-Warner, Muncie, IN, where 800 workers are losing jobs which pay \$17.50 an hour; moving to Mexico. This isn't theory, these are families, people who have lost their jobs, and it shows up here in red.

We can give lectures about economic theory forever. But the central question is, do you think that 21 straight years of trade deficits produced by this trade policy is troublesome for this country, or do you think, conceivably, they are good for this country? Do you think more red ink might be good for this country? Some argue that. They must be ecstatic if that is the case, because this red ink is growing. They must be the ones walking around with the widest smiles in town.

But there are those of us who think that trade deficits are troublesome. We are concerned that markets are closed to this country when we open our markets to others. We think that we ought to be a country that cares a little about its manufacturing base and keeping good manufacturing jobs in this country by requiring that other markets be open to our products. We should be requiring that others who produce and ship here be required to respond to the same kind of issues we are required to respond to such as that you can't hire kids, you can't hire 12 years old, work them 12 hours a day and pay them 12 cents an hour. That's not fair. We shouldn't be expected to compete with that.

Is it reasonable for us to at least require some important provisions dealing with labor and the environment and other issues in these trade agreements? The fact is that we don't. What

we say is, "It doesn't matter what you do. It doesn't matter how you produce, and ship it here, we will buy it. By the way, it doesn't matter so much that you won't let your markets be open to us. We will accept that. Anyone that stands up and says that is troublesome for the country, we will tell them they don't know what they are talking about, because it is conceivable these trade deficits are good for our country." Now that's what they say.

You talk about economic gibberish. This is not good for our country. This is the other deficit that is the worst it has been in the history of this country and getting worse every year and one we ought to do something about. You can name family after family after family in this country who are already victims as a result of this deficit or whose lost jobs helped cause this deficit. It is because those jobs used to be here and now they are there. They used to be in this country, now they are gone.

Why? Because in the name of profits, the multinational companies in this country and around the world constructed an economic system defining production to be available to them in the lowest-cost production areas in the world. They circle the globe and find out where can you produce, where at the same time you can hire kids, pay them pennies, and dump the pollution in the water and ship the product to Fargo, Los Angeles and other places. They simply look to where can they produce in those circumstances in order to maximize your profit. It doesn't matter to them what happens to this country's deficit. It doesn't matter so much to them what happens to this country's jobs.

That is why I am concerned about all this. That is why I asked in this limited circumstance for a commission to consider ways that we can address the trade deficit, ways this country can begin to end this hemorrhaging of red ink.

Mr. SARBANES. Will the Senator yield?

Mr. DORGAN. I will be happy to yield.

Mr. SARBANES. I ask the Senator from North Dakota, in fact, what has happened to the U.S. trade balance is a marked deterioration in our position in the post-World War II period. In other words, beginning after World War II, we ran a modest trade surplus year in and year out, and beginning in the mid-1970s and continuing thereafter, as the Senator indicates on his chart and indicated on this chart, we have been running these very large negative trade balances, sometimes as much as \$150 billion, \$180 billion in a single year. The consequence of running these trade balances year in and year out cumulatively is about \$1.5 trillion. The result of that is a deterioration in the U.S. position from being a creditor nation to now we are a debtor nation.

Mr. DORGAN. Is it not the case that we are the largest debtor nation in the world?

Mr. SARBANES. The United States is the largest debtor nation in the world. People say, look, if we were a developing country just setting out on the process of development, there is an argument that can be made that you run a trade imbalance. And if you are smart in your trade imbalance, you bring in investment to develop your economy for the future. That is what the United States did in the 19th century.

But the United States now is supposedly the most developed country in the world. The most developed country in the world, supposedly the world's leader, ought not to be a debtor nation and ought not to be running these large trade imbalances.

I say to the Senator from North Dakota, here is what happens. You know, people say, "Well, people are losing jobs." And they say, "Well, they're losing jobs, but other people are gaining jobs from the exports, and, as a consequence, we're strengthening ourselves as a nation." We are not strengthening ourselves as a nation. We are running these very large trade deficits year in and year out.

This represents a marked deterioration in the American position. We did not do this between the end of World War II and into the 1970's. It is only over the last 20 years that we started running, year in and year out, these very large trade deficits.

As the Senator from North Dakota points out, the reason for them, I think, is fairly simple. Our market is very open for other countries to send goods into the United States. And many of those markets are relatively closed to us. We export \$12 billion a year to China, to the PRC, and take from the PRC \$52 billion a year; \$12 billion goes that way and \$52 billion comes this way, for a net imbalance of \$40 billion. And it is growing year to year to year. Every year it keeps going up.

Mr. DORGAN. Let me ask the Senator to respond to this.

China, the People's Republic of China, dealing with American movies, allows 10 movies a year in China, no more, just 10. They cut it off at 10.

China does not allow nearly enough American pork. In fact, we send very little pork into China. The Chinese consume one-half of the world's pork, but we send very little pork into China. We used to be the world's largest wheat supplier to China. Now we are displaced as the largest wheat supplier to China even as they ship increasing quantities of Chinese goods to this country.

In addition, the Chinese have ratcheted up this huge surplus with us—or we a deficit with them—to very significant levels. What they need are airplanes. They only produce—as I understand it, they produce one airplane that I think holds 50 or 60 passengers. They need airplanes. In fact, they need a couple thousand airplanes that they are going to need in the years ahead.

Guess what China says? China says, "Well, what we'd like to do is we'd like

to consider buying your airplanes, but you must manufacture your airplanes in China." This is at a time when we are already running a huge trade deficit with China.

My feeling is: China sends its goods to this country to our marketplace, and American consumers buy them. We make something China needs. China has a responsibility to buy from us wheat, pork, and airplanes.

But that is not the way the world currently works, because this country does not have the nerve, the will, or the courage to stand up to trading partners—China, Japan, Mexico, Canada, and others—and say, "Here's what's fair for the American economy. Here's what's fair for American workers." If we don't have the nerve to stand up for this country's economic interests and demand fair trade, then we are going to continue to see this sort of hemorrhaging year after year as far as the eye can see.

Mr. SARBANES. The Senator is absolutely right. The question is not whether you are going to trade; it is the terms on which you will trade. What are the rules going to be? Of course, China's trade surplus with the United States finances China's trade imbalance with the rest of the world. So, in effect, we make it possible for China to purchase from other developed countries, the European countries, for example, who are very careful to keep their trade relationship with China in much more of an even balance.

So, year after year, we run these large trade deficits, and everyone says, "Well, it doesn't matter." It does matter. It does matter. It affects the standing of the United States as a world power. You cannot long be a world power if you are the world's largest debtor country.

This chart makes a difference. The United States for decades was a creditor nation—others owed us. Now we have deteriorated to where we are now the largest debtor nation in the world to the tune of \$1 trillion—a \$1 trillion debtor nation.

People get up on the floor of the Senate, and they make these expansive speeches about what a great power we are, and so forth and so on, and yet our economic status continues to deteriorate year after year.

This is the issue that needs to be addressed. This is exactly what this commission would try to do. The fact of the matter is that in this trade debate there is an effort to frame it as though the people that are losing their jobs are screaming, which they well should be, but then it is argued, well, this has to happen when you have trade development and, you know, there are people who get jobs in the export industry.

The fact of the matter is, we are losing far more jobs on the import side than we are gaining on the export side. I mean, if the trade was roughly in balance, then you'd have a different set of circumstances. But we have been run-

ning, as the Senator has pointed out, these very large trade deficits, year after year after year.

That is a deterioration in the American position. I defy anyone to try to make the case that it is a good thing for the United States in present circumstances to be running these large trade deficits, that it is a good thing for the United States, supposedly the world's most highly developed economy, to go from being a creditor nation to being a debtor nation. It is obviously not a good thing. We need to address this issue. This commission would be one way of trying to do that.

Mr. DORGAN. Mr. President, if I might reclaim my time.

The Senator from Maryland is an extraordinarily effective advocate for that point of view. And it is one that I share. He, along with Senator BYRD from West Virginia, is a cosponsor of this amendment and the legislation that mirrors it that we had introduced earlier in this Congress.

I must leave the floor, and I don't know whether the Senator from Maryland has other thoughts to continue with, but I know that under the spirit of the unanimous-consent request, upon disposition of my amendment, Senator REED from Rhode Island would be recognized to offer an amendment. My understanding is that he would not require that it be voted on today, but he does want to offer it and have some discussion about it.

The disposition of my amendment would be this. What I would like to do is engage the staff of the Senator from Delaware and the Senator from Texas, who spoke earlier, to see if there are ways to deal with the questions they raised about the commission.

As I understand, the Senator from Texas indicated that he would not necessarily object to the establishment of a commission if we could reach some compromises on the conditions of such a commission or the makeup of the commission.

Would that be the understanding of the Senator from Delaware with respect to Senator REED?

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I would like to see if it is possible for us to reach agreement on your amendment. I think in general principle we can work with you. But I do think there are some significant changes that have to be made, including the makeup of the commission itself. So it would be my understanding that tonight, at the staff level, we could probably work and see if we cannot reach agreement and try to do that so we can complete it at the earliest possible time.

But my understanding is that the distinguished junior Senator from Rhode Island would seek to introduce his amendment, but it would be with the understanding that there would be no votes on that amendment tonight but merely to introduce it.

Mr. REED. That is correct.

Mr. ROTH. With that understanding, that is satisfactory to me. So we will lay your amendment aside.

Mr. DORGAN. Mr. President, I ask unanimous consent my amendment be laid aside in order that the Senator from Rhode Island may offer his amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 1613

Mr. REED. Mr. President, I have an amendment at the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Rhode Island [Mr. REED] proposes an amendment numbered 1613.

Mr. REED. Mr. President, I ask unanimous consent reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Amend section 2(b) after section 2(b)(15) to add the following new paragraph:

(16) The principal negotiating objective of the United States regarding the environment is to promote adherence to internationally recognized environmental standards.

Amend section 10 at the end, to add the following new definition:

(7) Internationally Recognized Environmental Standards—The term "internationally recognized environmental standards" includes—

(A) mitigation of global climate change;

(B) reduction in the consumption and production of ozone-depleting substances;

(C) reduction in ship pollution of the oceans from such sources as oil, noxious bulk liquids, hazardous freight, sewage, and garbage;

(D) a ban on international ocean dumping of high-level radioactive waste, chemical warfare agents, and hazardous substances;

(E) government control of the transboundary movement of hazardous waste materials and their disposal for the purpose of reducing global pollution on account of such materials;

(F) preservation of endangered species;

(G) conservation of biological diversity;

(H) promotion of biodiversity; and

(I) preparation of oil-spill contingency plans.

Mr. REED. Mr. President, my amendment would, within the context of fast track, direct the President to undertake as a principal negotiating objective to promote the adherence of internationally recognized environmental standards.

Essentially, what we have to do to improve the legislation before the Senate is to recognize that environmental quality is an important issue. It is an important issue for us, all of us who breathe the air, swim the waters, eat the bounty of our land, but it is also a very important issue in terms of economic competition because in many respects what we are seeing in countries that are trading with us is a conscious and at times very committed and deliberate attempt to use environmental quality and the lack of environmental quality to gain advantage over American workers.



The underlying legislation circumscribes the ability of the President to deal effectively and forcefully with the issues in environmental quality within our potential trading partners. That, I think, is essential. Indeed, the experience of NAFTA should convince us very persuasively that we have to deal with the environment in order to set up a reasonable, fair, balanced trading regime between one country and another. The experience of NAFTA has shown us that there are trading partners who are using the environment, environmental laws, preferential environmental treatment of their companies, to attract and to lure American businesses to their country.

For example, the Canadian Province of Alberta, which was one of the only two Canadian Provinces to sign the side agreement with respect to the environment in NAFTA, adopted legislation in May 1996, prohibiting citizens from suing environmental officials to enforce environmental laws. In effect, limiting the authority, the enforcement capability of their own environmental laws. As a result, Alberta has since been advertising its lax regulatory climate as "the Alberta advantage." Now, that might be an advantage for Alberta but it is definitely a detriment to the men and women of America who have to follow environmental laws which we pass in this body.

In October 1995, Mexico indicated that they would no longer require environmental impact assessment for investments in highly polluting sectors such as petrochemicals, refining, fertilizer, steel. Now, we all recognize and realize that any company in the United States that was investing or proposing to invest in one of these facilities would have to go through a very rigorous environmental impact assessment process. So when you have a multinational company making a decision of whether to go and respect and follow the law of the United States or go to a country that has announced they don't do environmental assessments, I think it is very difficult to see why some of these countries stay in the United States.

At the heart of our fast-track efforts should be a strong commitment to the environment, not just because it is the right thing to do but because it is the most consistent way that we can make our companies as competitive as we can with companies around the world.

There is another example in Mexico. After NAFTA, a series of multinational companies built a technology center in Ciudad Industrial. Now, these are state-of-the-art factories, state-of-the-art facilities, but what they are doing is taking all their waste and dumping it right into the sewers without any treatment or hardly any treatment at all, something we could not do in the United States, something you couldn't do in Europe, but something that is done every day there. Again, an advantage to these companies in terms of

costs they must pay for environmental quality and inducements for companies like that to leave countries like the United States and other countries that have high environmental quality standards and go overseas to these particular areas.

We have to take strong, purposeful steps to ensure that environmental quality is at the heart of our trade policy. Again, it is not just altruism or idealism. It is cold, hard, economic facts that we have to recognize. You don't have to go very far to find examples of how multinational companies are taking advantage of lax enforcement around the world in environmental quality. In today's New York Times on the front page there was a story about the Nike corporation. In January of this year, Ernst & Young, the auditing company, prepared a report to Nike about one of the factories in Ho Chi Minh City in Vietnam. It found that the workers there were exposed to carcinogens that exceeded local legal standards by 177 times. That is, 77 percent of the employees suffer from respiratory problems. Moreover, when they looked further into the plight of these employees, it found that they were working 65 hours a week for a grand total of \$10. That is 15 cents an hour. If you look at those low wages, together with lax environmental standards, that is a very potent combination that makes it very difficult for our manufacturing companies in the United States to be competitive at all.

Now, some proponents of free trade say that is one of the consequences of free trade, that lower wages will attract investment. But the benefit to the people in America is low-cost goods. Nike sneakers are about \$125 a pair or \$150 a pair. These are not exactly low-cost goods. Last year, Nike made \$800 million on total sales of \$9.2 billion.

The workers in Vietnam certainly are not benefiting from this great, tremendous, volume of sales, and in fact, American consumers are not benefiting from low-cost sneakers. They are very high-priced, prestige sneakers. What has happened is that our footwear manufacturing industry has been decimated. Growing up in Rhode Island, I was quite familiar with surrounding communities, particularly Brookline, MA, where most of the shoes in the world at one time were made. Those factories are empty and idle and those workers have gone off to do other things, but not to compete in the footwear industry.

It is absolutely critical to recognize the reality of international trade where environmental quality—I should say the lack of it—is a strong competitive inducement to move capital into these countries. The result in some cases is very frightening, not only in terms of the impact on our workers but certainly the impact on the workers who are working in these facilities.

Let me summarize the Ernst & Young report as reported in the New

York Times. They painted a dismal picture of thousands of young women, mostly under age 25, laboring 10½ hours a day, 6 days a week, in excessive heat and noise and in foul air, for slightly more than \$10 a week. The report also found that workers with skin or breathing problems had not been transferred to permanent chemical-free areas, and half of the workers that dealt with dangerous chemicals did not wear protective masks or gloves. We could say well, gee, I feel sympathetic to the worker and as a humanitarian and as a kind, decent person that shouldn't happen, but that is their country. That is their culture. Those are their decisions.

But it is hard when, as I do, you go into a Rhode Island jewelry factory, for example, and look at individual entrepreneurs whose families have built a business over two generations, who invested their sweat and their time and their fortune to try to build a big company, good company, and you find out that they have to pay a minimum wage, they have to ensure that their workers, if they are exposed to chemicals follow rigid procedures, they have to ensure that their waste is pretreated, and you ask those business men and business women how they are doing, and they say poorly because of international competition. Then you know that reports like this are not merely academic journalistic humanitarian conclusions. They strike at the very heart of whether small business men and women in this country can continue to compete.

They are not asking for protective tariffs. They are not asking for us to withdraw from the world trade as some of the proponents of this legislation might suggest. But what they are saying is, give us a chance to be competitive on an even basis. When you negotiate treaties, raise the standards, the environmental standards and the working conditions so that we can try to use our talents, our ingenuity, our skill, and our resources to be competitive.

If you don't do that, not only are you doing a disservice to these people who are trapped in these 10-hour days, in poor health-threatening environments, you are striking at the very competitiveness, the very survivability of so many small businesses around this country, particularly in my part of the world.

Mr. SARBANES. Will the Senator yield for a question?

Mr. REED. Yes.

Mr. SARBANES. Isn't it a fact that if you can't bring in the environmental standards and the working conditions, you are not going to be able to compete on a level field? Either one of two things will happen. You will remain at a competitive disadvantage, as the Senator has noted, I think, very perceptively; or there is going to be a tremendous downward pressure to lower environmental standards because people will say, well, we are at a competitive disadvantage, we can't have these environmental standards.

Now, we have been through the whole debate about the environmental standards, and they are clearly necessary if we are not going to befool the very world in which we live.

This legislation doesn't make the environmental concerns a legitimate objective. The Senator made a very thoughtful speech the other evening about the difficulty with this legislation, about, as I recall, setting out what our negotiating goals ought to be. It seems to me that this is a clear example of such failure, because the legislation does not permit environmental considerations to be a central negotiating goal, as I understand it; is that correct?

Mr. REED. The Senator's understanding is correct. My reading of the legislation would allow certain discussions about environmental standards, along with other standards, if they directly related to trade. But they would not provide the President with the instructions, the support, and the direction to go out there and make environmental quality in these foreign countries a centerpiece, an important part of our negotiations.

Mr. SARBANES. If the Senator will yield further, my further understanding is that, to the extent this legislation deals with environmental standards, it simply says the countries cannot lower their current environmental standards in order to gain a trade advantage; is that correct?

Mr. REED. I think that's right. Again, I think it's probably not even that clear in terms of what they can do because, essentially, as I read the restrictive language directly related to trade, it could be read to simply say that we have a product, for example, that we are sending in with a label on it, and if the country objects to it or wants more labeling, then we can say, well, that is impermissible. But as far as whether they have pretreatment of their waste, as far as whether the respirators in their factories, as far as whether they have environmental standards—air quality and water quality—that seems to be totally off the table. But that is what impacts on the quality of the workplace. Also, it is an inducement for capital to go from our country into these countries because, essentially, they are avoiding costs.

The Senator probably was contacted, like I was, by individuals concerned about the proposed ambient air quality regulations in the United States. Some representatives of major companies have bluntly told me, "If these pass, we are going to Mexico. They don't have these ambient air quality standards, and we will avoid millions of dollars in costs. We will just move out."

Now, that might simply be a bluffing tactic, a negotiating ploy to try to stop these regulations. But at some point, if we continue to try to have a clean and healthy and safe environment, these costs add up and companies can avoid them by going elsewhere.

Mr. SARBANES. The Senator is absolutely right. Of course, the reason we

put in the environmental standards is we went through a long debate that indicated we were paying a very heavy health cost because we didn't have clean air and clean water. So we made the effort to get clean air and clean water, which I very strongly support. But now if you are going to go into international trade and your competitors are free of having to meet any of those standards, then they are, as you say, at a competitive advantage in dealing with you. That is one of the things we are facing. I can't, for the life of me, understand why it is unreasonable or impermissible to bring the environmental concerns into the middle of the trade negotiations as well.

Mr. REED. The Senator is exactly right, in my view. Let me add another point that I think is very important. We have talked about the inducements for capital investment because of low environmental quality around the world. We have talked about the effects on working men and women who are there in those factories in Ho Chi Minh City, Malaysia, throughout the East, and in Mexico. I suggest that this has a real impact in our own home communities, such as Baltimore, MD, and Providence, RI, where small business men and women are struggling to apply the environmental quality standards that we all passed and they agree with. We all see the benefits to our society and culture, but it is detrimental to their economic viability versus these countries across the sea.

There is another factor, too. Just a few weeks ago, Senator HAGEL and Senator BYRD came before this Senate with a resolution, Senate Resolution 98. It essentially said that we are not going to tolerate an environmental regime internationally that puts the burden of remediation and cleanup on the United States to the detriment of our economy. We are going to demand that developing countries also stand up and share the burden of cleaning up the environment. It passed with overwhelming support.

It seems just common sense that, of course, we are not going to prejudice ourselves in an international regime by saying we will add further burdens to us, as the developing world keeps spewing out bad air, polluting the waters, et cetera.

But in trade agreements, which are the focal point of most of our strong, bilateral and multinational relationships, we have completely ignored that point. So, on one hand, we are saying we have to get tough with these countries down there and make them start cleaning up their environment. But when it comes to the point where the rubber meets the road, where we are negotiating, we have leverage, and we want them to change behavior, we say it is not important. We are talking out of both sides of our mouth.

Mr. SARBANES. Will the Senator further yield?

Mr. REED. Yes.

Mr. SARBANES. Actually, at the very point when we have something we

can use as leverage to get the higher standard, which is access into the American market, we are refusing to do it in order to achieve greater equalization of these environmental standards. I can't, for the life of me, understand why we are leaving the environmental matters out of the trade negotiations. I understand that it will not be the only thing in the trade negotiation; there will be other considerations as well. But why it should be, as it were, excluded outside of that parameter, I can't, for the life of me, understand.

Mr. REED. I am equally amazed—if I may reclaim my time—by leaving this out. Certainly the jewelry manufacturers in Rhode Island would say, "Put it in because I want them to clean their waste like I have to." Working men and women who have seen jobs lost because companies moved out of their communities would say, put it in. But my suspicion is that many people who are promoting this legislation are supportive of those multinational corporations who say: Listen, we want to avoid environmental policy because we want to get our production out of the United States and get into these countries, and we don't want them to have tough environmental standards.

Mr. SARBANES. Will the Senator yield further on that point?

Mr. REED. Yes.

Mr. SARBANES. That leads to this: Many people have said these are not really trade agreements that are being negotiated, or the impetus for them is not trade; it is investment. These are investment agreements. Among other things, a result of these agreements is extended protection for American investment in other countries; in other words, as the Senator said, for the multinationals to be able to establish their production abroad rather than in this country. Well, of course, if they are going to do that, then they don't want the higher environmental or working-condition standards.

Mr. REED. Again, I indicate that the Senator, I think, is absolutely right. Let me give an example within the text of the agreement. Part of the negotiating objectives is to develop internationally agreed rules, including settlement procedures, which are consistent with the commercial policies of the United States. So when it comes to commercial law, dispute resolution, we want our American laws down there because they are balanced, fair, they work, are effective, and are comfortable to the investors going to these countries.

I daresay, if we tried to substitute our ideas consistent with the environmental policy of the United States, we would draw the unalloyed opposition of the proponents of the fast-track procedure. In our view, I believe environmental quality is one important factor in terms of economic competition between our country and other countries. So, in effect, I think you are right. I think that the thrust of this agreement



is that it is unbalanced. You and I—I will speak for myself—we believe that we have to have sensible rules about investment.

We have certain guarantees that our investors are protected. We have to have protection for intellectual property. We have to have protections for dispute settlement. We certainly don't want to have a situation where American companies go into a foreign land, make investments, and then can't repatriate their profits or, in fact, go to court and solve commercial disputes. That is fine. But we have to take the next step. We also have to negotiate with those countries so that their environmental policies are not inconsistent with ours and at least move toward an international standard.

Mr. SARBANES. If the Senator will yield, I agree with the Senator completely. I think all of the items that he mentioned in terms of resolving commercial disputes, repatriation of earnings, and so forth obviously have to be part of a negotiating effort. But the environmental considerations should also be a part of the negotiating effort.

I think that is all the Senator's amendment seeks to do. It doesn't seek to displace those other goals or objectives. It simply seeks to add to them so that it becomes a part of the negotiating focus and so that environmental concerns will also be on the agenda instead of left off the agenda and not have so-called side agreements. We have been through those side agreements. We know full well—we did the same thing on environment and on worker conditions—we know full well that in both instances the side agreements don't amount to anything. Other things which are put right into the trade agreement become enforceable and have to be adhered to. If they are not adhered to, they are contrary to the trade agreement; the remedies that are provided for in the trade agreement go into effect. But they are not putting the environment and the working conditions on the same status, the same level.

Mr. REED. The Senator from Maryland is absolutely correct. Recognize that the major international environmental issues which we face—not alone, but collectively as a world community—are significant: global climate change, which we were talking about recently; ozone depleting substances, which have affected all of us around the world; reduction in ship pollution of the ocean; international ocean dumping; transboundary movement of hazardous waste materials and disposal. What happens to all of this waste in countries where it is being produced? How does it move from one country to another?

All of these are critical issues. Yet, within a context and scope of this fast track agreement, they would be relegated, as the Senator from Maryland said, to side agreements at best. Our experience has been such that these side agreements are ineffectual in most

cases, if not all cases. If we put them in the center of our concerns as a negotiating objective, not only will we make progress on these issues, but we will send a strong signal to all of our potential trading partners that they have to be prepared to come to the table and talk turkey about the environment and about how they will improve their environmental quality. That will result not only in a cleaner environment, which is an extremely noble objective and one that has very practical ramifications, but it will also help level that competitive playing field between those small businesspeople up in Rhode Island and Baltimore who are doing it already. All they ask us is to ensure, as we enter the world of international trade, that we try our best to bring up the standards of their competitors because they are their competitors. If we do that, then we leave it to them, their ingenuity, their imagination, and their skill to win the trade battle.

But essentially what we are doing today by taking those off the table is we are effectively dooming thousands of small businesses across this country to extinction.

Mr. SARBANES. If the Senator will yield further, I think the Senator made a very important point when he spoke about the contradiction in our approach. On the one hand, as he pointed out on the global warming issue and on the other environmental matters that he talked about, we are often engaged in negotiating with other countries to try to arrive at international environmental standards. Everyone says, "Well, we have to do that." On the other hand, when we come to trade agreements where we have an enhanced ability, since the entry into the American market is a very important objective that is sought abroad, we take the environmental matters out of that context altogether.

So the very place where we are most likely to be able to gain advances on environmental standards and at the same time, as the Senator points out, avoid placing our own producers in a disadvantageous position, we forswear dealing with those environmental questions.

It just boggles the mind that this approach is being taken in this legislation.

Mr. REED. I again agree wholeheartedly with the Senator. It is a situation in which, when we go to table, we have direct one-on-one negotiations, when we have as our leverage more liberal entry into our market, the largest market in the world, when we in fact have all of the force and the power behind these types of negotiations, we simply say we are not interested in the environment. Yet, when we go to international conferences, we say how not only must we all collectively clean up the environment, this Senate weeks ago said, by the way, the developing world, the world which will be the parties to the bilateral agreements, they must do their share because we can't do it alone.

Mr. SARBANES. Of course, when we go into the international environmental conferences, they say, "You are the biggest offender," because we are the most highly developed country and, therefore, we are put on the defensive in trying to get an agreement on the environmental standards. We are the most highly developed country, which is why in the trade negotiations they are so anxious to come into the American market, but we leave out of the trade negotiations the environmental issues. It just doesn't make sense. It is diminishing our ability, it seems to me, to negotiate comprehensive, fair trading arrangements that do not place our own producers at a significant disadvantage and do not create a downward pressure and downward movement with respect to protecting and enhancing the environment.

Mr. REED. I agree with the Senator. I also would suggest that these goals of better environmental quality, both here in the United States and worldwide, and increased international trade are not mutually exclusive.

Mr. SARBANES. The Senator made that point in the opening debate on this issue where the Senator spoke about, I thought in a very perceptive way, what was important. What are your goals? What are your objectives that are going to be focused upon in the trade negotiations? We all want to arrive at these trade agreements if we can do so. The question then becomes, What are the goals? What are the objectives? The Senator pointed out that the goals were too narrowly focused. This is a dramatic example of that narrow focus.

Mr. REED. I thank the Senator for that kind word. We have an opportunity to provide balance in this agreement. No one is objecting to the need for better support for investment overseas. No one is objecting to the adoption of commercial laws and agricultural policies that are better, and, in fact, according to this legislation, mirror U.S. policy.

But what we are saying is, if you simply create an environment for investment that leads to the opportunity for poor environmental quality—and I also add the environment—in which workers are hardly paid anything for hours of work—15 cents an hour is hardly something that is going to compete with American workers and never should be something that we would see as a goal. We should raise those. But if we do not do that, you have a one-sided agreement. You have an agreement which is a green light for capital to leave the United States and, as a result, move jobs and production to those other countries. This is detrimental to our small businesses, particularly some of our older industries.

I don't believe it is inevitable that our old industries, like the jewelry industry, the footwear industry, just inherently can't compete. They can't

compete if we allow countries of the world to pay 15 cents an hour, with no real environmental enforcement, turning the other way when there are regulatory problems, et cetera. But if we sought today to insist in our trade agreements that environmental quality is raised, that respect for workers and adequate wages are the order of the day, then I think you would be surprised at the ability of our industry to compete.

That is what I believe we are trying to do here today, is put some balance in this legislation, recognize that unless we can enter into negotiations on all the critical issues that affect goods coming to the United States, we will never solve all of the issues that the Senator talked about.

Frankly, you can look at so many industries. The footwear industry is a classic example. As I mentioned in my opening remarks, growing up near Brockton, MA, that was the home of footwear manufacture for the whole world. There is nothing left there. It is not because the workers weren't good workers. It wasn't because the managers didn't understand managerial techniques.

We allowed countries to ship into our country goods that were produced at 10 cents an hour in conditions which we would not tolerate here in the United States of America. And unless we recognize that we will never get a handle on this issue of the trade deficit, the trade balances that the Senator talked about with Senator DORGAN.

Mr. SARBANES. Will the Senator yield further?

Mr. REED. Yes.

Mr. SARBANES. Of course, the assertion used to be made, well, if we lost jobs in certain industries because our technology was always advancing, we would be out doing the more complex, complicated production techniques and therefore we would gain jobs in those industries. And if you think about it, there is something to that theory.

But what has happened, in my perception, that undercuts that theory and why we are running these large trade deficits as a consequence is, first of all, as capital moves freely, capital moves into these undeveloped countries where there are no environmental standards and there are no real working conditions. So then you have people who are working 11, 12 hours a day for 15 cents an hour but the machines they are working on, because the capital has come in, are the same machines that people would be working on in this country.

And so the ability of capital to move that way makes it even more imperative that these environmental and working condition issues be included within the trade negotiations.

Furthermore, even if the capital does not move, as it were, voluntarily, some of these countries are demanding that it move as a condition for having any trade. China has made it very clear that companies have to bring in their

top-line technology and investment so that they will then be the producers at the next economic turn.

So in order to get a contract, our people get a short-term contract, they agree as part of selling the goods that they are also going to move in the technology and the investment which then makes it possible for them to produce the goods the next economic go-round. So no longer will we not be able to sell to them, but it is my prediction they will then become our competitors in other markets as well. So we are being, as it were, coerced into, in effect, providing technology, and yet we are told, well, we can't have as part of the trade negotiation evening up the environmental and the worker landscape, economic landscape.

Mr. REED. Again, the Senator is absolutely perceptive about these particular issues. I noted before the article in today's New York Times about Nike and Vietnam and one of the officers of Nike indicated that the factory that was inspected was "among the most modern in the world," in fact directly competitive, "but there are a lot of things they could get better," according to the spokesman. But the point the Senator makes is well taken. This is not some old rattrap that was built in the 1930's and has some ad hoc machines there. This is a modern facility. It is a modern facility, the best technology to produce footwear, but it is obvious from this report no thought or concern was there to protect the workers to do the things we insist must be done in our factories.

So the Senator is absolutely right. So far as the new machines to make the product cheaper, better, faster, of higher quality, they are there, but all of the other concerns that go to the bottom line of any company, environmental quality being a major one, they can be avoided, and that is what we are facing.

I believe that unless we elevate environmental considerations to a major negotiating objective, not only will we see the further deterioration of the world's environment, not only will we be in a situation where we go to international conferences with the rest of world asking us to do more and more and more to raise our standards, making us less competitive, we are going to see the impact in our trade balance dramatically and directly. This is not about altruism alone. This is not about ecopolitics. This is not about sensitivity to the environment alone. It is all of those things, but it is something else. It is something about having a system of trade laws which recognizes the important bottom line impact of environmental quality here and with respect to our trading partners.

I yield the floor.

Mr. WARNER addressed the Chair.

The PRESIDING OFFICER. The Senator from Virginia is recognized.

(The remarks of Mr. WARNER pertaining to the introduction of S. 1486 are located in today's RECORD under

"Statements on Introduced Bills and Joint Resolutions.")

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, let me start out by saying that I am a strong supporter of the environmental laws. Frankly, I would be willing to put my record as such up against any other Member of the U.S. Senate. And, as a supporter of environmental laws, I am, of course, anxious to see other countries, especially the developing countries, adopt similar policies to protect and strengthen the environment. But, having said that, I must say that I am forced to oppose the amendment offered by our distinguished junior Senator from Rhode Island.

His proposal would include authority, under fast track, to negotiate environmental standards and enforce those standards through trade sanctions. Fast track was never intended as a means to rewrite fundamental aspects of our domestic laws, such as the environmental laws. I would point out that the basic rule of international trade is, of course, one of nondiscrimination. Where our laws fail to meet that test, and do not otherwise benefit from an exception to a trade agreement, we are obliged to eliminate the discriminatory aspects of our law. That does not mean we have to weaken our laws. It does not mean that we have to lower our standards. It simply means that our laws have to treat imported goods and services as they do competing U.S. products, in terms of the applicable taxes, the regulatory standards, and the other conditions of sale.

Fast track was designed solely for the purpose of allowing, when needed, the conforming of our laws to our trade agreement obligations and the basic rule of nondiscrimination. The purpose of fast track is not to craft legislation or regulatory standards from whole cloth, and then run them through the legislative process under the guise of a trade agreement.

I would have thought that all sides in the debate over trade and the environment could agree on that much. This bill would not allow the President to negotiate trade agreements that either raise or lower our environmental standards.

I would, of course, point out that the President does have that general authority. And of course any agreement reached by his negotiation is subject to the normal process of the Congress.

Mr. SARBANES. Will the Senator yield on that point? Is the normal process that we would be able to amend it?

Mr. ROTH. That is correct. The normal process would be that it would be subject to amendment.

Mr. SARBANES. So what we are doing here with the fast track is denying the normal process?

Mr. ROTH. Let me point out to the distinguished Senator from Maryland that since 1974 it has been the practice and policy of the Congress to give the

President authority to negotiate agreements with the assurance that whatever he negotiates, so long as it meets the goals, the objectives of the legislation, can be brought to the Congress to be acted upon without amendment. So it is a special exception that has been used for purposes of trade negotiation.

And there is a very good reason for that. The good reason for that is, if we go way back, I think it was in 1974, it became obvious that if we were going to continue to lower barriers to open the opportunity to trade, that some device had to be made to make certain that what the President negotiated would be considered by the Congress and that there would be a vote upon it. And that is exactly what has been done, down through the years since 1974. It has been the practice to give the President authority to negotiate, setting forth the goals and objectives of those negotiations and with the assurance that he could tell the other countries that that agreement would come to the Congress and be voted.

So, yes, it is an exception, a special process to meet the conditions. I would point out that it seems to me, with all the problems we have, our economy is doing extraordinarily well today, and has been for the last 7 years. We have the lowest unemployment. Inflation is down. I think something like 30 percent of our growth is dependent upon exports. So I think it has been a worthwhile policy and one that ought to be continued.

In the past, Democratic Congresses have given it to Republican Presidents and I propose that this Republican Congress give a Democratic President the same authority.

Mr. SARBANES. If the Senator will yield just further for 1 minute, it is since 1975 that our trade balance has deteriorated in this extraordinary fashion. I understand the point. Everyone says we have been doing this. The consequence of doing this is—contrary to the whole period prior to then, when we ran modest surpluses—we have now been running these very deep deficits. And the consequence of doing that is that we are now a debtor nation. I defy anyone to say that this is a welcome trend, in terms of the U.S. economic position worldwide. We have gone from being the largest creditor nation in the world to now we are the largest debtor nation, and at the end of this year we will be a debtor nation to the tune of \$1 trillion.

Mr. ROTH. I would just say to my distinguished colleague, that our economy has been doing extremely well and has been for the last 7 years. So we must be doing something right.

Yes, the deficit joint account has risen in amount. But at the same time, we are enjoying a growth, a prosperity without inflation, with very low unemployment. So I think we are doing something right and I think it is important to ensure that the economy continues to grow and prosper. I think that means it is important that we

give this President, as we have past Presidents, the necessary authority for fast track.

Let me point out once again that fast track was designed solely for the purpose of allowing us, when needed, to conform our laws to our trade agreement obligations and the basic rules of nondiscrimination.

The purpose of fast track is not to craft legislation or regulatory standards from whole cloth and then run them through the legislative process under the guise of a trade agreement. As I said earlier, I would have thought that all sides in the debate over trade and environment could, indeed, agree on that much. This bill would not allow the President to negotiate trade agreements that either raise or lower our environmental standards. I believe that ensures that fast track will only be used for the purpose for which it was originally intended, implementing trade agreements, and not authorizing a departure from the ordinary course of Senate deliberations that is absolutely necessary to achieve that end.

Mr. President, I yield the floor.

Mr. REED addressed the Chair.

The PRESIDING OFFICER (Mr. SESSIONS). The Senator from Rhode Island.

Mr. REED. Mr. President, if I may briefly comment upon the amendment. First, I recognize certainly the strong commitment of the Senator from Delaware to environmental quality in the United States. Indeed, because of his commitment and the commitment of many of my colleagues, we have environmental laws which are significant, which provide for high quality in our country. But the problem is that our foreign competitors do not have anything close to these laws in many, many countries, particularly countries with which we are endeavoring to establish bilateral trade relationships.

I agree with the Senator that the purpose of the fast-track procedure is to conform our laws to the negotiated results that the President achieves with our trading partners. I also believe and concur with the Senator that there is no attempt to lower or diminish our environmental laws.

Simply stated, what my amendment would do is ask the President to go out and try to bring up, as best he can, foreign environmental laws to our laws. So, in effect, we would be asking him to go out and take what we have done in the United States and try to apply it to another country, not simply because of its decency, its correctness in an intellectual way, but because of its profound impact in the pattern of trade between our country and other countries of the world.

It is interesting in other areas of this underlying legislation, we are quite specific in directing the President to do just that: go out and bring up the laws of our potential trading partners to our level. For example, in the section with respect to trade in services, we quite specifically direct the President to "develop internationally

agreed rules, including dispute settlement procedures, which are consistent with the commercial policies of the United States."

I would be very happy if we had language like this that would say bring it up to the environmental policies of the United States. That is the point that I am trying to make. I would be very happy if we changed not one environmental law of the United States pursuant to fast track, that we did not try to diminish or decrease any of our environmental laws, but we simply ask the President to try to bring up their standards somewhere near to our standards.

Not only would I be happy but, again, returning to the very strong, in my mind, analogy to my home State, I would be very happy if I could go back to my jewelry manufacturers—these are small companies; many of them have family connections over long, long periods of time where fathers and mothers have passed it on to sons and daughters—I would be very happy if I could tell them our fast-track agreement has resulted in increased environmental standards so that they are not exactly like the United States, but no longer will you have to provide pretreatment of your wastewater and then see competitors around the world simply dumping raw solvents into municipal wastewater systems. Not only would you have to provide ventilation for your workers, but other entrepreneurs will have to try to do the same thing.

If we do that, I don't think it is violative of the spirit or the letter of fast track, but it will produce a much more even, competitive playing field for our manufacturers versus our potential trading partners.

So I, again, urge that the Senate adopt this amendment that would move environmental quality to the center of negotiations as a principal negotiating objective, not because it is an altruistic noble goal alone, but because it impacts dramatically on the bottom line of American companies and foreign companies and, in that sense, should be part of our trading policy, should be a key goal which our President is seeking to achieve in any negotiations. I yield the floor.

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, let me start out by saying that any agreement that raises environmental standards in a foreign country does not, of course, need fast-track authority because it does not need any authority. To make environmental standards subject to fast track, therefore, means that changes to United States environmental laws would be subject to an up-or-down vote with no amendments. Frankly, I am too much of a supporter of our standards to allow them to be changed in this manner.

Let me point out that, in any event, as I did make some mention, the President does have authority now to negotiate whatever he chooses in the area of environmental laws. Of course, under the Constitution, he is responsible for negotiating international agreements, or he could negotiate agreements that raise standards abroad or at home, or lower, such as he chooses.

But once he reaches an agreement with another country or countries, if it affects domestic law he, of course, has to bring it to Congress for action. Of course, under the ordinary process, that legislation can be amended. It does seem to me that, as a general rule, whether it is environmental, health, safety or whatever, we do want to have the process be the normal process where a matter comes up in both Houses and can be amended according to the rules of either House.

I point out that if someone wants to have fast track in a particular area beyond trade, that can be done. We had, as a matter of fact, given what is, in effect, fast track to base closing, because it was decided that it was important in order to close any bases that the executive branch propose what bases would close and Congress could vote it up or down but not amend. So we made another exception in that case.

It can also be pointed out that somewhat the same was done in respect to the Budget Committee. The budget has to be acted upon within a certain number of hours. There can be some amendments, but it is very limited compared with what normally is the process in the U.S. Senate.

Mr. REED. Will the Senator yield?

Mr. ROTH. Yes.

Mr. REED. I understand the Senator's point—it is very well taken—about the procedures. In a sense, it might prove too much. The idea that we can do things outside of fast track raises or begs the question why we do certain things within fast track. Why, for example, are we saying let's make foreign laws with respect to commercial practices consistent with our laws, when, in fact, when it comes to the environment, we are saying, "Oh, no, don't include environment in this same context"?

I think perhaps the logic might be that some people either feel the environment is not important to international trade—and I think our discussions tonight should have indicated it is very important, indeed crucial—or others are simply saying we want a trade agreement, an arrangement with a foreign country which will allow us all the benefits of commercial practice in the United States, all the protection of intellectual property laws, all the protections for capital investment but none of the burdens, if you will, of high-quality environmental laws.

Again, I just can't understand, with respect, why we can't include environmental conditions as we have otherwise.

Mr. ROTH. Mr. President, the distinguished chairman of the Appropriations Committee desires to be recognized at this time.

Mr. STEVENS addressed the Chair.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. STEVENS. I thank the Chair. And I thank the distinguished Senator from Delaware.

#### DISTRICT OF COLUMBIA APPROPRIATIONS ACT, 1998

Mr. STEVENS. Mr. President, I come to the floor to make a statement concerning the bill that has been approved by—really an amendment approved by the Appropriations Committee. This afternoon we met, and the Appropriations Committee has authorized me—and Senator BYRD—to present an amendment to the District of Columbia appropriations bill. It is before the Senate. And this will be an amendment in the nature of a substitute.

We had hoped to be able to proceed at this time and get an agreement with regard to that. I have asked the distinguished Democratic leader to join me. And I have discussed the matter with our leader.

The difficulty is that several Members still want to read over portions of that proposed amendment before we seek to proceed on it. After discussing it with the distinguished Democratic leader, I think that is the better part of valor.

I had previously made the announcement that we would offer it tonight and hope to have debate tonight and vote tomorrow. We have a continuing resolution that expires tomorrow evening. But if the Democratic leader agrees, I think we will just hold off, and it would be the intention of the leadership to try and move to bring this matter before the Senate tomorrow, as I understand it, sometime around 1 or 1:30 tomorrow afternoon.

If that meets with the Democratic leader's approval, we will just not proceed tonight.

Mr. DASCHLE addressed the Chair.

The PRESIDING OFFICER. The Democratic leader.

Mr. DASCHLE. Mr. President, first of all, let me commend the distinguished chairman for the work that they have put into this effort. I must say, this has moved us farther than I would have thought we could have gone in the time that we have had.

These are very difficult issues, very controversial in some respects. I think the chairman and the ranking member have done a very good job. I intend to support the work product at the appointed time. But it is multihundredpages long, and we have, I think, a need to look through it, not necessarily as much for the issue content as it is the grammatical content. And we are doing that now.

I think we will be ready to have a vote on it one way or the other in early afternoon. Senator LOTT and I have

consulted with the distinguished chairman. I personally would be prepared to go to a vote early afternoon. I think we can accommodate that schedule. So I think the distinguished chairman's recommendation is a good one. I hope we can work in good faith in the remaining hours tonight to be able to be ready to have that vote early tomorrow afternoon.

Mr. STEVENS. Mr. President, I thank the distinguished Democratic leader. Because of the expiration of the continuing resolution tomorrow night, and the desire of Members not to be here next week on matters that would require votes, I hope that we will be able to get to it tomorrow, and get it to the House in time for the House to consider it and dispose of it. We may face this bill coming back to us with an amendment from the House before we are through tomorrow. So it would have been my wish that we could have done it tonight, but under the circumstances we will defer until tomorrow.

I thank the Chair, and I thank the distinguished Senator.

Mr. CRAIG addressed the Chair.

The PRESIDING OFFICER. The Senator from Idaho.

#### MORNING BUSINESS

Mr. CRAIG. Mr. President, I ask unanimous consent that there now be a period of morning business with Senators permitted to speak for up to 10 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### TRIBUTE TO JOHN LUNDY

Mr. LOTT. Mr. President, today is not simply the end of the 1st session of the 105th Congress. For me, this day is one that brings both new opportunities and old memories. Today marks the end of John Lundy's 7 years of service to me, first as my administrative assistant and later as my chief of staff. He has also served the great State of Mississippi.

To truly understand John and his impact on others, we must go back to his roots. John was raised on a farm in the small, rural town of Leland, MS. This upbringing taught him the meaning of community and the importance of family. He is a proud Mississippian, and still refers to the Delta as "God's Country." John graduated from Mississippi State University with a degree in agriculture—I guess he couldn't get into Ole Miss.

He then moved to Washington shortly thereafter and found a job on the staff of the Mississippi delegation in the House of Representatives. He was single, young and full of ambition. Who would have guessed that he would be returning to Mississippi 7 years later with a wife, a new baby girl and a truck full of furniture?

When I asked John to join my staff, I knew he would be a quick study. He