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The Foreign Trade Path to Prosperity

At no other time in our history has international trade so dominated our thinking. Small wonder: exports have doubled as a percentage of our gross national product in the last 10 years. Trade is our nation's lifeblood, and this administration clearly recognizes the imperative to compete in the world market.

World trade today is ten times what it was 30 years ago. As a result, economic interdependence is a fact of life.

American products and services are basically competitive, both in price and quality, and their sales outside our borders yield an impressive benefit. Exports account for one in eight jobs in American factories, and one in four jobs in agriculture. Exports account for 25 per cent of our gross national product.

Yet, since 1977 the United States has experienced trade deficits in excess of \$25 billion annually. Europe, Japan, and emerging Third World nations are now producing and exporting more than ever. However, our national reservoir of exporting strength remains largely untapped.

This administration is determined to deal with both the changing world economy and new political and strategic realities. We, as a nation, can no longer take for granted the technological and financial advantages which led to our economic pre-eminence. And, as President Reagan has said, we will not back into selective protectionism which insulates our industries from foreign competition.

U.S. Trade Representative Bill Brock is a member of the Cabinet and chairman of the Cabinet Trade Policy Committee. He is a former Congressman and Senator from Tennessee and served as chairman of the Republican National Committee during 1977-81.

This administration recognizes that the key to economic recovery is growth of the marketplace, not shrinkage. We will apply this principle to world trade by removing export disincentives.

Governmental policies must promote trade, not discourage it. Red tape costs U.S. companies billions of dollars in lost export sales. For example, multi-agency confusion and compactions in the issuance of an export license can and do result in the loss of customers to a foreign competitor — a loss that is rarely, if ever, recovered. Our tax laws penalize U.S. companies by taking overseas income; the United States is the only major industrialized country to do so.

But, the inattention of much of American business to export opportunities is also to blame for our continued shortfall as a competitor in the world economy. In many other instances, we are being beaten fair and square by our trading partners. We need to design more goods specifically for foreign markets and sell them more aggressively and with more persistence. It will not be sufficient to promote exports if the exports we promote are not competitive with those of other nations.

Third World Potential

We need better market penetration. American businessmen must, for example, take aim at the potentially enormous Third World markets — especially those of neighboring Central and South America. There is a large pent up demand in these countries as they seek to achieve economic, political and social progress, for an array of manufactured and high-technology goods, such as telecommunications equipment and computer technology. We must appreciate the relationship be-

tween poor communications and political isolation. Latin American markets represent a unique challenge to participate in the individual development of these nations as they strive to improve their economies and endeavor to raise their standards of living.

But getting ourselves into a more competitive posture at home is not the whole answer. Negotiations to reduce tariff and non-tariff barriers will be vigorously pursued. The American market is the most open in the world; our own producers must have fair access to foreign markets.

Under the auspices of the General Agreement on Tariffs and Trade (GATT), many barriers to trade have been removed or reduced. Many still remain. Our agenda includes removal through negotiation of these foreign barriers to American exports.

President Reagan is guiding the nation in a fundamental change of direction. This change is one of substance, not just of style. We will work to reduce government interference and regulation and to implement domestic economic policies to cut inflation, stimulate research and development and investment, and thus raise productivity.

These policies will reduce international price differentials and improve the competitiveness of U.S. products in world markets. The President's economic recovery plan provides the framework for achieving these objectives.

Not since the first U.S. tariff bill was introduced in Congress in 1789, has there been a greater need for a forward-looking comprehensive trade policy. The opportunity has never been better. I know American workers and industry are equal to the task. They will have an aggressive and eager partner in this administration.

OPENING STATEMENT OF
AMBASSADOR WILLIAM E. BROCK
UNITED STATES TRADE REPRESENTATIVE
BEFORE A JOINT OVERSIGHT HEARING OF
THE SENATE COMMITTEE ON FINANCE AND
THE SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
ON U.S. TRADE POLICY

WEDNESDAY, JULY 8, 1981 - 9:30 AM

Senators and Chairmen, since accepting this responsibility as U.S. Trade Representative, I have sought to place the conduct of trade negotiations in the context of an overall national trade policy. In fulfillment of my statutory duty as the President's chief adviser on trade policy, and in order to define priorities for developing a U.S. trade policy, I have met many Members of Congress, had sessions with virtually all members of the Cabinet, and the President, and consulted with leaders of labor and business. The result of that process is a "Statement on U.S. Trade Policy," which I offer in behalf of the Administration as my opening statement today.

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

STATEMENT ON U.S. TRADE POLICY

A strong U.S. economy is our goal. Free trade, based on mutually acceptable trading relations, is essential to the pursuit of that goal.

International trade is, and will continue to be, a vital component of the United States' economy. The trade policy of the Reagan Administration will complement domestic economic programs which are designed to increase employment and output and reduce inflation.

One of the principal requirements of a strong U.S. economy is the maintenance of open markets both at home and abroad. The United States is more dependent on international trade than at any time in recent history. Exports generate higher real income and new jobs, and imports increase consumer choice and competition in a wide range of goods and services.

The United States is increasingly challenged not only by the ability of other countries to produce highly competitive products, but also by the growing intervention in economic affairs on the part of governments in many such countries. We should be prepared to accept the competitive challenge, and strongly oppose trade distorting interventions by government.

We will strongly resist protectionist pressures. Open trade on the basis of mutually agreed upon rules is in our own best economic interests, and is consistent with the Administration's commitment to strengthen the domestic economy.

We will give top priority to international trade. The President's Economic Recovery Program will strengthen industry and agriculture and improve the U.S. competitive position. Internationally, we will pursue policies aimed at the achievement of open trade and the reduction of trade distortions, while adhering to the principle of reciprocity in our trading relations. In seeking these fundamental objectives, we will initially focus on five central policy components. These are:

1. Restoration of strong non-inflationary growth to facilitate adjustment to changing domestic and international market conditions;
2. Reduction of self-imposed export disincentives; and better management of government export promotion programs;
3. Effective enforcement of U.S. trade laws and international agreements;
4. Effective approach to industrial adjustment problems;
5. Reduction in government barriers to the flow of trade and investment among nations, with strong emphasis upon improvement and extension of international trade rules.

The Restoration of Strong Non-Inflationary Economic Growth

Fundamental to any effective trade policy is the implementation of domestic economic programs that increase incentives to invest, raise productivity, and diminish inflation. The Administration's economic recovery plan provides the framework for achieving these objectives. The four component parts of the plan are: Reduction of the rate of growth in government expenditures, reduction of marginal tax rates for individuals coupled with accelerated cost recovery for business, regulatory reform and a consistent and predictable monetary policy. Implementation of the program will improve the competitiveness of U.S. products both at home and abroad.

Recent trends in U.S. productivity and investment have weakened our ability to compete abroad and eroded our industrial base at home. While the U.S. has one of the highest levels of capital per worker and productivity in the world, the U.S. advantage in these areas is rapidly diminishing. A recent survey of 19 industrial countries indicated that the United States now ranked 17th in the rate of productivity growth and 19th in the rate of investment. Other surveys have indicated the United States has had a decline in research and development expenditures, while other developed countries are increasing theirs. The U.S. is losing its technological lead, and this is bound to have serious consequences for the international competitiveness of U.S. products.

The economic recovery program submitted by the Administration can reverse this trend by improving incentives to invest in capital equipment as well as in research and development. Stronger economic growth is also important to facilitate the adjustment to changing international market conditions.

High inflation has also had a strong negative effect on U.S. competitiveness abroad. The Administration's economic recovery plan will reduce the rate of inflation and as a result bring down interest rates, and it will provide the basic economic underpinning essential to expanding trade opportunities.

The Reduction of Self-Imposed Export Disincentives and Improvement of U.S. Export Promotion Programs

A high priority will be assigned to the reduction or elimination of domestic export disincentives. Confusing, contradictory and unnecessarily complex laws and regulations adversely affect exports. The recent report to the Congress on Export Promotion Functions and Potential Export Disincentives identified three types of policies as the most significant export disincentives -- the taxation of Americans employed abroad, the Foreign Corrupt Practices Act and export regulations and controls.

We will act to mitigate the trade-inhibiting effects of regulatory measures without undermining their legitimate objectives. Vice President Bush is chairing the Task Force on Regulatory Relief, which will review both existing regulations and future regulatory proposals.

The Administration will support remedial legislation where it is necessary. In this regard, the Administration supports the basic objectives of the Export Trading Company Bill currently before the Congress. The Administration also supports legislation to change the Foreign Corrupt Practices Act, and to reduce the income tax burden on Americans working and residing abroad.

We will make more effective use of the government's export promotion resources. The Department of Commerce is assigning a high priority to strengthening the Foreign Commercial Service and improving domestic export information efforts. Personnel in the Commerce District Offices will be spending more time in the field counseling exporters, holding "how-to-export" seminars, and developing "how-to-export" manuals. The Department of Agriculture will continue to give a high priority to overseas marketing efforts of the Foreign Agricultural Service and to domestic export-support programs.

Effective Enforcement of U.S. Trade Laws and International Trade Agreements

The U.S. and its trading partners have negotiated international agreements to reduce barriers to trade and to establish common ground rules to limit trade-distorting practices. These agreements are predicated on the fact that trade must be a two-way street in a genuinely open trading system. In the Multilateral Trade Negotiations, agreement was reached on new international codes of conduct covering a wide range of nontariff barriers. U.S. trade laws and international dispute settlement procedures provide the means for effective enforcement of these international trade agreements.

The Administration will strictly enforce United States laws and international agreements relating to international trade. Specifically, our antidumping, countervailing duty, and similar structures are designed to neutralize or eliminate trade distortive practices which injure U.S. industry and agriculture. We regard these laws as essential to maintain the political support for a more open trading system.

We will insist that our trading partners live up to the spirit and the letter of international trade agreements, and that they recognize that trade is a two-way street. Accordingly, we will closely monitor the implementation of international trade agreements by all governments and we will make full use of all available channels for assuring compliance. We will need full and active support from the private sector in identifying compliance problems and in seeking solutions.

The manner in which the MTN codes are applied will determine the shape and effectiveness of the GATT agreements. We will actively pursue the implementation of the codes in a manner consistent with the goal of reducing trade barriers and trade-distorting measures. We will fully utilize the consultation and dispute settlement procedures of the GATT to assure that MTN principles are applied in practice.

One of the most difficult challenges we must face in seeking to achieve free trade is to develop appropriate responses to the growing intervention of foreign governments in international trade. The nontariff agreements negotiated in the Multilateral Trade Negotiations deal with many aspects of such intervention, and full enforcement of these agreements will help deal with this issue. We will seek new ways of dealing with forms of intervention that are not covered by these agreements.

We are currently faced by a growing subsidization of export credits by many of our trading partners. We will seek to renegotiate the existing international rules regarding official export credits.

Our objective is both to substantially reduce, if not eliminate, the subsidy element, and to conform credit rates to market rates. The Export-Import Bank will target its export credits and guarantees where they are most needed to assist U.S. exporters facing subsidized foreign competitors.

Effective Approach to Industrial Adjustment Problems

Developments in the world economy over the past few years, such as the energy crisis and the emergence of new suppliers of manufactured and agricultural products in world markets, have triggered major adjustments in the U.S. economy. Developments in the world economy over the foreseeable future will create the need for continuing adjustment.

Our policies toward the adjustment will take into account the fact that the economic vitality of certain sectors of our domestic economy is clearly essential to national security. Where other nations have a natural competitive advantage, U.S. industry must either find a way of upgrading its own capabilities or shift its resources to other activities. Where the foreign advantage is based upon government subsidies and other trade-distorting practices, U.S. policy will be to enforce U.S. trade laws and to work to eliminate such practices.

The economic program outlined by the Administration will support adjustment by encouraging non-inflationary growth and by removing obstacles to the operation of market forces. The Administration will continue taking measures, including regulatory relief and adjustment assistance, in order to further adjust in cases where severe problems exist.

Adjustment assistance and safeguard measures can ease problems of dislocation for firms and workers, but they do not of themselves effectuate adjustment. It is U.S. policy to place primary reliance on market forces to facilitate adjustment in affected industries.

Import restrictions, subsidies to domestic industries, and other market distorting measures should be avoided. A better solution to the problems associated with shifts in competitiveness is to promote positive adjustment of economies by permitting market forces to operate. It will be critical to encourage, through international negotiations, all governments to adopt adjustment policies which do not have trade and investment distorting effects.

Reduction in Government Barriers to Free Trade

The Multilateral Trade Negotiations achieved agreement on new codes covering a wide range of nontariff barriers and on a substantial reduction in tariffs. There are a number of issues, however, which were not adequately resolved in the Multilateral Trade Negotiations or which were not addressed in these negotiations. It is U.S. policy to deal with individual problems through bilateral negotiating efforts in the short run, and to seek to negotiate new multilateral disciplines over the longer term. Our objective will be to reduce government barriers, both in the U.S. and abroad, to the flow of trade and investment among nations. The preparations for any new initiatives must be thorough and in some cases could be quite lengthy. Nevertheless, we will give priority attention to those issues described below.

Services -- Trade in services is a growing importance in the United States. The services sector contributes substantially to our exports. Services also are critical to exports of high technology and capital goods. Many service industries, such as the telecommunications, data processing/information, and engineering/construction industries are among our most competitive U.S. enterprises. They offer major new sources of export earnings. To continue a strong U.S. position in this sector, we will pursue these issues bilaterally with our trading partners. We also will work toward future multilateral negotiations that will expand access abroad and set effective rules and procedures for dealing with trade issues in services.

Even in the comparatively strong services sector, some American industries face subsidized competition or restricted access in world markets. The Administration is committed to addressing these problems through active negotiations with our trading partners, bilaterally and multilaterally.

Trade-Related Investment Issues -- U.S. trade policy must address itself to the range of investment issues that distort trade flows just as seriously as do tariffs and nontariff barriers. Trade-related investment incentives and performance requirements (e.g., export performance and local content requirements) have serious trade-distorting effects. They are becoming widely used by developing countries and even by some developed countries. We will deal with these issues and over the longer term seek to negotiate new multilateral disciplines.

Goods Incorporating Advanced U.S. Technology -- As our industries mature and adjust to international competition, we will need strong performance in high technology industries to maintain the United States' competitive edge. Trade in these goods frequently is distorted by various forms of government intervention. While the codes negotiated in the Multilateral Trade Negotiations deal with some aspects of such intervention, they do not adequately cover either a number of key sectors or certain types of intervention by governments. Future negotiating efforts will build on the results of the Multilateral Trade Negotiations by extending the sectors and types of intervention, covered by international discipline.

Trade With Developing Countries -- An increasing proportion of U.S. exports of manufactured and agricultural products is to the developing countries. This growing market for our goods is vital to our economic well-being and to theirs. The developing countries' ability to import our products in turn is dependent on market access for their goods and on the availability of financing. We will consolidate and expand on the work begun in the MTN of integrating the developing countries more fully into the international trading system. The U.S. seeks to ensure that the more advanced developing countries undertake trade obligations commensurate with their stage of development and that the benefits of differential trade treatment are directed increasingly to the poorer LDCs. At the same time, the U.S. will recognize the exporting needs of all developing countries. We will carry out our trading dialogue with developing countries with the objective of making genuine trade progress, to our mutual advantage.

Trade with North American Countries -- We have extensive economic links with other North American countries. For economic and political reasons we need to pay close attention to the development of our trade relations with these countries. In recognition of these facts, the Congress has asked the President to submit a report on additional steps that could be taken to encourage further economic cooperation with our North American neighbors. The report which we will submit to the Congress in July will lay out steps that we could take together with our neighbors.

Trade with Non-market Economies -- United States trade with non-market economies has grown substantially in the last decade, although it should constitute a relatively small volume of total

U.S. trade. While taking account of the primacy of national security interests, we need to develop approaches that bridge the fundamental differences between the market-oriented nature of the GATT system and the general absence of market forces in these countries. We will seek, through a more uniform policy and, where appropriate, through bilateral trade agreements, to encourage greater conformity of their trade practices with accepted principles of the international trading system. We will seek also to provide more uniform guidance to business on the conduct of such trade. Finally, we will monitor trade relations carefully to ensure that trade problems are dealt with expeditiously and that they serve overall United States interests.

Creeping Bilateralism -- Concerns regarding the availability of oil and raw materials have persuaded an increasing number of countries to negotiate potentially trade-distorting bilateral deals, which include supply commitments for oil and raw materials, investment commitments in processing facilities, and import commitments for processed goods. When such arrangements are negotiated by governments and when they override multilateral trade commitments, they pose a serious threat to U.S. commerce and to the international trading system as a whole. We will initiate international discussions to limit the potential distortion of trade from such practices.

Competition Policy and Safeguards -- There has been a tendency in recent years for a large number of countries to face import problems in the same sector. This has led to the simultaneous application of safeguard measures by a number of nations, creating the danger of a significant reduction in competition on a global scale. To the extent some countries permit their firms to reach agreement with foreign firms to restrain trade, the potential erosion of competition globally is even more serious. Differences in national antitrust laws with respect to the treatment of international restraint agreements, moreover, give rise to inequalities in the standards applied to companies operating in the world marketplace. Increasingly, therefore, competition needs to be viewed from an international perspective. We will pursue these problems in international forums including the GATT, in a fashion consistent with competitive principles.

Conclusion

Adoption and implementation of this comprehensive trade policy approach for the 1980's will strengthen U.S. economic performance and our competitiveness in world markets. To fully succeed in this area, we will need to muster a strong national determination, a will to persevere and prevail, and a commitment to rely on competition and free markets. The government can help create an environment conducive to efficient and profitable

THE WHITE HOUSE
WASHINGTON

9/8/81

Mike --

Attached are copies of four
articles written by Brock for
placement in the print media
around the country.

Pam

Chris
file

Brock

PROHIBIT BRIBERY, NOT EXPORTS

By Ambassador Bill Brock
United States Trade Representative

WE HAVE MET THE ENEMY AND HE IS US.

This often-quoted line from the comic strip Pogo is particularly relevant to U.S. foreign trade.

Improved access to foreign markets is one of this Administration's priorities, but the most perfect market access arrangements will mean nothing if our domestic laws and policies discourage exports.

The list of domestic export disincentives is long, but perhaps the most complex and confusing of our self-imposed laws is the so-called Foreign Corrupt Practices Act (FCPA). When public disclosures in 1975 and 1976 revealed that U.S. multinational corporations had paid bribes to high-ranking foreign government officials, Congress reacted.

The Senate Banking Committee demanded a strong criminal statute making bribery punishable by a prison term.

The Securities and Exchange Commission (SEC) demanded greater authority to regulate accounting and bookkeeping practices.

So, in the spirit of true Washington compromise, a law was produced that combined the worst of both worlds.

As a result, the United States is the only country in the world to impose such a comprehensive extra-territorial antibribery law upon all of its foreign business practices, public and private. But the unexpected outcome of the law from the day of enactment, is that it has created problems for fully law-abiding companies engaged in overseas transactions. The law itself is difficult to decipher, hard to enforce, and ambiguous.

Far from defining black and white in business conduct, the FCPA provides vast expanses of "gray" areas. This has had a chilling effect on U.S. export activities.

When faced with uncertainty and questions of what is or is not permissible under the Act, regardless of the business customs and laws of other countries, U.S. firms now play it safe and do not even bother to compete. Many businesses have pulled their entire operations out of some countries.

In addition, the cost of complying with the accounting and record keeping requirements of the FCPA places an excessive burden on all publicly-held companies regardless of whether or not they make any foreign sales. To violate the statute one need not export at all; one need only to err in keeping company books in the detail which the SEC deems necessary.

Corporate overseas bribery clearly undermined U.S. foreign policy and national security interests. By passing the FCPA, Congress affirmed that the U.S. Government does not condone bribery. It must never do so.

Clarifying the Foreign Corrupt Practices Act is one of the most important trade issues before us because it represents a self-imposed constraint on exports that comes not from the fact that we have singularly chosen to take a strong stance against international bribery, but because we have done so in a self-defeating manner.

To solve this problem, nothing short of major surgery is needed.

First, the name should be changed. It is a misnomer to call this law, as written, the Foreign Corrupt Practices Act when one can violate it without being involved either in foreign trade or in corrupt practices.

Second, the accounting requirements must be limited. There is no need to require all issuers of securities, large and small, to devise intricate and costly internal accounting control systems, which the law implies should be failsafe.

Third, enforcement of an antibribery law must be consistent and predictable, centered in one agency, instead of divided between the Justice Department and the SEC.

Finally, the "chilling" requirement that every exporter be prepared to prove beyond a doubt that he did not have "reason to know" that a foreign agent was planning to engage in a questionable payment must be removed. Ironically, there is no similar "reason to know" standard of responsibility in U.S. domestic bribery law. We must eliminate the current

liability of American citizens for unknown and unauthorized actions by agents in foreign markets, and make our standards for overseas bribery consistent with those imposed by domestic law.

Additionally, we must provide the leadership to encourage every trading nation to halt such practices. But our leadership toward an international effort will be strengthened only when we have demonstrated to our trading partners that it is possible to create a reasonable and fair, yet comprehensive and stringent prohibition against the bribing of foreign government officials.

There was something courageous and typically American in Congress' efforts to prohibit corporate bribery overseas. Yet, the FCPA stands as a costly lesson of what can result when people don't speak up against a law, however commendable in intent, that is unworkable and vague.

It is a lesson that need not be repeated.

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INVISIBLE TRADE, VISIBLE BENEFITS
WHAT YOU KNOW IS WHAT YOU SELL

BY WILLIAM E. BROCK
U.S. TRADE REPRESENTATIVE

Inflation, unemployment, slow economic growth and investment recession were the lead items at the June meeting of the Organization for Economic Cooperation and Development (OECD) in Paris. In that forum, the industrialized countries of the free world discussed how to bring the world's most productive economies out of a decade-long slump. In this context, the United States pressed for progress in an urgent new opportunity for trade expansion: services.

To most Americans, "export" means export of goods -- automobiles, chemicals, food and equipment.

With fresh eyes, we are recognizing the imperative of increasing exports. But we must focus special attention on the fast-growing services sector, because services are one of our greatest exporting strengths.

Consider the following:

- Services industries employ seven of every 10 American workers.
- Services represent up to two-thirds of our gross national product.
- The actual value of U.S. service industry exports probably well exceeds the approximately \$35 billion in annual sales currently reported in government statistics.

Services are the so-called "invisibles" -- engineering and construction supervision, banking, accounting, shipping, insurance, movies, advertising, commercial aviation, communications, and many others. The relationship between the export of goods and the export of services is vital to our future economic well-being. The sale of services contributes to our export revenues, creates American jobs, and frequently generates foreign demand for American capital goods.

The United States exports more services than any other nation in the world. We have the largest domestic service economy and the world's largest services labor force. However, increasing foreign competition, trade barriers and counter-productive government policies at home are weakening our lead. The problems faced by our service industries in foreign markets are of great national concern since the world trade in services in recent years has been growing roughly twice as fast as world trade in goods.

Virtually every nation impedes the international movement of services through some manner of regulation. These run the gamut from foreign customs restrictions on equipment used by U.S. construction firms, and regulations barring shipping lines from insuring with U.S. firms, to discriminatory application of foreign taxes and fees on our international airlines.

Barriers to services exports imposed by other countries are ingenious, bewildering, and of infinite variety. Some countries assist domestic construction firms with subsidies to make them more competitive in foreign markets. Others impose discriminatory quantitative and qualitative restrictions to keep out or limit imports of foreign services.

In the airline industry, for example, foreign carriers are often prevented from using domestic reservations systems or warehousing facilities, while domestic airlines receive preferential treatment. Some nations limit the number of times a foreign film may be shown in a year. Additionally, some foreign countries even restrict use of advertising copy produced in the United States and limit or prohibit the processing of data in U.S. computer centers. The list goes on.

Since the end of World War II, seven rounds of global negotiations have eased barriers to merchandise trade. But, still remaining are obstacles to billions of dollars worth of services trade.

That's why at the recent OECD meeting in Paris, I pushed for laying the groundwork to negotiate international rules governing trade in services.

Several OECD working committees are comprehensively reviewing trade problems in services and related issues. I believe a broader forum for addressing these problems is necessary; ultimately, the GATT is the proper institution

for formulating multilateral rules for trade in services. Already the GATT Consultative Group of 18 is examining GATT articles as they relate to trade in services.

On our side, the U.S. Government has started identifying issues, priorities and negotiating goals. This includes the creation of the Services Policy Advisory Committee composed largely of chief executive officers of major services industries. This group is reviewing key trade issues to be addressed in international forums and is reviewing domestic laws and policies. While only the beginning of a long process, these efforts are gaining momentum among the world's major industrialized trading nations.

But, there's much more to do.

Domestic laws and regulations which impede the export of both goods and services must be reevaluated. These export disincentives are being reviewed by the Cabinet-level Trade Policy Committee. On our agenda are clarification and simplification of the Foreign Corrupt Practices Act, which in its current form discourages U.S. businessmen from competing overseas. Also being examined are the taxation of Americans employed overseas and burdens involved in export controls.

International trade is the lifeblood of our economy, and has been since before the American Revolution. But most trade at that time, and since, has been in goods, not services. Consequently, while barriers to trade in goods were diminished, we overlooked trade in services. As a result, as the services industry grew, so too did barriers to services trade.

We are committed to changing this situation.

Trade in services is a great opportunity, and we must seize it.

TRADE POLICY: KEY TO ECONOMIC RECOVERY

By Ambassador Bill Brock
U. S. Trade Representative

At no other time in our history has international trade so dominated our thinking. Small wonder: exports have doubled as a percentage of our gross national product in the last 10 years. Trade is our nation's lifeblood, and this Administration clearly recognizes the imperative to compete in the world market.

World trade today is 10 times what it was 30 years ago. As a result, economic interdependence is a fact of life.

American products and services are basically competitive, both in price and quality and their sales outside our borders yield an impressive benefit. Exports account for one in eight jobs in American factories, and one in four jobs in agriculture. Exports account for ^{12.5}~~15~~ per cent of our gross national product.

Yet, since 1977 the United States has experienced trade deficits in excess of \$25 billion annually. Europe, Japan, and emerging Third World nations are now producing and exporting more than ever. However, our national reservoir of exporting strength remains largely untapped.

-- This Administration is determined to deal with both the changing world economy and new political and strategic realities. We, as a nation, can no longer take for granted the technological and financial advantages which led to our economic preeminence. And, as President Reagan has said, we will not back into selective protectionism which insulates our industries from foreign competition.

This Administration recognizes that the key to economic recovery is growth of the marketplace, not shrinkage. We will apply this principle to world trade by removing export disincentives.

Governmental policies must promote trade, not discourage it. Red tape costs U.S. companies billions of dollars in lost export sales. For example, multi-agency confusion and compactions in the issuance of an export license can and do result in the loss of customers to a foreign competitor -- a loss that is rarely, if ever, recovered. Our tax laws penalize U.S. companies by taxing overseas income; the United States is the only major industrialized country to do so.

But, the inattention of much of American business to export opportunities is also to blame for our continued shortfall as a competitor in the world economy. In many other instances, we are being beaten fair and square by our trading partners. We need to design more goods specifically for foreign markets and sell them more aggressively and with more persistence. It will not be sufficient to promote exports if the exports we promote are not competitive with those of other nations.

We need better market penetration. American businessmen must, for example, take aim at the potentially enormous Third World markets -- especially those of neighboring Central and South America. There is a large pent up demand in these countries as they seek to achieve economic, political and social progress, for an array of manufactured and high-technology goods, such as telecommunications equipment

and computer technology. We must appreciate the relationship between poor communications and political isolation. Latin American markets represent a unique challenge to participate in the individual development of these nations as they strive to improve their economies and endeavor to raise their standards of living. Serious entrepreneurs will not overlook the marketing possibilities that exist.

But getting ourselves into a more competitive posture at home is not the whole answer. Negotiations to reduce tariff and non-tariff barriers will be vigorously pursued. The American market is the most open in the world; our own producers must have fair access to foreign markets.

Under the auspices of the General Agreement on Tariffs and Trade (GATT), many barriers to trade have been removed or reduced. Many still remain -- particularly so-called "invisible" barriers. These run the gamut from foreign customs restrictions on equipment used by U.S. companies and regulations barring shipping lines from insuring with U.S. firms, to discriminatory application of foreign taxes on our international airlines. Our agenda includes removal through negotiation, of these foreign barriers to American exports.

President Reagan is guiding the nation in a fundamental change of direction. This change is one of substance, not just of style. We will work to reduce government interference and regulation and to implement domestic economic policies to cut inflation, stimulate research and development and investment, and thus raise productivity.

These policies will reduce international price differentials and improve the competitiveness of U.S. products in world markets. The President's economic recovery plan provides the framework for achieving these objectives.

Not since the first U.S. tariff bill was introduced in Congress in 1789, has there been a greater need for a forward-looking comprehensive trade policy. The opportunity has never been better. I know American workers and industry are equal to the task. They will have an aggressive and eager partner in this Administration.

FCPA REFORM -- FACT AND FICTION

By Ambassador Bill Brock
United States Trade Representative

Just because the Foreign Corrupt Practices Act spotlights a sensitive subject -- corporate bribery abroad -- some people turn a blind eye to its shortcomings rather than risk being accused of being "soft on bribery".

That's too easy a way out. Retreat from controversy will not cure the law's deficiencies. Congress is addressing a complex, tough issue in a reasoned manner, and deserves our attention and admiration.

As the Senate moves towards final consideration of FCPA reform, this is a good time to step back, and calmly discuss the pros and cons of the proposed modifications. False melodrama distorts the legitimate effort being made to clarify the Act's ambiguous language.

Here are several common misunderstandings and questions about proposed modifications of the FCPA, and some straight answers.

(1) In modifying the FCPA, the Congress condones corporate bribery of foreign officials.

Wrong. Any corporation found guilty of "paying, giving, offering, or promising anything of value to a foreign official for the purpose of obtaining business", under the revised Act, would be subject to a \$1,000,000 dollar fine. Individuals would face a \$10,000 dollar fine and/or five years in jail.

(2) American businesses are crying wolf. The FCPA has not discouraged exports. In fact, U.S. international trade has increased since its enactment.

Not exactly. True, our trade has increased since 1977. But much of that increase disappears when adjusted for inflation. No one contends the FCPA is the sole villain responsible for the last five consecutive years of trade deficits totaling \$100 billion dollars. However, a General Accounting Office study, the President's Export Council, and extensive testimony by businesses have cited the FCPA as a significant export deterrent -- due to its vague and unpredictable application.

(3) Are the criteria applied today to foreign bribery the same as are used in domestic U.S. law?

No, but they should be. One of the most troublesome aspects of the current law is that it imposes a different, less understandable standard of liability for questionable payments abroad than does U.S. law for bribery here at home. Bribery is wrong wherever it occurs -- and the same law should apply at home and abroad.

(4) Without FCPA provisions requiring businesses to establish new accounting systems, bribery of foreign officials will go undetected since the government will not have a paper trail to monitor.

False. There are two misconceptions in this statement. First, under this law the government can not "monitor the paper trail" to track down bribers. Instead, the Act sets accounting and recordkeeping standards which all companies -- whether or not they conduct international business -- must follow. Second, the proposed changes to the FCPA would make it a felony to falsify books and records for the purpose of concealing illegal payments to foreign officials. It makes more sense to penalize the few who falsify their books to conceal a bribe, than to impose a broad and expensive standard of recordkeeping on every publicly-owned corporation.

(5) If questionable payments are a way of life with some of our trading partners, what's so bad about conforming to accepted business practices in other countries so long as we don't do it at home?

It's very bad. Bribes are morally, ethically, and economically wrong. They create national security problems, distort normal market forces, and, by corrupting officials, jeopardize the political stability of friendly nations. They suffer, and the U.S. suffers from that "way of life."

(6) Who supports the current effort to modify the Foreign Corrupt Practices Act?

It's a long list. The Securities and Exchange Commission, the American Institute of Certified Public Accountants (AICPA),

the U.S. Chamber of Commerce, President Carter's Export Council, and the Reagan Administration have come out in favor of revising the FCPA. In addition, the Financial Executives Institute, the Institute of Internal Auditors, the National Association of Manufacturers and numerous experts on international law, have supported the Administration's position.

(7) Transferring jurisdiction over FCPA away from the SEC would ensure that bribery of foreign officials will go undiscovered. After all, the SEC was solely responsible for the disclosure of illegal payments that brought the whole issue to a head in 1975-76.

False, on both counts. The SEC, under its charter, would continue to police the financial disclosures of U.S. firms and protect the rights of public investors. The proposals seek to differentiate between the duties of different government agencies. The Justice Department is currently responsible for enforcing all criminal penalties but only some civil penalties under the FCPA, leaving the law subject to interpretation by two enforcement authorities; the changes consolidate under the Justice Department the enforcement authority for all domestic and foreign anti-bribery laws. The SEC did not "uncover" these payments in 1976 as a result of an investigation; they were, in fact, voluntarily disclosed by the U.S. firms involved.

(8) Won't these changes to the FCPA mean that competition on the basis of price and quality will be replaced by how big a payment is?

Absolutely not. Bribes to foreign officials are and will continue to be criminal offenses and the law will be enforced.

(9) The real way to curb bribery around the world is through international negotiations.

True, but don't hold your breath. Up until now, the U.S. has had to go it alone. For six years, the U.N. Economic and Social Council as well as the U.N. General Assembly have failed to gain a commitment by other nations to an international agreement outlawing bribery. Still, the Administration's proposals would require the President to pursue bilateral or multilateral agreements to prohibit illicit payments to foreign officials. We can strengthen our leadership in attaining international agreements by demonstrating to our trading partners that we have created a stringent yet fair prohibition against bribery without sacrificing exports.

FCPA reform is a complex issue and emotions will run high in the course of the debate. But the mandate of the American people is clear: a law should be understandable, enforceable, and reserve sure and certain punishment for the few who violate it. As it is now, the FCPA penalizes the innocent more predictably than the guilty, and along with both, our competitiveness in world trade.