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SIA Annual Washington Conference

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Instructions:  

Prepare one form for insertion at the beginning of each record series.  

Prepare and insert additional forms at points that you want to index.  

For example: at the beginning of a new folder, briefing book, topic, project, or date sequence.  

Record Type*:  

Speeches & Remarks  

MONTH/YEAR of Records*:  

February-1986  

(Example: JANUARY-2003)  

(1) Subject*:  

Trade  

(select subject from controlled vocabulary, if your office has one)  

(2) Subject*  

SIA Annual Washington Conference  

DOCUMENT DATE*:  

02/25/1986  

(Example: 01/12/1966)  

* "required information"
Introduction

Thank you.

Edmund Burke once said, "You can never plan the future by the past." Today, America faces an uncertain economic future. And we cannot rely on the solutions of the past.

Let me remind you of a few facts. You all know about our staggering trade deficit. Last year, our trade deficit with Japan was 50% higher than our 1980 deficit with the entire world.

That's not all. The U.S. is now a debtor nation. The last time that happened was 1914. Then, we were borrowing to finance industrialization. Now, we're borrowing to finance consumption, and the debt is piling up. At the rate we're going, our international debt will soon exceed the debt of Brazil, Mexico and Venezuela combined.

These statistics remind us there's no guarantee that America will remain number one automatically. In the sweep of history, nations rise and fall: Egypt, Greece, Rome, Great Britain. We can fall, too—unless we regain our competitive edge.

Unfair Trade Practices

So what can we do?

First, we have to update our international trade laws. When the GATT international trade code was written, the fastest computer made 5,000 computations per second. Now, we routinely calculate computations in nanoseconds—that is, in billionths of a second. But our trade laws haven't kept pace. Our trade competitors invent new loopholes faster than we can close them.

For example, the Canadians funnel massive subsidies to their lumber producers. They have 35% of our market, even though a sawmill in British Columbia is no more efficient than one in Oregon or Montana. Our subsidy law doesn't touch them, because so-called "natural resource subsidies" are immune.

For another example, look at your own industry. First of all, you face new barriers to exports. In the 1970's,
Japan eliminated its quotas on imported semiconductors. We thought we had made real progress.

Well, we were naive. New barriers replaced old. The Japanese formed cartels that were just as effective as quotas. Today, the U.S. market share in Japan is 10%. Everywhere else in the world, it's 53%.

I understand that the Reagan Administration has asked Japan to guarantee U.S. producers a reasonable market share. That's a start.

But only a start. We also have to deal with unfair trade practices that devastate the U.S. market.

We saw one clever new form of unfair trade practice in the Hitachi case – the 64K RAM case. The scheme is simple. The Japanese dump high technology products on the U.S. market. The U.S. industry eventually files a trade case. Many months later, the International Trade Administration concludes that dumping has indeed occurred, and grants relief.

But here's the catch: by the time relief is granted, the foreign company has introduced a new generation of technology that escape the antidumping order.

In short, we're playing a frustrating and futile game of catch-up.

In the semiconductor industry, you've learned that you can't survive by reacting. You have to anticipate change.

Congress has to learn the same lesson. Therefore, I am proposing what I call the "three strikes and you're out" rule. It's an idea generated by your own industry. Here's how it works. If a company dumps its products three times within six years, it stikes out: that is, its products will be banned from the U.S. for the next five years.

Sounds tough, and it is. But it's also reasonable. Companies that keep dumping aren't innocent babes. They're repeat offenders, and we shouldn't let them off the hook just because fast-moving technology outpaces slow-moving trade litigation.

I understand that your Public Policy Committee will consider whether to support this proposed solution tomorrow, so I'm going to give you a little advice: support that idea. It may not be perfect. We may have to smooth out some rough edges. But more than anything, what Congress needs are bold, creative solutions that dramatize the new trading world we face.
Competitiveness

Even so, that's the easy part. It's easy to talk about foreign practices.

But if we are honest with ourselves, we must recognize that much of the trade problem is here at home. In the end, we have to compete our way out of the trade deficit.

The overvalued dollar has been a large part of the problem. But even after the dollar has fallen, we will still have a competitiveness problem, because competitiveness depends on productivity, and American productivity has been declining.

Between 1960-83, U.S. productivity grew by 1.2% annually. Britain—which we view as an empire in decline—grew by 2.3%, almost twice as much. Germany grew by 3.4%. Japan, 5.9%.

Let's face facts. We have to make some dramatic changes.

Savings

We have to increase savings rates, so that American companies have a pool of cheap capital for investment.

Our savings rate is much lower than that of any other industrialized country, and the tax system is largely responsible. We use the tax system to encourage borrowing and discourage savings; our competitors do just the opposite.

Now that the Senate Finance Committee is debating tax reform, we have an opportunity to correct this imbalance, and I will be offering legislation to limit consumer interest deductions and increase targeted savings incentives. That won't be politically popular, but it will put us on the right long-term track.

R & D and Education

We also must increase research and development, by making the R & D tax credit permanent.

And we must improve education, so that your companies can draw upon the most skilled workers in the world. I have made several proposals to improve American technical education, and I need your support.

The first proposal is the "Japanese Technical Literature Act," which I introduced last year. The Japanese operate a large, sophisticated government program to translate American scientific and technical information and disseminate it to
Japanese researchers. My bill would turn the tables on the Japanese, by copying one of their ideas. We would establish a partnership between government and business in order to make Japanese technical literature available to American businesses to help them keep pace with the latest Japanese developments.

This bill passed the Senate last October, with SIA's endorsement. But now it's stalled in the House. We need a show of support, so I hope SIA will testify in favor of the bill at the March 13th hearing before the Science and Technology Subcommittee.

We also have to improve basic math and science skills. The average U.S. 17-year old knows half as much math as the average Japanese 17-year old, and U.S. students have been coming in last in international achievement tests. Part of the problem is the shortage of qualified teachers. According to a recent study, only half of the math and science teachers were qualified to teach those subjects.

To address this shortage, I have proposed the "National Competitiveness Education Act." This bill would do two things. First, it would provide college scholarships to math and science students who agree to teach for several years. Second, it would establish a summer fellowship program for existing math and science teachers to sharpen their skills.

Together, these two programs would cost $100 million. To pay for them--here's the controversial part--I would impose a 2% tax on manufacturers and importers of TVs. I think of this as a kind of "user fee." After all, TV is part of the problem. American children watch 1,000 hours a year, and studies show that excessive viewing reduces educational achievement. By imposing a small tax and using the money for education, we'll allow TV manufacturers to help solve the problem they help create.

At the college level, I would address the problem by expanding the R & D tax credit so that companies like yours get a tax credit not only when their engineers and scientists perform conventional research, but also when they loan employees to local colleges, to train tomorrow's scientists. Hopefully, this amendment will be approved as part of our tax reform package.

Conclusion

These proposals are small, incremental solutions. They will not solve all of our competitiveness problems. But they will put us on the right track. They will begin to address the fundamental problem. To restore world-class U.S. competitiveness, we must change our attitudes and our emphasis.
We must begin to think internationally. We must forego current consumption in favor of long-term savings and investment. We must learn from the Japanese and from other successful competitors. We must re-emphasize quality education so that our children have the skills they need to compete. And our business leaders must sacrifice short term profits for long-term productivity.

This group personifies the new American spirit we need.

Will Rogers once said, "There's a little cowboy in all of us, a little frontier." We stand at the edge of a wonderful frontier in international trade, a frontier that is filled with uncertainty, but brimming with hope.

With your help - with your solutions - we can transform uncertainty to promise and hope to reality.