

ANDEAN TRADE PREFERENCE  
EXPANSION ACT—Continued

Mr. THOMAS. Mr. President, I wish to speak a few minutes about trade and the several bills on trade that have been pending for some time.

Trade promotion authority is the central element of what we are seeking to do. Trade is one of the most important issues with which we have to deal. Transactions are made around the world in the billions of dollars every day, and we need the authority to negotiate trade agreements that fit us into world trade and, at the same time, are favorable to the United States, which is a basic issue.

The Senator from Nevada was saying a moment ago that we ought to be doing something about unemployment. I suggest doing something with trade promotion authority. This is one of the basic issues with which we have to deal in augmenting employment and stimulating employment.

Agriculture is very big in my part of the country and 40 percent depends on foreign markets because we produce more than we consume in this country. I wish to comment a moment on where we are and what I hope can happen.

The Andean Trade Preference Act has been amended to include three bills. It deals only with Bolivia, Colombia, Ecuador, and Peru, and it has expired. It needs to be reauthorized so we can deal with those four nations in terms of imports and exports. It was originally passed in 1991 to provide an economic benefit to help those countries such as Colombia with which we have such concern about their internal conflicts, drug activities, illegal drug production and trafficking, and a number of issues that are of great importance to us.

Time is running out to reauthorize the Andean Trade Preference Expansion Act. I hope we can reauthorize it. It is the underlying bill. But I have to tell my colleagues, in my view at least and I think in most everyone's view, trade promotion authority is really the basis of our concern. I am a member of the Finance Committee, and trade issues are handled in the Finance Committee. We handled these three issues not as one but as separate issues. I suggest that is what we ought to be doing: dealing with each bill separately.

We found ourselves, however, in a position where those who are skeptical of trade promotion authority are insisting on much more in the trade adjustment bill as leverage for their support for trade promotion authority. On the other side, people who want trade promotion authority are saying: We will not do that unless you give us a little less on trade adjustment. So we find ourselves in a conflict.

Trade promotion authority is generally known as fast track, which was passed by the committee in December by a 19-to-3 vote, a very strong vote. The discussions about all the aspects of the bill were held in committee, as they should be.

Basically, trade promotion authority falls into two categories: One, the President's authority to proclaim changes in tariffs resulting from negotiations of reciprocal trade agreements; two, procedures for implementing provisions of such agreements which provide for changes in the U.S. law, basically known as fast track.

Trade promotion authority is a process for the President or his representatives to negotiate, guided by rules that are in law. They bring those agreements back to the Senate when they are completed for an up-or-down vote. It is really the only reasonable approach we can take to accomplish negotiations. Obviously, 535 Members of Congress cannot do the negotiating for the country. The bill does provide a framework, an outline of how this can be done. Its purposes are:

Obtaining more open and equitable market access; reducing or eliminating trade barriers and other trade-distorting practices; strengthening the system of trading disciplines and procedures, including dispute settlement; promoting full employment in the United States.

It is true that every industry is not always treated the same. Some are very successful; others find it more difficult. That is, I guess, the reality we have in trade of any kind. That is part of it.

This bill requires Presidential consultation with the Congress before, during, and after a trade negotiation. Without that, why, we will not have any agreements, and we have, indeed, fallen behind. This has been out of the system since 1994. Other countries have negotiated their agreements among themselves, particularly in South America, and we have not. We have negotiated relatively few.

To the extent we can agree that trade is necessary, trade is good for us overall, then we have to have a system for negotiating and not sit back while the rest of the world negotiates agreements and expect that we are going to benefit from that situation.

As I indicated, it does provide for Senators to be more involved. It provides legitimate opportunities for the Congress and others to express their concerns, which is proper.

It provides for ongoing consultation and debate during the process of agreements.

It creates an oversight group of Congress that is broad based and bipartisan.

It sets up this system that gives input by the Congress and yet allows the President to make agreements and then bring them back to the Congress for acceptance or rejection.

So we hear they are going to give him all the authority and have nothing to do with it. That is not the case. We still do have something to do with it. We do still have final approval as to what is done. So we need to be doing some of those things.

A lot of the U.S. products, for instance, in agriculture still have very

high tariffs in other places. Our good friends from Japan have very high tariffs on beef, for example, which comes partly from my State. So we need to be involved and protect our interests as well as be fair with others and participate in this whole business of trade. So it is important.

As I mentioned, in agriculture, one out of every three acres planted is basically for export because we produce more. Under the farm bill that is pending, we will be producing even more if we do not run into a conflict with trade because of the farm bill itself. We will be talking about that starting tomorrow.

In 2001, American farmers exported \$55 billion in agricultural products. That supports a great number of jobs. I know people have different views about it. The fact is it is there and we need to participate. We can argue about how we do it and what the outcome is, but it is pretty apparent we need to participate actively in deciding how these things are going to be done. The European Union, for example, has 15 free trade agreements in which we are not involved. Mexico has signed 28 trade agreements; the United States has signed 3. So we are kind of being left behind in terms of what we are seeking to do.

One of the problems which we are going to have to deal with—it has already been discussed a great deal, and I think it is being discussed now in terms of hoping to come up with some agreement—is the trade adjustment authority, which is a legitimate concern about being able to deal with people who might be put out of work and to have some kind of a program that would be helpful to them. There was a program in place, but it has expired. But we basically need financial and training assistance for workers displaced by import competition or for firms that face a significant adjustment. Those things were done in conjunction with NAFTA, and they increase the number of weeks adversely-affected employees could receive assistance.

Now the question is: Are those made to be entitlements? Are those to be made welfare programs that are everlasting? How do we define who is available, who should be receiving those benefits? I think those are things we have to be concerned with when talking about upstream and downstream employees, people who are feeding into this industry who are affected. Where do we stop? How far do we go? How far do we go on the retail side? Without some definition, it could be a huge sort of welfare program, when it is designed to be an assistance program that helps people be trained and available to move back into the workplace. That is what it is for, and that should be our goal. I hope it will be the goal.

We have had some unusual things happen since the bill has left the committee. It left the committee in one form, and now it has been amended

into quite a different form. So we go back to kind of where we were on the energy bill, where the committee did not have an opportunity to talk about it. So all those details, rather than being discussed in committee, which is the process normally used, have to come to the floor to be discussed because they have not been available to be discussed with recommendations coming from the bipartisanship of the committee.

It is my understanding we are going to go to the farm bill tomorrow and Wednesday and conclude after 12 hours of debate on the report from the conference committee, and then we will be returning, after that, apparently to the trade promotion bills. I am hopeful we can deal with them in a direct manner, that we can deal with them with an attitude as to how important it is to the United States and what is our best process for getting the best arrangement for Americans to participate in trade, because we are going to be participating in it one way or another; there is no question about that.

The question is: What kind of a process can we put in place that gives us the best opportunity to equally participate, to our benefit hopefully, in world trade? I look forward to the debate.

I yield the floor.

I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HOLLINGS. Madam President, I ask unanimous consent the order for the quorum call be dispensed with.

The PRESIDING OFFICER (Mrs. LINCOLN). Without objection, it is so ordered.

Mr. HOLLINGS. Madam President, we have had very little opportunity to really discuss trade. This bill was called up on a weekend, without debate. By Monday evening it was already moved for consent, so there was no debate whatsoever given to actually calling up the fast-track measure for consideration, to discuss it.

We need a thorough discussion of exactly what is occurring in the globalization in world trade. I am sorry I do not have a greater audience, but I will speak for the purposes of at least getting it in the RECORD. Tomorrow we will be on the farm bill. There is a general slowdown with respect to the Dorgan amendment. We have only had one amendment up.

I have a very important amendment relative to trade adjustment assistance. What we are providing, as I understand it, in the Daschle amendment as a substitute for the fast-track measure itself, is trade adjustment assistance for the legacy cause, for those in steel who had retirement, and when the plants closed, of course, they went broke and could not provide for that retirement.

I am a strong supporter of that situation, so long as we can consider the post-NAFTA textile employees—we

call them associates now, down south. Those associates who lost their jobs over the 8-year period since NAFTA was enacted, have not been able to find new ones. I will have a very important amendment.

I have 53,900 who have made claims for unemployment. One of the distinguished leaders on the floor earlier today said he could not believe that figure. That figure comes from the Bureau of Labor Statistics, for those associates who have made claims for unemployment, having lost their jobs. I think it is just as important, or more important, since they have not been able to find any work, that they be taken care of, that they have available the measure called COBRA, so they can get their health care while they are looking. We are in desperate circumstances.

Everyone knows of the wonderful success we have, and I share in it, with respect to the German industries. When I was governor of South Carolina, I visited Germany in 1960, to try to attract corporations to open plants in my state. In the 42 years since, I thought 117 companies had opened plants. But last week when I said that, the German Ambassador heard me and has updated the figure for me. It is now 125 German industries. So we are rejoicing in the success of German investment in South Carolina, particularly everyone coming here for the BMW plant.

But the unemployment rate for the BMW plant in Spartanburg, where it is located, was 3.2-percent last year. It is now 6.1-percent. The overall unemployment of the State itself is 6 percent.

We are having a very difficult time replacing those jobs. At least we ought to be able to get trade adjustment assistance for those unemployed associates.

I place with specific emphasis an article in the May 13 issue of Business Week, entitled "Where The Recovery Won't Reach."

Madam President, I think it is important that I cover this now while others are not seeking recognition.

Unlike bouncebacks of the past, many jobs recently lost at American factories may be gone for good.

The recession of 2001 may have been exceptionally mild for the economy as a whole but it devastated U.S. manufacturing. The number of manufacturing jobs fell from 18.5 million in the middle of 2000 to 16.9 million today—a decline almost as steep as during the harsh downturn of 1981-82.

Let me divert for a moment to say that years ago Sony's Akio Morita told me that a country that loses manufacturing capacity will cease to be a world power.

A generation ago, we had 26 percent of the workforce in manufacturing. Today, it is less than 12 percent. We are hardly producing anything.

When the debate resumes, I will have the figures with respect to what we are not able to produce. The majority of what we consume in the United States in manufacturing, of course, is important.

Back to the article itself:

In the past, manufacturing employment typically rebounded after a recession ended. After the 1981-82 downturn, manufacturing got back about two-thirds of the jobs it had lost. In the 1990s, growth in U.S. high-tech manufacturing helped offset losses in industries such as steel and apparel. By 1998, manufacturing employment had risen to only 11% below its all-time high.

This time, however, the bounceback may not be so strong and the bulk of the manufacturing job losses may be permanent. The sharp decline in U.S. corporate profits, combined with the burden of a strong dollar, is forcing companies to take a fresh look at how they can cut costs. And in an increasingly global economy, they're deciding it's cheaper to use foreign factories than domestic ones.

The result: As U.S. demand rebounds, imports are rising far faster than domestic production. First-quarter imports of goods rose at a 10% annual rate, adjusted for inflation. South Korean factories are ramping up production, while electronics makers in Taiwan are restarting idle machines to turn out chips, phones, and flat-panel displays. Meanwhile, manufacturing output in the U.S. rose at a mere 3% annual rate in the first quarter. What's worse, factory employment shrank at a 6% annual rate, with no sign of a bottom.

The failure to generate manufacturing jobs at home may already be muting the recovery.

Let me divert again to emphasize that it is not just the bankers in Japan. I am telling you—manufacturing, research, and high-tech both from the United States and Japan are all going to China.

We are going out of business here. We are hollering "free trade, free trade" as if we are doing something to help the country.

Incidentally, the assistant majority leader, the Senator from Nevada, just pointed out that there could be a close-down by our Republican colleagues later this week on the proceedings here in the Senate for their desire to confirm some 11 judges. Here they are talking about an emergency to close down proceedings and to close down the Senate for judges. We are looking for jobs, not judges.

Let me go back to the article.

The worsening of the trade deficit subtracted 1.2 percentage points from economic growth in the first quarter, the Commerce Dept. says.

And the economic drag appears likely to continue, as manufacturers aggressively cut jobs even as demand picks up. The employment index of the Institute for Supply Management survey for April was 46.7, signaling further contraction of the factory workforce. In recent days, DuPont announced plans to cut about 1,400 U.S. textile manufacturing jobs, while Kraft Foods Inc. said it would close a Chicago plant that makes Shake 'N Bake coating mix. Maytag Corp. has transferred four assembly operations to a maquiladora in Reynosa, Mexico, and plans to transfer 12 others by August. In April, San Francisco's Levi Strauss & Co., which once boasted of its American-made clothing, said it would close six U.S. factories and lay off 3,300 workers. That will leave it with just two U.S. factories. Most of its clothing comes from contractors in Latin America and Asia.

Intense competition makes low-cost regions hard to resist. In electronics manufacturing, for instance, the labor cost for assembling printed-circuit boards—the guts of

electronics gear—is about \$7 to \$8 an hour in the U.S., vs. about 50¢ an hour in China, estimates Jeffrey A. Bloch, vice-president for electronics manufacturing services at iSuppli Inc., a supply-chain consulting firm in El Segundo, Calif.

The cost differential wasn't so compelling during the tech boom of the late 1990s when companies like Cisco Systems Inc. and Lucent Technologies Inc. were willing to pay extra for the convenience of having production in the U.S., close to their engineers and customers. "Flexibility was more important to them than cost," says Bloch. With the tech boom over, he says, "those industries have now decided to go to the lower-cost regions."

Moreover, so much of electronics manufacturing has moved to Asia already that it's cheaper and easier to build gear there than to ship all the little pieces across the Pacific for assembly in the U.S., says Jim Sacherman, chief marketing officer for Flextronics International Ltd., the Singapore-based contract manufacturer. Flextronics says it will soon have 75% to 80% of its production in low-wage regions, vs. half in 2000. Once gone, production rarely shifts back to high-cost regions. Says Sacherman: "It's pretty hard under any market conditions to say, 'For these reasons, I'm going to pay more.'"

Adding to their attractiveness countries such as China, Mexico, Malaysia, and South Korea are moving up the manufacturing learning curve, boosting their productivity faster than in the U.S. In the second half of the 1990s, U.S. manufacturing productivity rose at a solid 4.6% rate—but manufacturing productivity in South Korea, for example, improved nearly 12% a year.

While most manufacturing jobs are in production, the category also includes engineers, researchers, managers, and support staff of manufacturing companies. Some white-collar Americans are even moving to where the jobs are. To lure Westerners and U.S.-based Chinese to a new billion-dollar chip fab in Shanghai, China's Semiconductor Manufacturing International Corp. is building an elementary and middle school for their children.

It's not just in technology that jobs are shifting abroad. In North and South Carolina, the heart of the South's once-huge textile and apparel industry, many companies that had been struggling to survive have finally capitulated. Worse for them than the recession was the dollar's strength, which triggered a flood of cheap imports. In the past two years, the dollar is up sharply against the currencies of apparel exporters such as Indonesia and South Korea.

Mainly because of the dollar's impact on import prices, retail apparel prices have fallen 3% over the past year. "The strong dollar is just wiping manufacturing out," says Cass Johnson, an associate vice-president at the American Textile Manufacturers Institute.

Makers of machinery and steel are also suffering from the dollar's rise. The job losses aren't even across industries. Pharmaceuticals employment has increased 5% from a year ago despite the recession. Auto industry employment is benefiting from the construction of assembly plants in the U.S. by the likes of Toyota, Honda, and Mercedes. Netting out Big Three plant closings, productivity gains, and expansions by Japanese, Korean, and German auto makers, "auto employment will hold even" through 2010, predicts Sean McAlinden, economics director at the Center for Automotive Research in Ann Arbor, Mich.

For employers, closing U.S. factories makes all the sense in the world. For employees, it can be a terrible shock. Take General Electric Co., a leading advocate of

globalizing production. It uses Mexican factories to make everything from medical diagnostic gear to appliances. "They really don't give any real consideration to the impact of their decisions on workers," says Edward Fire, a vice-president of the Communications Workers of America. GE says it has generous retraining and separation programs and continues to have a vibrant U.S. production base.

The ability of U.S. manufacturing to generate jobs at home was one of the more pleasant surprises of the 1990s. The inability to keep them here may be one of the unpleasant surprises of this decade.

Now, there it is. I had been pleading last week with respect to the outflow of manufacturing. I quoted the General Electric policy, which says they would not consider any supplier to GE unless the supplier moved its facilities into Mexico. Here is the best of the best in American industry, along with the U.S. Chamber of Commerce, the National Association of Manufacturers, the Conference Board, and the Business Roundtable, all arrayed to move and eliminate jobs from the United States of America. It is our duty, our responsibility, to maintain jobs, to maintain the economic strength and security of the United States.

My friend, Robert Kennedy, who came to public acclaim for his book "The Enemy Within," sat at this desk, talking about labor. Today, I could write that same book—"The Enemy Within"—and it would be about management. That is our competition.

We are like that fifth column in the civil war in Spain. We are having the particular trade policy of the United States made downtown on K Street. They bring it to the White House; get general approval for it; move to fix a vote on the House side; and barely get it—the White House got it by one vote, by promising to have a fundraiser. And President Bush went to the textile Piedmont to fulfill his commitment for that one vote. So they now have passed fast track.

Over on this side, having gotten through, of course, the Finance Committee, they now have the 60 votes to go ahead and enact fast track without any provisions whatsoever. As a result, as you can see this afternoon, where we have it now up for debate, there is no one here to listen, for the simple reason: everybody knows the score. The vote is fixed. Why listen to the debate? Let's get it over with. We have a lot of work to do.

That is not how we should fulfill our responsibility under article I, section 8 of the Constitution. It is not the President, not the Supreme Court, but the Congress that shall regulate foreign commerce.

So much for manufacturing it is all high-tech, high-tech. I have had to listen to that nonsense for the last 10 years. Retraining, retraining. I have retraining coming out of my ears. I can retrain for any kind of job anywhere at any time.

Then there is globalization. I don't want to sound like Al Gore, that I in-

vented globalization, but a moment ago I said 40 years ago I went on trade missions to Europe, as well as to Latin America. Now we have 125 German plants in South Carolina. We have Michelin there, with four facilities and its North American headquarters. We have Bowater's North American headquarters in Greenville, SC.

Oh, yes, we have been working on trade. So don't start and act as if there is a sudden change and you old fogies have to understand globalization. And you have to understand and know about retraining and, more particularly, high-tech, high-tech.

Bunk.

Listen to this: the New York Times, dated April 21: "Japan Braces for a 'Designed in China' World." Let me repeat that: "Japan Braces for a 'Designed in China' World"—because that is the country that out manufactures us. Japan has about 126 million people. We have 280 million people. We had a huge running start. Japan was decimated at the end of World War II. We had the only industry. Now, in a 55-year period, they are out manufacturing and out producing the United States of America.

Here is what they are doing. This article was written by James Brooke from Tokyo for the New York Times.

I quote:

In recent decades, Japanese companies invested to make China the "factory to the world." In recent months, Japan's blue-chip manufacturers announced investments to make China the "design laboratory to the world."

In a cascade of announcements this spring, blue-chip Japanese manufacturing companies said they were planning research and development units in China. Spurring the moves are the low wages of Chinese engineers, a growing Chinese market for computer chips and the hope that China's entry into the World Trade Organization will bring protection for patents.

The crumbling of an informal wall that long kept assembly in China and research here may spell the end of Japan's last great competitive advantage over its low-wage neighbor. And it is yet another step in China's rise, one that means both new opportunities and wrenching change for Japan, which has lately been coasting on wealth built up in earlier, high-growth decades.

Today's young Japanese have grown up in affluence, taking for granted high wages and their nation's status as the world's second-largest economy. But older Japanese returning from visiting Chinese factories and laboratories report that the hard-working, self-sacrificing Chinese workers remind them of the Japanese workers of the 1960's.

As more and more Japanese manufacturing migrates to China, the research and development activity is gradually following, to be close to production.

"China is quickly becoming a country of low wage and high tech," Yotaro Kobayashi, chairman of Fuji Xerox, warned recently, echoing the spreading insecurities here. "They are going to prove to be extremely competitive with Japanese companies."

China, with an economy only one-quarter the size of Japan's, has a long way to go. But the thousands of computer engineers graduating annually from Chinese universities are enough to keep wages at one-third the level in Japan, a country facing a shortage of

engineers. With the number of 18-year-olds decreasing, colleges across Japan are closing because of a shortage of students.

Many of the biggest recent investments involve some of Japan's biggest technology names. This month, the Matsushita Electric Industrial Company opened a research and development laboratory in Suzhou, China, for household appliances. By 2005, this lab and a Matsushita cellphone lab that open in Beijing last year will employ 1,750 Chinese engineers.

Last month, the Nomura Research Institute, a leading Japanese systems integrator, began outsourcing software projects to China in an effort that will employ 1,000 Chinese software engineers by 2005. The Toshiba Corporation is planning a tenfold increase in the number of engineers at its new chip development center in Shanghai, to 1,000 by 2004.

"We intend to enlarge the R&D function in China," Yukio Shohoku, managing director of Matsushita Electric, said the day after the lab opened. The complex, in Jiangsu province, 200 miles northwest of Shanghai, will concentrate on developing air-conditioners, lights, refrigerators and washing machines. His company, he added, does "as much software development outside Japan as possible" because it does not have enough engineers and the cost of engineering is high in Japan.

Japanese companies are not pioneers in China. By the end of 2000, 29 multinationals, including Lucent Technologies, Microsoft, and I.B.M. of the United States, Alcatel of France and Nokia of Finland, had opened research and development units in China.

Typical of Japan's investment frenzy this spring, Yomiuri, a daily newspaper in Tokyo, recently ran a banner headline, "Toshiba Plan I.T. Plant in China," over an article that cited company sources as saying the electronics concern planned to spend hundreds of millions of dollars to build a huge information technology production and research complex outside Shanghai. A Toshiba spokesman, Hiroyuki Izu, immediately denied the report. But given the wealth of detail and Japan's tradition of news leaks, many business analysts here believe that Toshiba is preparing a major project.

Japan Inc.'s new scramble to show individual competitiveness looks a lot like Japan's old herd instinct. Hitachi, Sony, Pioneer, Fujitsu and NEC are just some of the other blue-chip companies that have announced plans recently for research and development units in China.

Two weeks after the Mitsubishi Electric Corporation opened an elevator research unit in Shanghai in February, a major rival, the Toshiba Elevator and Building Systems Corporation, opened a research unit, also in Shanghai. And two weeks after plans were announced for the Honda Motorcycle R&D China Company in January, the Yamaha Motor Company announced that it would open a research and development unit in or near Shanghai in 2003.

About 80 percent of the 11 million motorcycles made in China last year were copycats of Japanese models, according to the Japan Automobile Manufacturers Association. With China now in the World Trade Organization, Japanese manufacturers hope that it will crack down on sales of "Yamehas" and "Suzakis."

Much of the new Japanese push into China is in semiconductor design and production, along an area of Japanese strength. The heavy investment this year comes after the worst year by far for global chip market, but a year in which chip demand in China grew about 30 percent. It is expected to grow another 30 percent there this year.

Fueling this chip demand, China is now the world's largest market for cellphones, and by 2006 is expected to surpass Japan as the No.

2 market for PC's, after the United States. In 30 years, China's population is expected to grow to 13 times that of Japan, from 10 times greater today.

Chinese chip demand is expected to quadruple by 2010, to a \$48 billion market, Richard R. Chang, president of the Semiconductor Manufacturing International Corporation, said in a speech here. His company, 38 percent owned by Royal Philips Electronics, the Dutch giant, is part of a series of Chinese chip makers whose executives have visited here in recent weeks to drum up investment.

A surge is also expected in the number of high-tech workers. At an information technology conference here last month, Liu Jiren, chairman of the Neusoft Group, China's largest software company, told Japanese investors that in five years Chinese universities "will produce 5 to 10 times as many engineers as now."

Over all, Japan will be short 300,000 high-technology workers within three years, a Japanese government study warned recently. Despite this shortage, hundreds of Japanese managers and engineers, many forced into early retirement, now work in China, usually for lower pay.

The flow of investment, both human and financial, is changing the nature of China's export to Japan. Ever since Japan and China established diplomatic ties in 1972, the two largest Asian economies were seen as complementary.

"There is a clear division of labor between the two countries, with China specializing in labor-intensive products and processes, while Japan concentrates in high-tech products," C.H. Kwan, a senior fellow at the Japanese government's Research Institute of Economy Trade and Industry, wrote in a report six months ago. "China's exports look like Japan's imports and vice versa."

In this relationship, China has sold goods like towels, coal and spring onions to Japan, and Japan has sold laptops, digital cameras and DVD players to China. Now China produces and exports all these goods. The high-technology portion of China's exports has more than tripled, to 18.5 percent last year from 5 percent in 1985. But the goods produced by Japanese companies have largely been designed in Japan.

The Japanese have long prided themselves on quality production, relegating Chinese-made goods to discount shops. Now, Japanese manufacturers and consumers say they do not see much qualitative difference between Made in Japan and made in China.

In a recent survey of 81 Japanese companies operating in China, 62 percent of managers said they saw no difference in the quality of products made in Japan from those made in China. Fifteen percent said the Chinese products were of better quality, according to the poll, which was commissioned by The Nikkei Business Daily, Japan's leading business newspaper, and Japan Management Association Consultants, a private industry group.

These tectonic shifts are rattling the increasingly insecure Japanese. In the 1990's China's economy grew seven times as fast as Japan's. Such statistics help populist politicians fan the flames as they play on Japanese fears of this emerging—and ambitious—economic giant next door.

Last year, Japan reduced its foreign aid to China by 25 percent, to \$1.2 billion, the biggest cut since aid started in 1979. The cut was not big enough for Shintaro Ishihara, Tokyo's populist governor, who warned voters last month that Japan "has been providing H-bomb-producing China with hundreds of billions of yen every year from your tax money."

According to the Kyodo News agency, Ichiro Ozawa, a conservative opposition lead-

er, warned recently that if China "gets too inflated, Japanese people will get hysterical."

"It would be so easy for us to produce nuclear warheads," he continue.

But with Japan rivaling the United States as China's biggest economic partner, such hostile talk has prompted a series of "China is not a threat" statements.

The growth of the Chinese economy will not be a threat for Japan," Li Peng, chairman of China's Parliament, told Japanese investors in Japan this month in one such sally. "The size of the Chinese economy is still small compared with that of Japan."

Full economic cooperation with China will continue, Japan's prime minister, Junichiro Koizumi, vowed this month in a speech at an Asian economic conference in China.

"Some see the economic development of China as a threat," Mr. Koizumi said. "I do not. I believe that its dynamic economic development presents challenges as well as opportunities for Japan."

I see the advancement of Japan-China economic relations not as a hollowing out of Japanese industry but as an opportunity to nurture new industries in Japan and to develop their activities in the Chinese market," added the prime minister, an advocate of free-market changes at home.

In an exercise in raising morale, Mr. Koizumi recently visited two Japanese high-technology companies in Tokyo and said: "I feel Japan's potential is high. Japanese people should be more confident."

Many business people in Japan think that China's growth will provide jobs for the Japanese in new ways. For example, a consortium of companies in the Japan Railway group is talking with China about selling technology and materials to build a Japanese-style "shinkansen" bullet-train system in China.

We are having a hard time getting Amtrak going, and here they are building bullet train systems in China. We cannot get a national passenger defense rail system in this country because we are worried about 11 judges. We are not getting with the program. Terrorism war? Trade war, Madam President. It has been going on. We have been losing our shirts. We have been losing the war, but that is what it is. It is a war without guns and without bombs and planes and tanks. But it is an economic struggle in competition. There is nothing free about this war; I can tell you that right now.

But looking 25 years ahead, when China's economy is expected to surpass Japan's, some Japanese say they will have to adjust to playing a secondary role to their huge neighbor.

"Over the last 4,000 years of history, Japan has been a peripheral country to China, with the exception of this one last century," said Kenichi Ohmae, author of "China Impact," published in Japan this month. "In the future, Japan will be to China what Canada is to the United States, what Austria is to Germany, what Ireland is to Britain."

Despite the move of higher and higher technology manufacturing and research to China, for the near term at least Japan will retain an edge in animation, video games and the most advanced consumer electronics, Mr. Ohmae predicted. The Nintendo Company, for instance, produces 70 percent of its GameBoy Advance units in China and plans to start producing GameCube video-game consoles there this summer. But like most Japanese multinationals, Nintendo keeps most of its research and design in Japan.

Not content to write about China's high-technology boom, Mr. Ohmae, former chairman in Japan of McKinsey & Company, the consulting firm, is investing in back-room data processing and telephone information call centers in Dalian, China. Both operations take advantage of the linguistic links of China and Japan and new fiber optic telephone and high-speed data connections. "Half a million Japanese-speaking Chinese live in northeastern China," Mr. Ohmae said, referring to an area with long investment ties to Japan. "The costs are one-tenth that of Japan."

"There is no border," he added, spinning a future of ever closer economic integration. "Part of the business goes to China. Part remains in Japan. I don't see a clear, industry-by-separation of China and Japan."

Madam President, these are the things the Senate ought to be paying attention to. We need to pay our bills, rebuild the economy, cut out this Enron accounting of on-budget/off-budget, unified budget, and all the fancy words. Enron didn't start them. These politicians started it long before Ken Lay left Missouri to go down to Texas and start his charade.

The truth is we in the U.S. Government have been playing with Enron accounting, and there is more coming up. We have a budget deficit. They don't call it a budget deficit. The Republicans have their budget; now let the President submit it. Let's call it up and see what they are going to do with it. But I will be suggesting—among other things—a freeze. Just take this year's budget for next year. We just passed the main defense bills—Labor, Health and Human Resources—just before Christmas. So here we are less than five months later. We would not hurt anybody with a freeze. Let's just take that hold-the-line approach, except in national defense and homeland security. We can put those aside.

Let's debate the budget the President has submitted and consider what he asked for. He submitted his defense budget. Let's consider that and debate it and vote it. But let's not spend the whole darn time talking about how we are saving money. We can just take this year's for next year.

Madam President, we would save almost \$155 billion over five years. We would save \$155 billion, rather than spend an extra \$155 billion. Senator THURMOND and I are going to get by. But the Presiding Officer is going to have to pick up our bill. All the other young leaders we have in the U.S. Congress—we are just adding to the national debt. Another item to come up is the national debt. I don't mind if those who cut the revenues to increase the debt, rather than pay down the debt—if they will give us a modicum of votes over there. They play a political game. I voted for the increase of the debt, but I want to see the debt come down. Don't act as if we don't know how it happened. We know exactly how it happened.

It has the economy and the market's in Washington and New York just frozen in their tracks because of our leadership. The President, is playing T-

ball, or running out to some Federal facility or some school patting the little children on the head, and then patting the pocketbooks at night with a fundraiser. We cannot get him in the Oval Office and find out what's going on. He wants a \$4 trillion additional loss of revenue, which increases the debt some \$4 trillion. So they will come up here and say, well, we have to increase the debt. It is an emergency situation. They start moving things around with Enron accounting. By June 28, they have to pay the interest costs to the Social Security trust fund—you see, they keep spending the Social Security money by issuing these bills, and they will have to pay it back and they won't have the money.

So we will have to do something by June 28, and let's see the disposition of these tax cutters. We gave 8 years of the finest economy in the history of these United States of America under President Clinton by increasing taxes. Yes, we cut spending. We also increased the taxes.

This Senator and others, without a single Republican vote, increased taxes on Social Security, and we voted to increase taxes on gasoline. We took the hard stand. Yes, we lost the Senate in 1994. It cost us politically, but we did it, and we stuck to our guns. Now they come with their leadership: Let's cut taxes; let's buy the vote; tell them the Government is too big; and it is the people's money, they know how to spend it better than we do. What kind of childish talk is that?

America knows the city hall and the State houses back home are going to have to pay their bills. They have increased taxes in certain States, almost a dozen of them, and they are having to cut programs right across the board. They are not saying: Let's cut the revenues another \$4 trillion. Come on.

These are the issues we ought to be talking about, and let's get with it for a trade policy. We need a value-added tax to pay that bill and to equalize production and international trade. Every industrialized country in the world has a VAT save the United States of America. Now we need one. We can use it to pay for the war, but we have our leadership, our President, saying that we are not going to pay for the war. Since we have a war, we are going to run deficits, and, incidentally the war is never going to end.

What kind of leadership is that? I never heard of such a thing. No wonder this country is in trouble. Everybody is amused. Politics is a spectator sport. The Government in Washington is just the weekend shows. As long as we do not get anything done—when in doubt do nothing and stay in doubt all the time, but keep spending, keep running up the debt and talking to everybody about how we are saving Social Security. We are not saving Social Security. We are spending it.

We at least ought to pay for this war on terrorism. We paid for every war we have ever had. More than anything, we

ought to start to engage in this trade war. It is not just manufacturing. Everything I read pertaining to Japan pertains to the United States of America. That is where our technology has gone. So do not say I have to understand globalization and free trade, free trade. The word "trade" means just that. It is not free. They continue to treat it as aid, and we are not in a position now to do that. We have to aid our hometown communities in America and rebuild our industrial strength and our economic might.

That is what is on this Senator's mind. I wish there were others in the Chamber to debate the Andean Trade Preference Expansion Act because this bill is a hope to the solution of the drug problem. This is not trade. We do not get anything, but we hope if we can give them more textiles to produce, they will get out of producing cocaine and produce T-shirts and send them to us. That is the whole Andean trade bill.

This is the biggest sham I have ever seen. Incidentally, I remembered one point I wanted to emphasize about productivity. The textile worker of the United States of America is the most productive textile worker in the world. In fact, let me embellish. The industrial worker of the United States is the most productive industrial worker in the entire world.

Madam President, what is not producing is the U.S. Government, this Congress, this Senate. I am hopeful we can start discussing real issues and cut out all the political and parliamentary maneuvers so we can vote on the Dorgan amendment. I have plenty other amendments that pertain to the bill with respect to trade adjustment assistance for post-NAFTA workers, some 53,900 in my State. You cannot ask me to vote for some and not for all. We have to be fair with everyone. That is our hope, our duty, and our responsibility.

I do appreciate the distinguished Chair indulging me this afternoon. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

#### MORNING BUSINESS

Mr. REID. Madam President, I ask unanimous consent that the Senate proceed to a period for morning business, with Senators allowed to speak for a period not to exceed 5 minutes each.

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