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**HOUSE COMMITTEE ON STATE AFFAIRS**

**RECAP OF  
HJR 71**

**Most Favored Nation Status for USSR**

Received January 26, 1990  
by The House Special Committee on Foreign Trade

Heard February 7, 1990

Passed Out of Committee February 7, 1990  
4 Do Pass

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# HOUSE COMMITTEE REPORT

(7)

Date Referred: January 26, 1990

FURTHER REFERRALS:

Date of Committee Action: \_\_\_\_\_

The STATE AFFAIRS Committee considered:

HJR 71

HOUSE JOINT RESOLUTION NO. 71

MOST FAVORED NATION STATUS FOR USSR

Encouraging the President of the United States to temporarily reinstate most favored-nation trading status for the U.S.S.R.

RECOMMENDATIONS:

- be replaced with \_\_\_\_\_  the same title
- have attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(s):  
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact \_\_\_\_\_
- zero fiscal note \_\_\_\_\_
- zero with analysis \_\_\_\_\_

- fiscal note(s) \_\_\_\_\_
- zero fiscal note(s) 1/26/90 - DCEN
- zero fn/analysis \_\_\_\_\_

SIGNING DO PASS:

\_\_\_\_\_

*Dee Couley*

\_\_\_\_\_

*Scott M. ...*

\_\_\_\_\_

*Robert ...*

\_\_\_\_\_

*D. A. ...*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SIGNING:

(Check approp. column)

Do Not  
Pass

No Rec

Amend

	Do Not Pass	No Rec	Amend

*D. A. ...*

Chairman's Signature

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: Commerce & Economic Dev.  
 Title: Encouraging the President of the U.S. to temporarily reinstate most-favored-nation trading status for the U.S.S.R. BRU: Division of Tourism  
 Sponsor: House Spec. Comm. on Foreign Trade Components: \_\_\_\_\_  
 Requestor: House Spec. Comm. on Foreign Trade

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	0	0	0	0	0	0

**POSITIONS:**

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary) No fiscal impact for FY 90.

This resolution will have no fiscal impact on the programs of the department.

Prepared by: Linda Wild, Special Assistant Phone: 465-2500  
 Division: Commissioner's Office Date: January 24, 1990  
 Approved by Commissioner: Larry Merutjeff Date: 24/1  
 Agency: Department of Commerce & Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)



Official Business

# Alaska State Legislature

House of Representatives

Special Committee On Foreign Trade

Item 3  
P.O. Box V  
State Capitol  
Juneau, Alaska 99811  
907-465-4942

## M E M O R A N D U M

TO: Representative Red Boucher, Chairman  
House State Affairs

FROM: Representative George Jacko, Jr., Chairman  
House Special Committee on Foreign Trade

DATE: January 26, 1990

SUBJECT: Request hearing for HJR 70 and HJR 71

I would like to respectfully request that you schedule House Joint Resolutions 70 and 71 for a hearing in the House State Affairs Committee at your earliest convenience. Both of these resolutions were passed out of the House Special Committee on Foreign Trade on Monday, January 22.

HJR 70 would encourage Alaska as the future site of a summit meeting between the United States and the Soviet Union. Although our resolution is not specific, it is feasible that a summit could begin in Vladivostok and then move to Anchorage to complete negotiations.

HJR 71 would request the U.S. State Department to reinstate the most favored nation status for the Soviet Union. In 1974 Congress enacted the Jackson-Vanik Amendment, which sought to expand Soviet emigration by linking U.S. trade advantages to emigration performance. This resolution would send a message to Congress and the President that Alaska supports the normalization of trade relations with the Soviet Union.

I've included background information on both these resolutions. If you have any questions please do not hesitate to contact my office.

Thanks for your prompt attention to this request.

# ALASKA INTERNATIONAL TRADE DIGEST



Vol. 2, No. 2

Governor's Office of International Trade

October, 1989

Steve Cowper, Governor

Robert Poe, Jr., Director

## Temporary Most-Favored-Nation Status for the Soviet Union

*by Eric Ostrovsky, Alaska State Office, Washington D.C.*

When the Soviet Trade Delegation from the Magadan Region conducted its trade and cultural promotion in Anchorage last winter, a great deal of confusion ensued about the custom tariff owed from the sale of goods that the delegation brought with it. The Soviets eventually placed \$50,000 in an Alaska bank as a "good faith guarantee" that the custom tariff would be paid. Nevertheless, the problem of tariffs remains.

The expensive custom tariff, with its attendant complicated rules, is a real handicap in creating a successful trade relationship between the U.S. and the Soviet Union. Responding to this problem, the Western Governors at their fall meeting passed a resolution drafted by Governor Cowper urging the President to grant temporary, most-favored-nation trading status to the Soviet Union. This status would reduce the type of tariff headaches that the Magadan Delegation faced when it tried to sell goods in Alaska. In turn, hopefully, a more favorable U.S./USSR trading climate would increase trade, other commercial, and cultural contacts with Alaska.

Most-favored-nation status entitles a nation to pay the lowest level of duties on its exports to the United States. The most-favored-nation designation, however, is a misnomer, since this status is enjoyed by all nations except some Communist bloc countries and Libya, with which the U.S. has banned all trade.

Congress originally installed higher customs on Soviet products in the Jackson-Vanik amendment to the 1974 Trade Act because of USSR's refusal to allow a more open immigration policy. Since the inception of Mikhail Gorbachev's political policies, however, Soviet immigration levels have increased at an annual rate of about 40,000. Recently, the Official Soviet visa agency announced that it expects about 200,000 Soviets to emigrate this year and more than 2 million to make visits abroad.

President Bush has made it known that, although he is favorably inclined to grant most-favored-nation status to the Soviet Union, he will not formally propose the change until a broad national base supports it. The momentum is clearly in this direction. The National Conference of State Legislatures, many members of Congress, and even former Congressman Vanik (the author of the trade restriction) have come out strongly for the change in policy. Governor Cowper has also asked the National Governor's Association to consider the idea during its next meeting.

The purpose behind the temporary most-favored-nation status proposed by Governor Cowper is to reward the Soviet Union for its recent change in emigration policy, while reminding the country that the U.S. is interested in the Soviet's long-term human rights record.

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# Waive Jackson- Vanik, For Now

NYT 7/10/89

By Sam Gejdenson

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WASHINGTON  
My parents fled the Soviet Union in 1947. Like many Soviet Jews, my parents fled to preserve their religious freedom, their dignity — indeed, their very lives.

Not a day goes by that they are not thankful that they had the opportunity to emigrate. I can still remember the bundles that my parents sent for years to express their appreciation to the woman who had helped them to survive and then to leave. I was instilled with that same sense of gratitude.

But millions of others in the Soviet Union have not been as fortunate as my parents. Over the last 20 years, emigration from the Soviet Union has been severely and harshly restricted. As recently as 1986, only 1,900 people were allowed to emigrate; among them, only 900 Jews. Moreover, the Soviet Union continues to be a very hostile place for Jews.

In 1974, Congress responded to the thousands of painful stories of those who had been refused permission to leave the Soviet Union by enacting the Jackson-Vanik Amendment, which sought to expand Soviet emigration by linking U.S. trade and credit advantages to emigration per-

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## But Moscow must meet conditions.

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formance. A President may waive the restrictions of Jackson-Vanik for one year, but only if he has received adequate assurances that Soviet emigration practices will lead to achieving free emigration.

Without question, we are witnessing a dramatic change in Soviet policy. Emigration levels are now the highest in a decade, exceeding 43,000 in the first four months of this year, including 14,000 Soviet Jews. If such rates continue, it would result in an annual emigration of 130,000 of which 42,100 would be Jews.

In addition, in the spirit of glasnost, the Soviets have recently committed themselves to principles of free emigration. In January, they signed the Vienna Concluding Documents, which requires participating countries to respect the right of everyone to leave any country, including his or her own. In a speech to the United Nations in December 1988, Mikhail Gorbachev pledged to limit the critical "state secrets" restriction to emigration. The Soviets have employed this tactic to block the emigration of individuals who have held jobs which exposed them to "state secrets" any time within the last 20 years.

We must ask whether the Soviet reforms have gone far enough to justify a Presidential waiver of the Jackson-Vanik Amendment. In my view, they are not there yet, but they are getting close. It is essential that the United States acknowledge the truly remarkable changes brought about by Mikhail Gorbachev. If we fail to do so, it only makes it more difficult for Mr. Gorbachev to promote further change within the Soviet Union.

It is for this reason that I have joined with several of my colleagues in Congress in introducing a resolution urging President Bush to waive Jackson-Vanik for one year, provided certain conditions are met.

The emigration rate must be maintained at a high level. There must be reliable assurances of systemic emigration reforms, especially regarding the long term-refuseniks and unreasonable impediments to emigration. Such reforms should include time limitations on the "state secrets" rule and a lifting of restrictions on emigration due to failure to receive permission from relatives remaining in the Soviet Union.

Moreover, any waiver must be conditioned on progress in putting these reforms into effect over the ensuing year. We must take every step necessary to protect the basic right of free emigration. If progress is not made, then the waiver will not be renewed. In essence, this is an opportunity for the Soviet Union to continue to move toward free emigration.

Clearly there are some risks involved. High level officials may give us assurances, but not honor them. Even if emigration reforms are codified into law, there are no guarantees of compliance or permanence. However, it is our own interest to send a message to the Soviet leadership that continuing its positive course will result in desirable and reciprocal responses from the U.S. For a one-year waiver, it is a worthwhile risk.

Therefore, President Bush should immediately initiate the process to obtain the necessary assurances from the Soviets. The time is right and the conditions are reasonable and achievable.

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Sam Gejdenson, Democrat of Connecticut, heads the House subcommittee on international economic policy and trade.

# Soviets may relax travel laws

By MICHAEL PARKS  
Los Angeles Times

MOSCOW — The Soviet government introduced historic legislation Monday that, after decades of tight controls, would assure the right of Soviet citizens to travel abroad and to emigrate.

Anatoly Kovalev, a first deputy foreign minister, told the Supreme Soviet, the country's parliament, that the draft law would help remove "some of the last vestiges of the 'Iron Curtain,'" and the official Tass news agency called it landmark legislation comparable to the East German decision last week to open its borders.

"The adoption of this law will create the legal guarantee of the right of everyone to leave any country, including his own, and to return to his own country, rights that we in various international agreements have committed ourselves to honor," Kovalev said.

Fyodor M. Burlatsky, chairman of the Soviet Human Rights Commission, told other deputies that between 500,000 and 600,000 people probably would apply to emigrate once the law is adopted and that 6 million to 8 million Soviet citizens would travel abroad next year on business or tourist trips as a result of the liberalization.

Emigration already is running at more than 15,000 people a month, and the United States alone is expecting to accept as many as 80,000 in the present fiscal year.

The bill would make several important changes in Soviet emigration regulations by limiting to five years the time in which those with access to classified material would not be permitted to go abroad; by ending the veto that close relatives now

have on the applications of those emigrating, and by providing for speedy processing of all travel applications.

The only remaining legal problem would-be emigrants face is alimony payments if they are divorced, but supporting regulations envision lump-sum payments or guarantees of continued remittances from abroad.

"This replaces the present collection of secret instructions, regulations and decrees that have governed these matters for so long," Kovalev said. "And it will put an end to the departmental and local standard-set-

ting for those who travel abroad or emigrate.

"Practically any citizen will now be able to get a passport for travel abroad or for exit for permanent residence abroad."

But the legislation also requires Soviet citizens wishing to emigrate to win admission first to another country.

For many, that will be a growing problem as tens of thousands of Soviet Jews, Armenians and Germans as well as Russians now apply to enter the United States, West Germany, Canada and Australia, all of which have expressed concern about their ability to absorb such a large number of people and have tightened their controls on those they used to accept as refugees.

The U.S. Embassy in Moscow has been so swamped by applications from Soviet citizens wishing to settle in the United States that it forwards them to Washington for processing and warns that perhaps only one in four will be accepted.

The legislation, once approved, will go a long way toward satisfying U.S. legal requirements of free emigration as the basis for such trade concessions as most-favored-nation status and export credits to finance American sales to the Soviet Union.

Emigration had been progressively liberalized in the past three years, and new regulations had reduced to 0.15 percent the proportion of applications rejected this year and had virtually doubled the number of

emigrants to a projected 180,000 to 200,000 people.

The legislation, which has a government priority, will be discussed within the Supreme Soviet's committees before being debated again publicly and then voted upon. Approval is expected within a few weeks.

The lawmakers, meanwhile, approved legislation Monday that provides for the first time for jury trials in serious criminal cases, where the penalty could be as high as death or 15 years.

Pressed on the Supreme Soviet by Burlatsky and other deputies earlier this month, the provision was included in a reform bill strengthening judicial independence.

## *Soviets to Liberalize Emigration, Hoping to Gain U.S. Trade Deal*

By ROBERT PEAR

Special to The New York Times

WASHINGTON, Nov. 16 — Soviet officials here and in Moscow promised today that Soviet emigration laws would soon be revised to permit freer emigration from the Soviet Union. In return, they asked that the United States lift trade barriers against Soviet exports.

At news conferences in the two capitals, Soviet officials seemed to be hoping that President Bush would recommend removal of the trade barriers in time for his meeting early next month with President Mikhail S. Gorbachev off the coast of Malta.

Administration officials and members of Congress indicated that the United States was unlikely to respond so swiftly.

The Soviet Ambassador to the United States, Yuri V. Dubinin, said that the Soviet Parliament would soon approve legislation liberalizing emigration procedures for Soviet citizens, and he said, "We expect positive steps from the American side," including "full normalization" of trade relations.

Soviet pleas for more favorable tariff

treatment appear to have become more insistent as Soviet economic problems have deepened. A meeting of senior Soviet and American officials here this week set the stage for a trade agreement that would lower more than a half-century of high American tariff walls against Soviet exports.

Details of the legislation were not immediately available. Soviet officials said it would retain some restrictions on emigration for people considered to have had access to state secrets.

Richard Schifter, the Assistant Secretary of State for Human Rights and Humanitarian Affairs, gave the Soviets high marks for their efforts and said that the Administration would look favorably on the legislation if its provisions are carried out "as we hope they will be."

Members of Congress and some Jew-

# Soviet Officials Promise to Ease Emigration Laws

Continued From Page 1

ish groups also welcomed the Soviet efforts, but said that details of the legislation were too sketchy for Mr. Bush to grant the Soviet request for trade benefits at this time.

Commerce Secretary Robert A. Mosbacher said the Soviet Government might become eligible for more favorable treatment under American trade laws "within the next one to three months" if it carries through on its promise. But it might take longer, he said.

The State Department emphasized Mr. Bush's position that the emigration bill must not only be passed but also "implemented" before the United States would suspend trade barriers imposed on Moscow in the last 15 years. A 1974 law, known as the Jackson-Vanik Amendment, says that Communist countries may not receive favorable tariff treatment or credits from the United States unless they permit free emigration by their citizens.

Ambassador Dubinin acknowledged that the Soviet legislation, which received preliminary approval on first reading on Monday, has not been published in the Soviet Union. American officials said they did not have the text of the draft law and therefore could not evaluate its details. Nor do they completely understand the procedures by which a bill becomes law in the new Soviet Parliament.

## Rights Group Commends Moscow

Senator Dennis DeConcini of Arizona, chairman of the Commission on Security and Cooperation in Europe, a human rights group, praised Moscow for taking a first step to revise its emigration laws. In a joint statement, Mr. DeConcini, a Democrat, and Representative Steny H. Hoyer of Maryland, the co-chairman of the commission, said, "We will not support a waiver of the Jackson-Vanik Amendment until the Soviet law receives final approval and a period of implementation takes place."

In an interview, Mr. Schifter said that the United States had had two principal concerns about Soviet emigration. "Applicants for exit permits who left security-sensitive jobs 10, 15 or even 20 years ago were denied permission to leave," he said. "In addition, some adult applicants who were unable to obtain the consent of their parents for their departure could not leave."

"It is my understanding that the new law would deal with both these issues," Mr. Schifter said. "If it does, and if its provisions are implemented as we hope they will be, our concerns will have been met."

Under the bill, Soviet citizens with access to state secrets could be forbidden to emigrate for up to five years. It is not clear whether this provision is retroactive, nor is it clear whether Soviet citizens denied exit permits for the last five years could immediately leave the Soviet Union.

Mr. Dubinin said that such questions, considered to be of paramount importance by Soviet Jews and their advocates in the United States, were "just a technical matter." In general, he said, the new law will be administered in a generous spirit, and "there will not be obstacles of a technical nature."

But Micah H. Naftalin, national director of the Union of Councils for Soviet Jews, expressed concern that "Jackson-Vanik will be prematurely waived in the euphoria of the moment" when Mr. Bush and Mr. Gorbachev meet.

Mr. Dubinin said he did not know exactly when the emigration bill would become law. Soviet emigration has already increased dramatically, with Soviet Jews, evangelical Christians and Armenians accounting for most of the exodus in the last 18 months. The United States, overwhelmed with applications from would-be Soviet refugees, has established new procedures to restrict their admission to this country.

## Some Questions Remain

Pamela B. Cohen, president of the Union of Councils for Soviet Jews, said her organization had a list of 253 Soviet families denied permission to leave the Soviet Union "on a variety of pretexts." The list, she said, includes 105 families denied exit permits because of access to state secrets and 121 who could not get the necessary permission from relatives.

Representative Charles E. Schumer, Democrat of Brooklyn, said, "The Soviet Union has made real and dramatic improvements in emigration policy, but has still not said whether it will release all the long-term refuseniks." Thus, he said, it would be premature for the United States to lower tariffs by giving the Soviet Union "most-favored-nation treatment" under the



The New York Times

The Soviet Ambassador to the United States, Yuri V. Dubinin, said the Soviet Parliament would soon approve legislation liberalizing emigration procedures for Soviet citizens.

trade laws.

Mr. Dubinin, like Soviet officials in Moscow, said there was "absolutely no linkage" between the Soviet emigration bill and recent events in Eastern Europe, where thousands of East Germans have fled their country. He noted that the bill liberalizing Soviet emigration procedures was introduced in the Soviet Parliament in August.

But, American officials said the Soviets displayed no sense of urgency about the legislation until this month.

# The New York Times

National Edition

Washington and Oregon: Cloudy, with rain likely from the Cascades to the coast in Washington. Tomorrow, clouds and showers. Weather map and forecasts for other areas are on page 22

SUNDAY, DECEMBER 3, 1989

\$2.50

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## Bush Gives Gorbachev Economic and Arms Proposals

OL.CXXXIX... No. 48,073

### REMOVAL OF CURBS ON TRADE IS URGED

#### President Is Offering Normal Tariff Status and an End to Chemical Arms Output

By FRANCIS X. CLINES  
Special to The New York Times

VALLETTA, Malta, Dec. 2 — President Bush today offered a sweeping array of more than a dozen economic and arms proposals to President Mikhail S. Gorbachev as they began their summit meeting, including an end to cold war trade restrictions.

Mr. Bush, meeting the Soviet leader on a gale-lashed day, proposed that immediate negotiations on a trade agreement, including giving normal tariff treatment to the Soviet Union, should begin once the Kremlin codifies new liberal emigration policy into law, according to White House officials.

The American officials did not say what proposals, if any, Mr. Gorbachev had offered, and no Soviet spokesman went into any detail on the first round of the scheduled two days of talks.

#### Storm Forces a Cancellation

The storm caused the two sides to cancel an afternoon session and an evening dinner because Mr. Bush could not travel from his base on an American warship to a Soviet ship 1,000 yards away.

The White House officials, speaking anonymously, said that in five hours of shipboard meetings with the Soviet President, Mr. Bush had indicated that Washington would support granting the Soviets observer status at the General Agreement on Tariffs and Trade, the Western-dominated international trade organization, once the current round of talks in Uruguay ends by the end of next year. Such status would amount to giving the Soviets an entry to the Western trading community.

On arms control, Mr. Bush reportedly offered to drop his resistance to ending production of binary chemical weapons in return for Soviet acceptance of his arms proposals at the United Nations in September.

#### June Summit Date Proposed

The President also proposed that the Foreign Ministers of the two nations meet in Moscow in June in an effort to conclude a treaty limiting strategic nuclear weapons in time for the 1990 summit meeting, which Mr. Bush proposed be held in the last two weeks of June in Washington.

"The President came here prepared to seize the moment in the U.S.-Soviet relationship, and he thinks he has done so," a senior Administration official said after the opening talks.

A senior White House official said Mr. Gorbachev was "extremely positive" in general. He added, however, that the Soviet leader had reacted negatively when Mr. Bush said Moscow's relationship with Cuba and Nicaragua was "the single most disruptive element" in American-Soviet relations.

As Administration officials circulated tonight offering details of what they termed the "Bush initiatives," it

became clear that the White House, far from taking this summit meeting as the informal get-together previously advertised, was working hard to regain some of the public relations momentum from Mr. Gorbachev.

The Soviet leader responded to Mr. Bush's list of proposals by describing it as "tangible evidence of the President's commitment to perestroika," according to an official present at the meetings.

Mr. Bush also invited the Soviets to join in proposing that the 2004 Olympic Games be held on both sides of the Berlin wall.

In his speech to the United Nations in September, Mr. Bush proposed that the United States and the Soviet Union begin to slash their chemical weapons to a level of 20 percent of American stocks and that this be done before a worldwide ban is agreed to.

He said any worldwide treaty should call for eliminating 98 percent of American stocks over eight years. The United States would keep 2 percent until all nations able to make chemical weapons acceded to the treaty.

Despite the proposal, the Administration intended to keep open the option of producing advanced chemical weapons, known as binary, once the treaty went into effect. This would have meant amending the treaty under negotiation.

Allies of the United States objected, and today's proposal to Mr. Gorbachev seems to be a way of backing off from continued production of binary weapons. Binary weapons involve two separate chemicals that are otherwise harmless but that form a lethal poison when mixed together.

Mr. Bush proposed initiating these reductions next year even before a scheduled multinational convention on chemical weapons is concluded. A number of his summit offerings, as reported by Administration officials, seemed timed for the summit meeting next year in the United States.

#### Afternoon Session Canceled

The opening session of the shipboard discussions was described by the White House as "very productive, informal and substantive."

But the afternoon session and dinner had to be canceled as rough seas swept into the harbor here and pinned down Mr. Bush aboard the cruiser Belknap.

Sixty-mile-an-hour winds kept four-foot-high whitecaps between him and Mr. Gorbachev, who rested easier aboard the larger Soviet cruise liner, Maxim Gorky, placidly tied at dockside here, only 1,000 yards from the storm-battered Belknap.

By evening, the storm-isolated Mr. Bush provided a graphic display of nature's power to disrupt the best laid plans of superpowers. Even so, the ranking diplomats would not allow any dampening of their estimate of the day's import.

"A good beginning," Secretary of States James A. Baker 3d said. His Soviet counterpart, Foreign Minister Eduard A. Shevardnadze described the crimped summit as "a fundamental significance for work."

Before the sea washed over the agenda, the two leaders managed five hours

of morning and luncheon meetings aboard the Gorky, including "one on one" discussion of more than an hour in which they were free of ministers and attended only by note-takers and translators.

"The meetings were marked by a spirit of forward-looking cooperation during these increasingly changing times," the White House said in a printed statement. "They recognized that economic and political challenges were ahead for Eastern Europe, and vowed to consider the opportunities presented with sensitivity and firm initiative."

Mr. Bush was described by the White House as finding the opening session "extremely productive." He talked for more than an hour at the first meeting, raising "more than a dozen ideas for economic and political progress in U.S.-Soviet relations," according to the White House.

Mr. Gorbachev then spoke about his perestroika plans for renewing Soviet economic and political life. Whereupon Mr. Bush "emphasized his support for the success of perestroika," the White House said.

Officials of the White House and Kremlin made plans to revise the sec-

ond day of scheduled talks on Sunday. But the lashing weather remained an uncertain factor into the night, with 16-foot waves raging just beyond the summit scene in the Marsaxlokk harbor of Malta.

Navy officials insisted that the winds must subside considerably before Mr. Bush attempts any more harbor trips in the Belknap's 40-foot motor launch. The launch had bobbed and rolled its way back to the Belknap after the morning discussions, with the President, a former Navy man, seeming to enjoy the roll.

The two Presidents made light of the weather as they met and shook hands at 10:05 A.M. on the Maxim Gorky. The Gorky became a backup meeting place when the rising morning seas already had a heavy roll under the Belknap and her Soviet counterpart, the Slava, the cruisers where the talks were originally planned to take place.

#### Officials at the Table

"Let's go to work," a beaming Mr. Bush said after a few minutes of small talk and photo posing.

"We will be discussing everything," Mr. Gorbachev said minutes later as they sat down with aides in the Gorky's

card room, a spacious library-like room decorated in mauve tones.

The group at the table included Secretary Baker, Mr. Shevardnadze and other ranking advisers. Mr. Gorbachev was flanked by his Foreign Minister and Aleksandr N. Yakovlev, the Politburo member who is the Soviet leader's closest aide. Also there were Defense Minister Sergei F. Akhromeyev and Anatoly I. Dobrynin, the former Ambassador to the United States.

Mr. Bush's party included his chief of staff, John H. Sununu; Brent Scowcroft, the national security adviser, Paul D. Wolfowitz, Under Secretary of Defense for Policy, and Robert Zoellick, counsellor to Mr. Baker.

The summit meeting opened against a backdrop of sweeping popular demands in East Europe for democratization and an end to hard-line Communist rule.

This was on the agenda, but only mentioned briefly in a summary of the morning session.

When Mr. Bush cast off from the Gorky more than five hours after coming aboard, he had finished almost continuous discussions with Mr. Gorbachev that lasted through a luncheon meeting, according to the White House.

POLITICS

# Momentum Gathers to Give Special Trade Status To the Soviets as a Reward for Jewish Emigration

By ROBERT S. GREENBERGER

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Ex-Congressman Charles Vanik believes it is time to pull the trigger on his proudest legislative achievement.

The former Democratic lawmaker from Ohio co-authored the 1974 Jackson-Vanik amendment, which withholds certain U.S. trade benefits from the Soviet Union until the U.S. president certifies that Soviet citizens can emigrate freely. The measure became the rallying point in the fight to force Moscow to permit the unrestricted outflow of Soviet Jews.

Now, Mr. Vanik says the Soviets have done their part—a record level of Soviet Jewish emigration is expected this year—and it is time to lift the ban temporarily. "The climate is good for it right now," says Mr. Vanik, who now is a lawyer here.

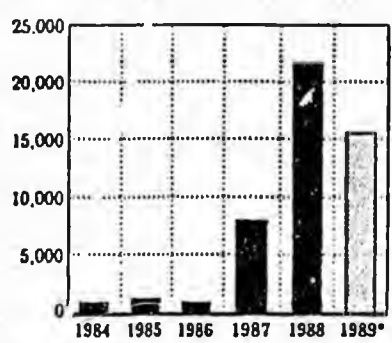
The National Conference on Soviet Jewry, an umbrella group advocating Jewish emigration, recently reversed 15 years of opposition and said it would support waiving the amendment temporarily. And a bipartisan group of lawmakers told the White House it would back such a move.

## Loosening the Strings

The year Jackson-Vanik was passed, 20,628 Soviet Jews were permitted to leave Russia. The level plummeted to 895 in 1964, when U.S.-Soviet relations were in a deep freeze. But Soviet leader Mikhail Gorbachev began loosening the strings and this year the total could exceed 50,000. The sharp growth has ignited a debate among the U.S. groups that follow the issue: Some want to push ahead with a waiver, but others want to keep the pressure on Moscow to do more.

Indeed, the political debate is moving so quickly that it may push the cautious Bush administration faster than it wants to go.

Soviet Jewish Emigration



\*Through April

Note: Nearly all are Jews, although figures also include some Pentecostals, Armenians and others

Source: State Department

President Bush said last month that he would consider a temporary waiver of the Jackson-Vanik restrictions only after the Soviets make changes in their law to permit unfettered emigration and then show they are carrying out the changes. Mr. Gorbachev has promised to make these changes, but passing such a law could take the new Soviet parliament months.

Past U.S. presidents have taken their cue on Jackson-Vanik from Jewish groups and lawmakers who have a special interest in the plight of Soviet Jewry. In 1979, for instance, President Carter considered a one-year waiver but backed away when Jewish groups balked.

## 'Appropriate Assurances'

But now, the National Conference on Soviet Jewry, which includes 47 Jewish organizations, is a step ahead of the White House. When it met this month, the Soviet Jewry group deliberately avoided using Mr. Bush's language calling for changes in Soviet law. The group believes it is time to send Moscow a positive signal without getting entangled in the complexities of the

Soviet legal system. So it adopted a position between those who want a waiver now and the administration's formula: It focused on performance, saying it would back a waiver once Mr. Bush had "appropriate assurances" that progress was being made in certain emigration areas.

Business groups, which have long opposed linking trade with emigration, say the best way to show Moscow that the U.S. wants to improve ties would be to suspend the Jackson-Vanik amendment, which denies the Soviets the most-favored-nation trading status granted to most other countries doing business with the U.S.

The growing momentum to waive the Jackson-Vanik provisions could produce a replay of Mr. Bush's actions on arms control. During his first few months in office, the president reacted with extreme skepticism to arms-cut proposals made by Mr. Gorbachev. But when pressure to do more mounted, Mr. Bush responded by unveiling a bold proposal to cut troops and aircraft in Europe, actions the U.S. had consistently resisted.

## Hints of Flexibility

"I wouldn't count on Bush's current opposition standing up to a broad congressional support for a waiver," says Rep. Howard Berman, a California Democrat who follows the issue closely. "The administration's general dislike for using economic sanctions as a tool could cause him to end up supporting the waiver even if the standards he's set forth aren't precisely met," adds Mr. Berman, who thinks it is too soon to grant a waiver.

There are some hints of flexibility in the administration's position. Robert Black-

## Dollar Calls for 'Pan-Pacific' Alliance



## & POLICY

will, a special presidential assistant for European and Soviet affairs, told business executives at a recent breakfast meeting that "we will be consulting with our friends in the Congress and other interested American groups on this to seek a consensus on when those preconditions [set by the administration] have been met."

That consensus still hasn't formed, however. Some legislators say it isn't yet time to lift the trade restrictions. "A clear policy of free emigration must be established in Soviet law and in the implementation of that law. If we accept anything less, we run the risk of acting prematurely," warns Sen. Dennis DeConcini, an Arizona Democrat. And the Student Struggle for Soviet Jewry, a New York-based group with 5,000 members, called this month's action by the National Conference on Soviet Jewry "a betrayal of the demands of Soviet Jews."

### Immediate Waiver

Last January, Mr. Vanik convened a meeting of Jewish and business leaders to try to coordinate a response to the rapid changes in Russia. He was concerned because some business groups were pushing for a five-year waiver of the Jackson-Vanik restrictions; he favors a one-year period to test Soviet performance. Some Jewish leaders were concerned because some in their ranks were pushing then for an immediate waiver, without waiting for any assurances from the Soviets.

The National Conference on Soviet Jewry's board of governors recently held an emotional, four-hour debate on the issue. It decided that if the president has "appropriate assurances" that a high level of emigration will continue and if the Soviets took certain other steps, including a limit on how long people could be barred from emigrating if they once had access to "state secrets," then the group would support a waiver.

But Rep. Sam Gejdenson, a Connecticut Democrat whose family fled the Soviet Un-

ion 40 years ago, concludes that the administration's emphasis on waiting for Moscow to pass new laws is misplaced. "When Sta-

lin was in charge, they had some great laws," he says, "but pretty lousy implementation."

## Ralston Purina to Sell Bremner Cookie Unit

ST. LOUIS — Ralston Purina Co. has agreed to sell its Bremner Inc. subsidiary, which makes cookies and crackers, to Beatrice Foods Inc. of Canada.

Terms of the agreement were not disclosed, and the parties still must negotiate a definitive agreement. Ralston expects to close the deal before Sept. 30, the end of its fiscal year, company spokesman Patrick T. Farrell said.

Beatrice Foods of Canada is a cookie company based in Toronto and is owned by the Canadian holding company, Onyx Corp.

Bremner, based in Louisville, Ky., makes 19 varieties of cookies and crackers. Many Bremner products sell under store labels or under a Ralston label, Mr. Farrell said. Under the agreement, Bremner no longer would be able to use the Ralston name.

Bremner has 450 employees. Ralston bought the company in December 1977.

## Philippine High Court Backs Land Reforms

MANILA, Philippines — The Philippine Supreme Court has rejected a legal challenge to government land reforms that will strip landlords of their huge estates.

The court, in a ruling this week, rejected a petition by more than 1,000 landowners who denounced President Corazon Aquino's reforms as unconstitutional.

The land reforms, launched last year, involve giving 13.1 million acres to more than 3 million tenant farmers in the next decade. Landowners will be compensated with cash and state bonds.

## Japanese Firm to Halt Black Doll's Production

TOKYO — A Japanese toy maker said Thursday it will

Boys across America may shake their heads in dismay, but the courts have spoken: G.I. Joe is a doll, not a toy soldier.

Hasbro Inc. had sought to get Joe out of duty — import tariffs, that is — by battling the less-than-macho designation of doll. But a panel of three federal judges wasn't persuaded.

Not to worry, said company officials in Pawtucket, R.I.

"G.I. Joe is still one of the guys," said Donald Robbins, a Hasbro vice president and general counsel. "Boys know who he is."

"Even though G.I. Joe has lost this battle, hopefully he will not lose his courage for

combat," wrote Judge Paul R. Michel of the U.S. Court of Appeals for the District of Columbia, upholding the U.S. Customs Service in a July 12 ruling.

At issue in the case was not just G.I. Joe's macho image, but a sizable chunk of his booty from the toy wars. Since Hasbro began importing G.I. Joe from Hong Kong in 1982, the Customs Service has imposed a 12% tariff, amounting to millions of dollars.

Last year Hasbro argued before the U.S. Court of International Trade in New York that G.I. Joe is just an updated version of the traditional toy soldier and should not be subject to the duties placed on imported dolls.

Although he wears military duds, brandishes a submachine gun and lugs an assault pack, both the trade court and the appeals court ruled that Joe fit the standard definition of "a representation of a human being used as a child's plaything" — in other words, a doll.

"The decision had an attempt at humor. But they really strictly applied the dictionary definition," M. Barry Levy, who argued the case for Hasbro, said from his New York office.

When introduced 25 years ago, G.I. Joe was a pioneer in the marketing of flexible plastic figurines to boys. Hasbro was always

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# Western Governors Urge Trade Break for Soviets

## Pressure Builds To Ease Curbs

By ROSE A. HOROWITZ  
*Journal of Commerce Staff*

LONG BEACH, Calif. — Governors from 17 Western states urged President Bush to grant most-favored-nation trading status to the Soviet Union at least temporarily.

U.S. business groups and some politicians have intensified pressure on the government recently to lift trade restrictions in order to foster better U.S.-Soviet business ties.

Most-favored-nation status entitles a nation to pay lower duties on its exports to the United States.

The governors' proposal, drafted by Alaska Gov. Steve Cowper, recommends that the president grant a "temporary waiver" of the Jackson-Vanik amendment "upon being convinced that the U.S.S.R. is tak-

ing necessary steps to eliminate emigration restrictions."

The Western Governors' Association adopted the resolution earlier this week during its annual conference here. The proposal will be sent to the president, Congress and federal agencies.

The 1974 Jackson-Vanik amendment withholds trade credits and favorable tariff treatment from countries that limit emigration.

In an interview, Gov. Cowper said Alaska's trade and tourism with the Soviet Union has been increasing. "We are close geographically and culturally with the Soviet Union," he said.

The governors also called for more federal funding and supervision to ensure a better cleanup response in the event of another oil spill like the one from the Exxon Valdez off the coast of Alaska in March.

The proposal, drafted by Gov.

Cowper, whose state's coastline was devastated by the Exxon Valdez spill, asks the president, Congress and federal agencies to:

- Require the Coast Guard to maintain adequate emergency cleanup plans and resources to protect all ports that are vulnerable to oil spills.

- Preserve the states' rights to assess fees to support the supervision of oil-spill cleanups.

- Preserve the states' legal authority to set liability and penalty limits.

"We don't know how to clean up a major oil spill in this country," Gov. Cowper told his fellow governors. Even if authorities had known how to clean up the massive spill off Alaska's coast, "we didn't have the technology to do it," he said.

During the conference, the association elected North Dakota Gov. George Sinner as its chairman for the coming year. He succeeds California Gov. George Deukmejian.

## CUSTOMS

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Bulgaria: The Bulgarian Ch is authorized to issue country-of-an wines and/or distilled spirits.

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# Japanese Electronics Makers Pursue South Korean Consumers

## U.S.-SOVIET RELATIONS

# Bush Stance on Jackson-Vanik Offers Something for All

In offering conditional support May 12 to a temporary waiver of the Jackson-Vanik restrictions on U.S.-Soviet trade, President Bush has sent several messages on an emotional issue.

To the Soviets, he has signaled that should they continue to liberalize their emigration policies, he'll press for lifting of the 1974 Jackson-Vanik Amendment, which withholds government trade credits and favorable tariff treatment from countries that curb emigration.

To Congress, he has telegraphed willingness to work for a political consensus before exercising his authority to waive the Jackson-Vanik curbs.

And to the Jewish community, Bush has demonstrated that he's ready to reward the Soviets — as some members of Jewish groups want — for easing emigration while heeding the advice of others to set tough conditions for lifting trade restrictions.

In his speech on U.S.-Soviet policy at Texas A&M University, Bush said that "should the Soviet Union codify its emigration laws in accord with international standards and implement its new laws faithfully," he is "prepared to work with Congress for a temporary waiver" of Jackson-Vanik. (*Text*, p. 1209; *Weekly Report* p. 1144)

That would pave the way for the Soviets to get most-favored-nation status, bringing its tariffs in line with those faced by other U.S. traders.

Sen. Henry M. Jackson, D-Wash. (1953-83), and Rep. Charles A. Vanik, D-Ohio (1955-81), authored the amendment because of Capitol Hill concern over the Soviets' restrictions on Jews wishing to emigrate to Israel.

With Soviet leader Mikhail S. Gorbachev promising to put emigration reforms into law, Vanik and some Jewish organizations think the time has come to waive Jackson-Vanik temporarily. (*Weekly Report* p. 400)

According to the State Department, some 19,000 Jews were allowed to emigrate last year, the most since 1980. In the first four months of this year, Jewish emigration has averaged almost 3,700 per month.

How far to go in rewarding the Soviets is a topic of impassioned debate

within the Jewish community.

The National Conference on Soviet Jewry (NCSJ), the main Jewish group concerned with emigration, is expected to reach a position on a Jackson-Vanik waiver June 12-13. But Mark B. Levin, director of the Washington office, said Bush's conditioning a waiver on new Soviet laws was welcome. He said the NCSJ wants to see "sustained levels of emigration, progress on cases of *refuseniks*," as well as codification of legal reforms.

Jess N. Hordes of the Anti-Defamation League of B'nai B'rith also believes that Bush's approach "strikes a constructive balance."

And Pamela B. Cohen, president of

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**"Jews are still political commodities to be traded."**

—Pamela B. Cohen, Union of Councils for Soviet Jews

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the Union of Councils for Soviet Jews, said "the bottom line has to be verification." For example, she said, the Soviets should clear up a backlog of emigration cases, abolish procedural blocks, and establish a legal system for grievances. "The numbers are up and we applaud this . . .," she said. But "Jews are still political commodities to be traded."

However, Stephen Silbiger, of the Washington office of the American Jewish Congress, said the waiver should be granted today: "Words are nice but deeds are better. The Soviets have given us a lot of deeds and we ought to be judging them by their deeds."

The timing of a Jackson-Vanik waiver rests largely with the Soviets' schedule to make promised reforms. Rep. Sam Gejdenson, D-Conn., says the Soviets ought to be rewarded for emigration progress and "tremendous initiatives" on other issues — such as conventional troop reductions. But Gejdenson, chairman of the Foreign Affairs subcommittee on trade, said he would

wait for his panel to hold hearings next month before naming specific criteria for a Jackson-Vanik waiver.

Rep. Lawrence J. Smith, D-Fla., said the Soviets "have talked a good game," but he would need to see reforms put into law before supporting a waiver.

Bush has the authority to waive Jackson-Vanik. But as a political matter, he would not waive Jackson-Vanik without a broad Hill consensus.

That consensus could jell quickly if the Soviets move soon to codify their promises to drop requirements of an invitation from a close relative and parental consent and reduce restrictions on emigration based on the possession of state secrets. But Jane S. Fisher, deputy staff director to the congressional Commission on Security and Cooperation in Europe (CSCE), said the Soviets may not take significant action until next year. Soviet human-rights activist Arkady Vaksberg, reporting on a conversation with Soviet emigration bureau chairman Rudolf Kuznetsov, told CSCE that the Soviets "were going to take reform very slowly," Fisher said.

The Soviets are still organizing their new government, with the legislating body, the Supreme Soviet, to be selected in late May. Noting that the Soviets "lack the technical ability to write laws," Sen. John Heinz, R-Pa., predicted that "changes may come, but we shouldn't expect them overnight."

## The 'Slepak Principles'

Meanwhile, some members of Congress want to use trade to prod the Soviets to make domestic reforms. Bills (HR 2366, S 1018) introduced May 16-17 by Reps. Smith and John Miller, R-Wash., and Sens. Heinz and Dennis DeConcini, D-Ariz., would set up a voluntary "code of conduct" for U.S. businesses in the Soviet Union. Called the "Slepak Principles," the guidelines are patterned after the "Sullivan Principles" applied to firms in South Africa.

First proposed by Vladimir Slepak, a Soviet émigré who helped found the Moscow Helsinki Monitoring Group, the principles include having U.S. firms refuse to use materials made by forced labor, decline to produce items critical to the Soviet military, and establish joint ventures with private, not state-run, cooperatives. "I think it's important that American business play its role in getting across in the Soviet Union the importance of human rights and private enterprise," said Miller.

But one Hill expert predicted "its effect would be to chill trade" by setting up rules impossible to meet. ■

## TRADE

# Hill May Face Decision Shortly On Jackson-Vanik Limits

*Administration prepares the way to lift  
15-year-old barriers to Soviet goods*

**A**s President Bush looks for ways to integrate the Soviet Union and Eastern Europe into the world economy, Congress may soon be asked to dismantle some of the barricades it built for the Cold War.

High on that agenda is the key law restricting U.S.-Soviet trade: the 1974 Jackson-Vanik amendment, which bars favorable treatment or credit support for Soviet goods until the Soviet government allows its religious minorities free rights of emigration.

Lee H. Hamilton, D-Ind., a senior member of the House Foreign Affairs Committee, said Nov. 21 that he would not be surprised by a breakthrough on Jackson-Vanik when Bush meets with Soviet leader Mikhail S. Gorbachev Dec. 2-3. (*Malta summit*, p. 3250)

"It should have been done a long time ago," he said.

Bush announced in May that he was "prepared to work with Congress for a temporary waiver" of the law for the Soviet Union, once the Soviets had enacted laws to guarantee the rights of their citizens to emigrate freely and had "implemented its new laws faithfully."

By a lopsided margin, the Supreme Soviet approved a statute in mid-November that would codify liberalized emigration policies already in practice. However, under Soviet procedures, the law must be approved a second time.

"The president can't waive [Jackson-Vanik] before enactment of their law and some period of implementation," said Hamilton. "But my guess is it will be a pretty brief period, because we've already got a pretty good record."

Hamilton's expectations are widely shared on the Hill, although support for an early waiver is by no means universal.

Should Bush waive the restrictions (as the law allows him to do for up to 18 months), Washington and Moscow

*By Ronald D. Eising*



PAUL CONKLIN

Rep. Lee H. Hamilton, D-Ind.: "It should have been done a long time ago."

would then negotiate a bilateral trade agreement granting the Soviets most-favored-nation (MFN) trading status. Congress must then pass a concurrent resolution approving the waiver and the treaty.

On Nov. 16, after two days of meetings with Soviet commercial officials, Commerce Secretary Robert A. Mosbacher predicted early action.

"Assuming [the new emigration law] goes through, then the president has already said he will recommend to Congress that the Jackson-Vanik position be waived on a year-to-year basis," he said.

Mosbacher said he expects to see the two nations proceed to a trade agreement and normalize their trade relations "one to three months" after that — depending on how long Congress takes to approve it.

Asked about the administration's attitude Nov. 22, U.S. Trade Representative Carla A. Hills sounded more cautious: "One to three months may be a little short, but I feel confident that if the premises are fulfilled, that [trade normalization] will come in due time."

Added Hills: "A lot of people in Congress just feel that, beyond the [Soviet] legislation, let's just see how it's implemented."

During the November meetings of the U.S.-U.S.S.R. Joint Commercial Commission, the two sides agreed to set up a working group to hold preliminary talks on a trade agreement. Other groups were formed to negotiate a bilateral tax treaty and to discuss conditions for foreign investment in the Soviet Union.

## Mixed Emotions

At the center of the congressional debate over Soviet emigration and trade restraints lies a chicken-or-egg question. Does one begin with a waiver to prompt improvements in performance? Or does one await additional improvements in performance to prompt the waiver?

In the final hours of the 1989 session, Sen. Daniel Patrick Moynihan and Rep. Thomas J. Downey, New York Democrats who serve on their respective chambers' trade subcommittees, were asking colleagues to sign a letter urging Bush to put a waiver on the summit agenda.

"I think it's assumed," said a House leadership aide. "What else has [Bush] got? If he doesn't bring something substantial to the summit, he runs the risk of Reykjavik." Former President Ronald Reagan was caught somewhat off balance at the 1986 summit in Reykjavik, Iceland, when Gorbachev offered deep cuts in nuclear arsenals.

Downey has argued since June that the "very significant progress in Soviet emigration performance" should cause the United States to "encourage the Soviets to make even further progress."

But other members, while impressed by recent improvements in Soviet emigration policy, remain skeptical about the future and want more proof.

"I'd like to see a resolution of all outstanding issues before we have a waiver," says Rep. Charles E. Schumer, D-N.Y. Schumer has told constituents that codification is not enough and that all long-term refuseniks should be freed first.

"While the Soviet Union is making real progress [on emigration reform], going all the way to MFN strikes me as premature," he said Nov. 16.

Should Bush decide to waive, he may face an ironic array of critics. In addition to such liberals as Schumer and Rep. Barney Frank, D-Mass., a waiver would also draw fire from the right wing of Bush's own party.

Rep. Henry J. Hyde, R-Ill., has said

## The Sponsors: Jackson and Vanik

The authors of the Jackson-Vanik amendment hailed from different regions, but their political roots shared similar soil.

Sen. Henry M. "Scoop" Jackson (House, 1941-53; Senate 1953-83) came from the land of tall trees and deep harbors of the Pacific Northwest, born in 1912 and raised in the community of Everett, Wash.

Rep. Charles A. Vanik (1955-81), just a year Jackson's junior, was born and raised in the blue-collar ethnic neighborhoods of Cleveland when that city was at its peak of commercial and industrial importance.

Both came from immigrant families with little money. Both put themselves through college and law school during the Depression and entered public life early (Vanik was elected to the city council at 25, Jackson to the House at 28). Through their long careers, both came to personify the labor traditions of the Democratic party: liberal on economic and social issues but inclined to nationalistic, conservative attitudes in foreign affairs (including an unswerving loyalty to Israel).

Jackson was for many the postwar paradigm of this Democrat wing. Since his death in 1983 his name has been often invoked by Democrats who would prefer a harder party line internationally.

A hallmark of Jackson's hard-nosed foreign policy was his suspicion of the Soviet Union and all its works. Although his Senate power was as chairman of the old Interior Committee, his greatest influence may have stemmed from his active membership on Armed Services.

He came to the committee shortly after his election to the Senate in 1952 (after six terms in the House). From this vantage he was a critic of every president from Eisenhower through Carter, charging that they spent too little on defense, bungled the Vietnam War effort or tried too hard to appease the Soviets.

The last of these crusades led him to oppose much of the program former President Richard M. Nixon sought



Sen. Henry Jackson (1953-83) Rep. Charles Vanik (1955-81)

to follow after his historic summit in Moscow in 1972. Nixon wanted to involve the Soviets in the world economy. And although they were not parties to the General Agreement on Tariffs and Trade (GATT), Nixon wanted to grant them the most-favored-nation status (MFN) granted to nations that sign that accord.

Jackson opposed such status for the Soviet Union and any other country that refused to allow its citizens

to emigrate freely. He had a natural ally in Vanik, then the third-ranking Democrat on Ways and Means and chairman of its Subcommittee on Trade.

Vanik was first elected to the House in 1954 from a more city-based district that was rapidly becoming a majority black district. After 1968, he was elected from a district that stretches into suburban counties, following the migration of middle-class Cleveland families into communities once dominated by the more affluent.

Of Eastern European descent, Vanik represented a district with many others whose experience with communism had led them or their relatives to emigrate. He also had many Jewish constituents.

Vanik started the ball rolling on trade restrictions in 1973, when he succeeded in incorporating into the trade bill approved by the House that year language denying MFN status and forbidding government-backed trade credits to the Soviet Union unless it eased restrictive emigration policies. At Jackson's insistence, the Senate version approved the following year included similar language, with an amendment that allowed for a presidential waiver.

Long an advocate of low-cost campaigns, Vanik bowed out of the House after 1980 rather than continue in the big-dollar campaigns of the day at age 67. Now a lawyer in Washington, D.C., Vanik continues to follow the issue of Soviet Jewish emigration closely and has come to advocate a lowering of the trade barriers he helped impose.

—Ronald D. Eving

he would not support most-favored-nation trade status for the Soviet Union. "Absolutely not," he said, "until there's some tradeoffs in terms of regional conflict and reduction of conventional forces which are still overwhelming in Europe."

At the same time, Bush will probably enjoy support from the GOP mainstream. "Personally, I'd support it," said Rep. Steve Gunderson, R-Wis., a deputy whip. "The Soviets are a long way from democracy, but they're mov-

ing, and they're allowing the other communist-bloc states to move even faster."

### Historical Shifts

The Soviets' trade agenda is much more than one item in length. They want to be granted observer status in the General Agreement and Tariffs and Trade in Geneva. And they will eventually seek repeal of the 1974 legislation sponsored by Sen. Adlai Stevenson III, D-Ill. (1970-81), that put a

\$300 million ceiling on their credit line at the U.S. Export-Import Bank.

Until Jackson-Vanik is waived, the Soviets can have no credit line at the Ex-Im Bank at all. With a waiver and a treaty, however, MFN status would entitle Soviet exports to the lowest tariff rate the United States charges any of its trading partners. The result would be a dramatic lowering of tariffs on Soviet goods.

Beyond that, MFN status would bring the Soviets in from the cold in

terms of international politics. It is precisely for that reason that they so resent its denial.

"It's really just a signal that says we don't consider them subhuman," says Rep. Jim Moody, D-Wis., an economist and a member of the Ways and Means Committee.

Still, removing the restrictions is not expected to bring an overnight explosion of U.S.-Soviet trade.

"Don't expect to see the Oklahoma land rush, with all the wagons lined up waiting for the gun," said Don Hasturth, director for East-West trade at the U.S. Chamber of Commerce.

Konstantin Katushev, the Soviet foreign minister for economic relations, this month estimated U.S. trade with his country at \$3 billion a year. Soviet purchases of U.S. grain account for two-thirds of the bilateral trade total. Without farm goods, it approximates U.S. trade with many developing countries. In part, that is because the Soviets lack hard Western currency with which to buy in the United States.

However, "if we lower barriers to imports, it helps our exporters in the long run," Moody said, "because the more they sell to us or to any other hard currency markets, the more they can afford to buy from us."

Even without high duties, though, Soviet goods are likely to have limited appeal. Pressed on this point, Katushev said he had found U.S. buyers interested in Soviet tractors and joked about wanting to see all U.S. women wearing Soviet furs.

At the same time, a warming political climate may well be a necessary first step. On his visit here, Katushev noted that the Soviets manage to conduct twice the trade with Finland that they do with the United States, and more yet with West Germany.

"The MFN and tariff issues may be of minor economic consequence," said Hasfurth, "but they're psychologically important."

### Jewish Focus

Highly popular at its inception and through most of the interim, Jackson-Vanik has been called into question as the tide of émigrés leaving the Soviet Union has risen. Even those who oppose a waiver concede that Jewish emigration alone will hit 60,000 this year, a record.

Many, although by no means all, of the Jewish organizations that have supported Jackson-Vanik ardently over the years have shown an open-

ness to reconsideration in light of Gorbachev's reforms. (*Weekly Report* p. 400)

And even Charles A. Vanik, the former Ohio Democrat (1955-81) who invented the restrictions with Sen. Henry M. Jackson, D-Wash. (1953-83), has lately lobbied the Hill for a waiver for his own handiwork. (*Box*, p. 3231)

Jackson-Vanik stems from events set in motion in 1972, when President Richard M. Nixon became the first president to visit the Soviet Union. Nixon and his national security adviser, Henry A. Kissinger, achieved agreements with the Soviets on grain, emigration and MFN status for Soviet exports to the United States.

But some in Congress felt Nixon and Kissinger were not sensitive enough to the suppression of Jewish emigration. Jackson and Vanik attached amendments to the omnibus trade legislation that moved through

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**"I'd like to see a  
resolution of all  
outstanding issues before  
we have a waiver."**

—Rep. Charles E. Schumer, D-N.Y.

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Congress in 1973 and 1974. (1973 *Almanac* p. 833; p. 1974 *Almanac* p. 558)

The legislation allowed the administration to grant MFN status to a communist country — but only if the president determined that the nation allowed its citizens freedom to emigrate. Congress was given the right to review any such determination.

Jackson and Vanik's main intent was to force the Soviets to let Jews go to Israel if they wished. The Soviets had just imposed an "education tax" on those with advanced schooling who sought exit visas.

Jews were also denied exit visas if they had worked in industries that involved "state secrets." Others were refused if "poor relatives" could not be found to sign affidavits of self-support in the absence of the departing émigré.

Incensed at Jackson-Vanik, the Soviets pulled out of the trade agreement they had reached with Nixon. And for a time, they tightened restrictions on Jewish emigration still more.

But with the rise of Gorbachev, the emigration climate has thawed along with other aspects of Soviet life.

### Enthusiasm . . . and Hesitation

Mark Talisman, a former top aide to Vanik now with the Council of Jewish Federations, said he had watched the Supreme Soviet debate and pass its emigration code with a sense of witnessing history.

"Within the context of the volcanic changes there, we have to bite the bullet and say we have won," he said.

Talisman said his old boss agreed: "[He] thinks the time is right. He thinks everything is in place."

Not everyone agrees, however. Having called on the Soviets to codify their new attitude, the Union of Councils for Soviet Jews argues that law should be observed in action before Jackson-Vanik is waived.

"A look at the draft of the new law reveals the wisdom of waiting for implementation," said Micah Naftalin, national director of the Union of Councils. "The law is an improvement, but we're waiting to see if they let those people out."

Reliable counts are hard to compile, but Naftalin said his group's accounting showed 124 families waiting out the "poor relatives" objection to their exit, with 115 being refused on the basis of exposure to "state secrets" and 34 on other grounds. He estimates that these 273 families include more than 750 individuals.

Naftalin said the law purports to codify current practice, which allows exceptions. "Many of the refuseniks are refuseniks because they have been 'exceptions,'" he said. If a gesture is needed, he said, his organization would prefer to see repeal of the Stevenson act.

Naftalin said he had found Mosbacher's Nov. 16 remarks "confusing" because they seemed to imply that an early waiver was all but certain.

He cited a letter that his organization had received from Secretary of State James A. Baker III a week earlier giving assurances that "our policy remains unchanged."

Baker said Bush had agreed only to "work with Congress on a waiver of Jackson-Vanik . . . if the Soviets codify their immigration laws in accordance with international standards and implement them faithfully."

But Talisman finds less reason to worry: "No one loses. They've joined the nations of the world. And if that turns out not to have been true, there are mechanisms to rectify the situation." ■

ulate increased U.S.-Soviet trade and greater Soviet involvement in world trade councils.

President Bush opened the weekend talks by making six economic proposals. He pledged to work toward granting most-favored-nation trade status to the U.S.S.R. and he promised to support observer status for the Soviets at the General Agreement on Tariffs and Trade.

Bush also urged negotiations on a bilateral investment agreement, and said he would work to eliminate U.S. barriers to investment in the Soviet Union. As other administration officials have in the past, the president offered technical aid, including advice on the establishment of a Soviet stock market. Economics occupied two of the eight hours of meetings, according to administration officials. Bush later praised the economic portion as "one of the most fruitful parts of our discussion." Gorbachev described the economic offers as being "of principle importance."

In a Dec. 3 joint press conference with Gorbachev, Bush said, "I would like to have a climate in which American businessmen can help in what Chairman Gorbachev is trying to do with reform and obviously with glasnost.

Gorbachev said, "This will prove that the Soviet Union is becoming a full-fledged partner in world economic affairs." The Soviet leader said the Malta talks have provided "a political impetus which we were lacking for our economic cooperation to gain momentum."

While promising further economic integration of the Soviet Union into the world economy, the developments at the Malta summit will require further negotiations and action by Congress and by other countries. Bush urged Gorbachev "to move toward market prices at the wholesale level" if it hoped to become an observer at GATT (see related report in this section).

Gorbachev himself indicated to reporters Dec. 3 that further progress on the economic fronts "will depend on the Soviet actions, whether legal or economic." He explained, "You understand that today we try to turn drastically our economy toward cooperation with other countries, so that it would be part and parcel of the world economic system."

While Bush emphasized the potential for improved bilateral economic relations, he made no concessions having immediate effects. In particular, he offered nothing concerning export controls.

#### *Most-Favored-Nation Status*

Bush told Gorbachev that he hoped to grant the Soviet Union more favorable trade conditions, possibly in late June when he invited Gorbachev to meet with him again, this time in Washington.

Bush suggested that the two countries should begin negotiating a trade treaty. He indicated that once the Soviet Union implements a new emigration law he will support granting the Soviet Union the lower tariff benefits of most-favored-nation status and grant a waiver from the Jackson-Vanik law.

Officials indicated their hope that the trade could be ready for Bush and Gorbachev to sign June in Washington, and that Bush can grant a

Jackson-Vanik waiver "at that time." Waivers under the law have to be recertified every year by the president.

Tariffs on some manufactured goods are as much as 10 times higher than they would for a country with most-favored-nation status.

Bush's position is based on the assumption that the Soviet Union will continue to allow increased Jewish emigration and that the Supreme Soviet this Spring will pass a law formalizing its liberalized emigration policies. These developments, Bush pledged, would allow him to support a lifting of 1974 Jackson-Vanik amendment prohibition on granting MFN status to countries with restrictive emigration policies. Jewish emigration has more than doubled this year, to about 50,000 persons compared with 19,000 last year and 8,000 in 1987, according to State Department estimates.

Simple passage of a new emigration law might not be enough, Bush spokesman Marlin Fitzwater hinted to reporters Dec. 3, explaining that "then we have to be assured that it's being implemented and the best way to do that is to begin now to negotiate a trade agreement...."

The groundwork for trade negotiations was laid last month when Commerce Secretary Robert Mosbacher and a top Soviet official signed a joint report which among other things established a working group to begin preliminary work on a trade agreement. Also agreed to then were negotiations on the new bilateral tax treaty.

#### *GATT 'Observership'*

Bush also promised to support the Soviet's quest to join the 97-nation General Agreement on Tariffs and Trade.

However, the president said he would support giving the Soviet Union "observer," not member, status in GATT. He further said that this limited admission would not be possible before the end of the ongoing Uruguay Round of talks, which is not scheduled to conclude until the end of 1990.

Again there were hints of conditions. White House press secretary Marlin Fitzwater told reporters in Malta Dec. 3 that Bush discussed "details of how we would like to see the Soviets proceed, particularly in terms of moving toward market pricing as a prelude to getting them observership in the GATT."

A brief White House description of Bush's position that "the Soviet Union should use the intervening time to move toward market prices at the wholesale level so its economy will become more compatible with the GATT system."

#### *Mutual Investment Treaty*

Bush also proposed that work begin on another treaty, dealing with investment, and guaranteeing such things as repatriation of profits.

Such a treaty would make it possible for U.S. businesses doing business in the Soviet Union to obtain insurance and other support from the Overseas Private Investment Corporation.

Authorizing OPIC to cover investment in the Soviet Union may prove to be very popular, speculated OPIC

press spokesman Jim Hall. Coverage of Poland and Hungary by OPIC this year has doubled the number of inquiries from business, he said.

OPIC already has 21 applications for various types of insurance in Poland, representing \$1.1 billion in investment, and 15 applications for Hungary with a worth of \$500,000, Hall said. Most are for "political risk insurance," although the agency also provides investment guarantees and some direct loans. Hall said the agency budget will definitely need expansion to handle the Soviet Union.

The agency that was formed to encourage investment in developing countries has provided insurance for only two other communist countries, Yugoslavia and China. The Yugoslavian connection was established "years ago," Hall said, and OPIC work with China is "on hold," with old insurance continuing in force but no new insurance applications are being processed. OPIC authorizing statute prohibits operation in communist countries, but earlier this year Bush by executive order granted exceptions for Poland and Hungary. These exceptions were ratified by Congress. Obtaining an investment treaty is another necessary precursor to OPIC involvement, Hall said.

"If Poland and Hungary doubled all the interest, adding the Soviet Union would double everything again," he said.

#### *IMF, World Bank Discussed*

Soviet membership in the IMF and World Bank also was discussed. During the Dec. 3 press conference Bush said alluded to "certain things we can do to help the Soviet Union, and indeed other countries, seek common ground with the multilateral institutions related to finance. . . ." Bush Dec. 3 described this development as "an extraordinarily big plus."

#### *Bush Opposes Credit Ban*

Bush also told Gorbachev he would explore with Congress the lifting of statutory restrictions on export credits and guarantees.

Current U.S. law limits U.S. Export-Import Bank assistance for American investors doing business in the Soviet Union. Even if the Jackson-Vanik prohibition is lifted, the legal restrictions place a \$300 million cap on the amount of business with the Soviet Union that the Eximbank can guarantee, according to an Eximbank spokesperson.

#### *Technical Help Offered*

Bush's offer of technical assistance included an offer to help the Soviet Union set up a stock market.

Few details of the offer were revealed, but U.S. officials said Bush presented Gorbachev with "a paper" suggesting specific projects on "finance, agriculture, statistics, small business development, budgetary and tax policy, a stock exchange, and anti-monopoly policy."

#### *'Economic Basket' Process*

In his sixth talking point with Gorbachev, the president suggested "improving ties between the Soviets

and the Organization of Economic Cooperation and Development, and East-West economic cooperation through the "economic basket" of the Commission on Security and Cooperation in Europe (CSCE)," according to the White House.

The president's comment may give new importance to an upcoming CSCE meeting on economic cooperation. The 35 CSCE members include all the European nations except Albania, plus the United States and Canada. Begun officially about 1973, the CSCE operates without a permanent secretariat and sponsors conferences on numerous topics.

From March 19 to April 11 in Bonn the CSCE will conduct a 15-topic conference on economic cooperation. Subjects to be discussed include: currency convertibility, commercial information, and the role of small and medium business, according to a State Department official.

#### *Environment*

Bush made two suggestions concerning the environment, according to the White House, telling Gorbachev that the United States will host a conference to negotiate a framework treaty on global climate change after the working groups of the United Nations-sponsored intergovernmental panel on climate change submit their final report.

In addition, the president said he will convene an international meeting at the White House next Spring "for top level scientific, environmental and economic officials to discuss global climate change issues." He invited Gorbachev to send representatives to the meeting. □

#### *Financial Institutions*

##### **SHADOW GROUP RAPS RTC FOR SLOW ACTION, FED MINIMUM CAP STANDARDS, LATIN DEBT PLAN**

The Resolution Trust Corporation should dispose of failed thrifts and their assets quickly to avoid the impending losses and potential scandals that may result from current resolution standards, the Shadow Financial Regulatory Committee said during a press conference in Washington, D.C. Dec. 4.

In a prepared statement, the group of independent financial experts said that RTC's slow disposal of assets of failed thrifts may impose higher bailout costs on taxpayers.

According to the shadow regulators, RTC has relied on liquidations or deposit transfers in resolving insolvencies. Those methods require large amounts of cash payments to depositors or to the institutions assuming those deposits, while most assets of the failed institutions remain with the RTC.

If those methods continue, the committee said the RTC would soon run out of working capital, even if the \$50 billion provided by the Financial Institution Reform, Recovery and Enforcement Act were enough to cover the ultimate loss.

Conceding that FIRREA did not provide sufficient working capital, the committee said the RTC should have enough cash resources so it can decide on which

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REMARKS OF CHARLES A. VANIK  
BEFORE THE  
AMERICAN COMMITTEE ON U.S.-SOVIET RELATIONS  
MADISON HOTEL  
WASHINGTON, D.C.  
MAY 4, 1989

Ladies and gentlemen, it is a great pleasure to be with you today, especially because I see so many familiar faces in this room. Many of us have worked together or against each other in legitimate differences on this vital issue. A few of you may remember that the legislation which ultimately became the Jackson-Vanik Amendment was actually first passed by the U.S. House of Representatives back in 1972. So I am now approaching almost two-full decades of intimate involvement with this issue.

These are indeed exciting times I would never have wanted to miss. The Soviet Union is being rapidly transformed from the "evil empire" of past decades into a nation reaching out and exciting its neighbors with dynamic economic, social and political change. Today, the Soviet Union movement toward Democracy is a world event. I believe that what is going on - is for real.

Of course I am disturbed that gas was allegedly used to disburse crowds in the city of Tbilisi in Georgia; of course I am disappointed with the imprisonment of the leaders of the Democratic Union; of course I am upset with the arbitrary denial of Demonstration permits in Moscow; the adoption of legislation

after the Georgia riots making public opposition an offense against the state, as well as statutes restricting cooperatives from the field of public press. We cannot expect instant Democracy. We must measure progress in the Soviet Union from ground point zero - and it is significant.

We must understand the passion of the Soviet people for freedom which is pent-up and difficult to be restrained. They are impatient with even the present leaders of the nation who appear determined on a course which tries to address these crying needs.

In view of constructive circumstances which have developed in the Soviet Union, I believe that the climate is right for America to consider extending a waiver of the Jackson-Vanik Amendment to that nation. Emigration levels appear to be moving to a rate in the 38,000-43,000 range, annualized. 4,557 emigrants have left Russia in April. As a result of these conditions, thousands of Soviet emigrants in Rome are waiting for a country of refuge. A principal problem is developing as to which nation or nations can offer them refuge and adjustment support. America is preparing to accommodate 50-60,000 refugees this year.

More significantly, the Soviets have indicated that they intend an early repeal of all laws restricting religious activities and customs. Mikhail Gorbachev earlier suggested that these actions may occur before April 1 of this year. Although

the schedule has been delayed by the complexity of the recent Soviet elections, the process underway appears to be in earnest.

When Title V, the Human Rights provision of the Trade Act, was adopted in 1974, this was precisely the kind of a circumstance which was envisioned for the utilization of a waiver and the granting of the Most-Favored Nation status.

M F N (MOST FAVORED NATION STATUS) is enjoyed by all other nations except the non-market economies of Afghanistan, Albania, Bulgaria, Cuba, Czechoslovakia, Estonia, the German Democratic Republic, Kampuchea, Laos, Latvia, Lithuania, Mongolia, North Korea, Romania, Vietnam and the USSR. Of this list, three countries are a part of the USSR, Estonia, Latvia, and Lithuania. America prohibits all trade with Libya as a terrorist nation under President Reagan's order of January 9, 1986. Certain imports from Iran are banned such as rugs, dates and pistachios. Most other items are entitled to MFN. Although American businesses are not permitted a tax deduction on taxes paid to South Africa, that nation has MFN, except for prohibited items such as gold, agricultural products, food, iron and steel products and products produced by the South African government. Even Columbia which illegally exports the major drug supplies to America has MFN. The only country I seem to have left out is South Yemen--and I have not been able to determine what trade is permitted.

With the Soviet levels of emigration, with its dynamic effort to relax its regulations on religion and culture, why

should the USSR be denied MFN under a Jackson-Vanik Waiver. It is not likely to plead for MFN or expressly promise good conduct on the issue of emigration and human rights. The movement toward extending a waiver to the Soviet Union must be an American initiative. The circumstances that have developed and standing alone constitute a basis for our action. The Soviet Union has come to this position unilaterally, and America must act unilaterally.

A Jackson-Vanik waiver should be offered without further conditions. A waiver should not be encumbered with unrelated conditions for the benefit of any sector of the American can economy or the commercial interests of any other nation. The only issue is whether the President and the Congress have come to believe that the purposes of Jackson-Vanik have been accomplished by the circumstantial changes in the Soviet Union. These changes in the Soviet Union constitute the "assurances" suggested by Jackson-Vanik.

There are those in America who believe that the Jackson-Vanik Amendment should be repealed. It is my position that the amendment is in concrete; it is firmly entrenched in American law. The waiver procedure provides a safeguard for insuring that the humanitarian and emigration circumstances will continue. A waiver is granted for a certain period and can be denied if the circumstances change. The safeguards are adequate.

There is precedent for my action. In 1979, when Soviet emigration reached 50,500 annually, I proposed a waiver. The

language of the amendment provides for a waiver - it is part of the law which I recommend be utilized. I want Jackson-Vanik to work as we intended.

There are those in our commercial community who seek a five-year waiver and other changes in the trade laws on the basis that American business needs a longer period of time to involve itself in extensive commerce and joint ventures. Others suggest a new trade enhancement program which would include revisions, modifications and waivers included in an Omnibus Bill which would obscure the inclusion of a Jackson-Vanik waiver. In my opinion, that approach will not pass congressional or executive branch muster. One of my distinguished colleagues former Senator Adlai Stevenson, has suggested a repeal of both his amendment and the Jackson-Vanik amendment. In my opinion the Jackson-Vanik amendment is not repealable - this year, next year or in this century. A Jackson-Vanik waiver as a simple free-standing issue is a much more feasible approach.

There are large segments of the American people who support the principles and the objectives of Jackson-Vanik. It is more firm in the American ideology today than it was in 1974. President Ronald Reagan made it so. Large sectors of the American community want to be certain that their interests in the legislation will be safeguarded. The effort to offer a waiver will not succeed if they are in opposition. They must be convinced that a waiver is in the national interest and that it will not adversely affect their hopes for a continued relaxation

and extended freedoms for religious and cultural groups in the Soviet Union.

The American Jewish community has announced that it is currently "assessing U.S.-Soviet trade policy in acknowledgement of positive changes for Soviet Jews, and most notably the increase in Jewish emigration and steps towards improving the cultural and religious rights of the Soviet Jewry minority." The support of this community is critical to the success of this waiver effort. There is good reason to believe that a one-year waiver would be acceptable. As a matter of fact, I hope most of the leaders in America's Jewish community will aggressively support a waiver in the hope that emigration levels in the Soviet Union will then continue to trend upward and that the climate for emigration, religion and cultural groups in the Soviet Union will be made much more acceptable by the promised codification of Soviet laws in these areas.

Last year, Jewish community leaders made an outstanding effort to oppose Senate amendments which threatened the human rights and emigration progress made under Jackson-Vanik. This year the Jewish organizations are working closely together to establish a common position on the waiver issue. Earlier this year, they stated that they would insist on the codification of Soviet Law on emigration.

In view of the delay in the finality of the Soviet election process and the reformation of the Soviet government, they have come to acknowledge that emigration recodification is difficult

to achieve this early -- this year. They have reasonably modified their position and indicate they may be able to be supportive of a waiver if emigration trends continue upward, if more long term refuseniks are included among the emigres (there are less than 600 families in that group). They also hope that the Soviets will indicate some of the basic tenets of the new emigration code with respect to some of the long term applicants denied visas because of employment in sensitive functions -- they feel that delays for that cause should be more reasonable and less arbitrary. Later this month, the American Jewish Community groups are sending some of their leaders to the Soviet Union for discussions on these issues. The efforts of this community of Americans have been salutary. They are moving with realistic goals. They have indicated that their decision will be made by June 13th. I am very optimistic that the decision will be supportive of a waiver this year. The Jewish Community in America is generally anxious for the "good news" from Russia to continue to flow. I share in this hope.

We cannot expect unanimity in the waiver decision. There are other points of view. Some believe that a waiver now is premature -- that we should wait on other developments -- or that something other than a waiver must be considered. However, I believe that an overwhelming majority will support a waiver.

It may very well be now or never. It has come to my attention that as early as next year the Soviets may be overhauling their trade laws. There are indications that they

may engage in a process of "harmonizing" their tariff schedules and adopt a two-tier or a two column system. Under these circumstances, we would have to expect that American exports to the Soviet Union would face higher tariffs. It is customary for trading partners to give another nation the same tariff schedule as it receives.

If this Soviet action were to occur before an American Waiver of Jackson-Vanik, it would make an American waiver almost impossible. Our nation would be unlikely to take any trade action which would appear to be motivated by a Soviet initiative. Decisions right or wrong are often founded on national pride.

The normalization of U.S.-Soviet trade would then become unlikely. The result could limit U.S. trade and commerce to joint ventures by individual American companies or consortiums. This is not normal trade. It is more in the nature of counter-trade which would involve only a small sector of American business. It would be tragic to American - Soviet interests if our reciprocal trade would be so limited.

The ingredients for success on a waiver effort at this time involve commitment from the business community. Those involved in successful joint ventures can afford to be indifferent - they function outside the orbit of customary trade practices. Another small group of business people have an established Soviet trade presence to whom a waiver would be helpful but not critical. The largest sector of American business on the fringe of Soviet trade

is uncertain of what role to play. In this age of leveraged buyouts, most American producers in foreign trade look for instant profits -- they look at the bottom line today. If Christopher Columbus had looked at the bottom line everyday he sailed he would have ended at the bottom of the sea instead of reaching the new world.

On this issue, we are in the Gaston-Alphonse syndrome. Few desire the prominence of front row. The President will not exercise his initiative until he is confident of wide support in the Congress, in the press and in the constituencies. Members of Congress and business people are reluctant to lead.

The waiver is a relatively small national issue which requires a wide base of support, the President, the Administration, the Congress and the American people. The support of the Jewish community is helpful, but that support alone is not going to be enough. This issue needs the support of academics who appear to be breathlessly quiet, the business community which, except for a few, is in the wings. The issue needs the support of the leadership and membership of the Congress. This issue will not survive unless it has bi-partisan support. Congress is where you all can help. If the President and the administration is on board - the train will move. If America fails to move on U.S.-Soviet trade - our other trading partners will take over the American options and opportunities.

In any event, the President or the Secretary of State will not propose a waiver until they determine that Congress will substantially approve of this action. We can expect the President's position on this issue to follow the course of his predecessor, President Reagan, who decided to refer this matter for a congressional decision after hearings notwithstanding the Chadha decision. For these reasons, it is imperative that a plan be established to deal with the Congress, to create a congressional climate favorable to the approval of a waiver as a basis for the Presidential initiative. Today, as we dine and talk, a small, well organized group is working the hill in opposition to the waiver. They could settle the issue their way while we talk about it.

It is customary for the waivers to be sent to Congress in June. If a Soviet waiver is to be included in this year's package, the efforts to develop an acceptable congressional climate must begin at once. It is my opinion that such a climate can be developed for waiver action prior to the August congressional recess or certainly within the first session of this Congress. In my opinion, a waiver of Jackson-Vanik is possible this year.

There will be opposition in the Congress. There are some in Congress who will resist any accommodation with the Soviet Union at any time on any issue. There are some in the groups specially benefitting from emigration who may insist that a waiver should be denied until every person desiring to emigrate is out of the

country. There are hardliners on all sides. We must hope that reason will prevail.

Segments of organized labor can be expected to resist the wider development of East-West trade as another threat to domestic production and domestic sales. However, we can also expect prominent labor leaders to support this effort on the basis that advantages of increased trade may offset trade disruptions. Soviet trade is substantially further down in the list of nations which substantially challenge American production. The balance of trade with the Soviet Union will be in our favor long into the foreseeable future.

However, I believe that an overwhelming majority of the members of the House and the Senate can be induced to support a waiver if the President recommends it, after determining that support has developed in the Congress.

We must understand that the Jackson-Vanik provisions are not self-operative. If you support a waiver now you should be telling that to the President and to his administration. You should also be making an attempt to convey that message to the congressmen and senators. You must be taking this action now -- to urge the President to exercise his power of initiative. The opportunity is right now. The community of beneficiaries of this law have never been as prepared to help as they are at this moment.

In the seventies as Chairperson of the House Ways and Means Subcommittee on trade, I often said that Trade is the currency of

peace. I believed that then -- and I believe it now. More trade with the Soviets will generate incalculable peace dividends. Our nation must be flexible enough to adapt and adjust to a world of constant change.

STATEMENT OF CHARLES A. VANIK  
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BEFORE THE INTERNATIONAL TRADE COMMISSION  
NOVEMBER 6, 1989

Madam Chairman, Members of the Commission:

My name is Charles A. Vanik, I am an attorney in the Washington office of Squire, Sanders & Dempsey, an Ohio based firm. With me is my partner -- who you know very well, Ritchie T. Thomas who gives me advice and intellectual support constantly.

First of all, I want to express my appreciation for this proceeding to estimate the potential dimension and the effect of a Jackson-vanik waiver on U.S.-Soviet Trade. The first rate staff which you have attracted and assembled consists of some of the most competent and dedicated people in government. No one in or out of government is better qualified to produce a report based on hard facts on which trends can be projected.

As you know, I have been interested in U.S.-Soviet Trade issues for over 18 years. In 1972, I submitted legislation to restrict the extension of Most Favored Nation tariff treatment to

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non-market economies which denied their citizens the right of free emigration to other nations. In 1974 this language was adopted by Congress as Title V of the Trade Act of 1974 and is commonly referred to as the Jackson-Vanik Amendment.

On September 19, 1989, your Commission was requested by Senator Lloyd Bentsen, Chairman of the Senate Finance Committee to conduct a survey of the views of recognized authorities on U.S.-Soviet trade as to the impact MFN status to the U.S.S.R. would have on the business climate for U.S.-Soviet trade including the potential for U.S. agricultural products and opportunities for joint ventures, as well as the products likely to be most affected by this change in the trading status of the Soviet Union.

In brief, I believe that the effect would be positive, improving the business climate and opportunities for mutually beneficial joint ventures and the export and import trade of both the U.S. and the Soviet Union.

I will state at this point, that I never intended the language of Title V to halt all U.S.-Soviet trade. I was deeply interested in the human rights issues, including the right to emigrate. It was my hope that the Soviet Union would concur in addressing the humanitarian issue and that normalization of commerce would result through the waiver procedure provided by that law.

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In view of the constructive changes that have occurred in the Soviet Union's emigration policy -- and other changes that are occurring there, I believe that the climate is right for America to extend a waiver of the Jackson-Vanik Amendment to the Soviet Union. The Soviet Union is currently releasing emigrants at a level overwhelming the capacity of other nations to accept them and provide adjustment opportunities. America is accommodating 50,000 per year.

Although the Administration has conditioned a waiver on the Soviet Union's adoption of an emigration code, that requirement is not stated as a condition in either the statute or the legislative history of Title V, the Human Rights section of the Trade Act of 1974. Codification and implementation are newly interjected, non-statutory conditions. The codification process has been delayed by recent Soviet elections and the intrusion of a multitude of other pressing needs in the restructuring of the Soviet system, but it is rumored that the Soviets may develop their code by late November. In any event, Soviet actions with respect to emigration warrant a waiver. Such deeds are more significant than a statute which promises future action.

Why should the U.S.S.R. be denied MFN? Why should its products continue to face high and discriminatory duties in the

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American market while almost all other U.S. trading partners enjoy MFN? I can think of no political or economic reason that remains persuasive. It is time to move toward extending a waiver to the Soviet Union and the United States should do so on its own initiative. It is in the national interest of America to do so. The changes that have occurred and the new political and economic circumstances that prevail standing alone constitute a basis for this action. The Soviet Union has taken the actions that have led to this position unilaterally, and America must respond unilaterally.

A Jackson-Vanik waiver should be offered without further conditions. A waiver should not be encumbered with unrelated conditions for the benefit of any sector of the American economy or the commercial interests of any other nation. The only issue is whether the President and the Congress have come to believe that the objectives of Jackson-Vanik have been accomplished by the changes which have occurred in the Soviet Union. I submit that these changes in the Soviet Union constitute the "assurances" suggested by Jackson-Vanik.

The waiver decision should be made now. It has come to my attention that as early as next year the Soviets may be overhauling their trade laws. There are indications that they may engage in a process of "harmonizing" their tariff schedules and adopt a two-tier or a two column system. In that event,

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American exports are likely to be subject to the highest level of tariffs in the Soviet Union.

If this action were to occur before an American waiver of Jackson-Vanik, it would further delay and possibly preclude an American waiver. There would be new opposition to any U.S. trade action which might appear to be motivated by a Soviet initiative. Right or wrong, such decisions often are founded on national pride.

The normalization of U.S.-Soviet trade then would be significantly postponed. The result could limit U.S. trade and commerce to a few joint ventures by individual American companies or consortiums. This is not normal trade. It is more in the nature of counter-trade which would involve only a small sector of American business. It would be very detrimental to American - Soviet interests if our reciprocal trade would be so limited.

While we debate and defer action on MFN for the Soviet Union, our trading partners are positioning themselves to feast on commerce and trade we disregard. If they see a great potential for business in Eastern Europe, are we correct in acting with lesser vision?

Russia is no longer the evil empire. Its leader is heading the movement in the Eastern bloc that is pointed in the

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direction of free markets and at least to some extent free enterprise. That policy should be encouraged, not ignored.

As your investigation is to assess the commercial implications of granting MFN to the Soviet Union, it should be structured so as to estimate the effect of MFN if granted now, rather than at some deferred date in the future and it should estimate the trade loss cost of further deferral.

A grant of MFN deferred for a year or two will have a different impact from such action in the immediate months ahead. The passage of time will force a shift in the assumptions on which the assessment must be based, particularly with respect to the likely positions of U.S. enterprises and potential ventures vis-a-vis competitors.

While we are debating this issue, the Common Market countries are moving with a sense of urgency and dispatch in opening markets and developing trade relations with Poland, Hungary, the Soviet Union and other Eastern European countries. They are developing agreements, and extending MFN treatment for as much as a ten year period. They are tremendously busy developing new joint ventures and extensive commercial trade.

It would be natural for EC members to be moving rapidly to take advantage of the radically changing conditions in Poland,

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Hungary, the Soviet Union and other parts and sections of Eastern Europe. They are in the European neighborhood.

However, America should not be left out or abandon these business opportunities. The Japanese and the Koreans also are extremely active in this area and their trade negotiations and capital investments are not restrained by government policy. If America is to be a player in this market place, it must move before the better opportunities are staked out by the early participants.

I believe that the necessary grounds for a waiver exist, action should be taken soon, and that the results would be favorable.

I can report that I have had numerous meetings with the U.S. organizations which are intently involved in levels and nature of emigration from the Soviet Union. It is my opinion that the overwhelming majority feel that because of the changed and improved climate for emigration from that country, the Soviet Union should be encouraged to continue doing what it is doing by some American acknowledgement of the change taking place.

I have also met with the representatives of sixty major American corporations with interest in increased U.S.-Soviet trade. With the apparent settlement of the human rights issues,

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I believe they will be prepared to seriously consider steps to initiate regular commercial trade and joint ventures.

The question is frequently asked -- What is the potential of the Soviet market? What do they make? What can we sell? In response to the latter question, let me suggest that the people of the Soviet Union are hungry for every type of consumer goods -- they are especially excited about goods made or designed in America. They covet and desire to duplicate our systems of communication, marketing and distribution. They need our skills in packaging, processing and distribution. There is so much we can sell.

We know so little about the Soviet Union, its many states, and provinces, its multitude of separate and different unhomogenized cultures. As we move toward trade normalization -- the ingenuity of American business will ferret out and discover exciting opportunities for trade and investment in all of these circumstances.

There is no question that the improvement of U.S.-Soviet trade relations will be of great benefit to U.S. agriculture. The feed grains produced in the farm belt will find growing permanent markets the Soviet Union. They must produce in difficult latitudes. The demand for American grains promises to be a permanent condition. The American grain export markets will

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flourish if America can be relied on as a reliable, permanent source.

And as we develop and engage in these new commercial relationships, we will discover that we indeed have a new, exciting trading partner with which to exchange agricultural products, minerals, manufactured goods and services. Finally, the normalization of commerce between the U.S. and the Soviet Union will develop a currency of peace which the people of both countries will cherish.

I wish you gods feed on your present task.

**International Trade****JAPANESE REPORT CALLS FOR EFFORTS TO REDUCE GOODS PRICE GAP**

TOKYO—(By a BNA Special Correspondent)—A government report to be submitted to Prime Minister Toshiki Kaifu says Japan should tilt its socio-economic system away from the interests of producers and toward those of consumers, a government panel revealed Nov. 2.

The report of the 25-member Administrative Reform Promotion Council also urged the government to reduce the large gap in prices between domestic products and foreign-made goods and called for stricter enforcement of the anti-monopoly law.

Many of the report's conclusions are among the reforms urged by the United States in the ongoing bilateral talks under the structural impediments initiative, or SII, which resumed in Washington November 6.

At present, Japanese consumers pay among the highest prices in the world. Overall, prices in Tokyo are 39 percent higher than New York and 47 percent higher than Hamburg, West Germany, a recent Economic Planning Agency survey showed.

Prices are driven up by a number of factors, including an inefficient distribution system, common price-fixing government regulations, exorbitant land prices, and restrictions on imports that keep price competition to a minimum. The report urged that restrictions on imports and participation in business as well as government controls be reviewed. The panel also said Japan's resale-price-maintenance system should be re-examined and that a close watch should be maintained on the exclusive-agent system for imports to prevent abuses.

"Japan should open its market and seek harmony with the international community in the area of [economic] systems. It is essential for Japan, whose prosperity depends on free trade and a free world economy, to open its economic society," the report noted. It added that such changes would create domestic difficulties but that Japan should continue to change its system to live up to foreign expectations.

Also at the SII talks, Japanese officials were expected to stress the findings of a report showing that Japan is the sixth largest market for U.S. direct foreign investment, government sources said Nov. 2. The analysis, by the Ministry of International Trade and Industry, will be used during the current round of SII talks to show that Japan is a large and profitable market for foreign investors, the sources said.

According to the MITI survey, Japan accounted for 5.2 percent of U.S. direct investments abroad in 1988, compared with 3.1 percent six years ago. Canada accounted for the largest slice of U.S. investments at 18.7 percent, followed by Britain, West Germany, Bermuda, Switzerland, and Japan, it said.

Returns on direct U.S. investments in Japan totaled \$3.27 billion in 1988, making Japan the third most profitable country, after Canada, with \$8.954 billion and Britain with \$8.638 billion, it said. The study was designed to counter U.S. complaints that Japan's econ-

omy is closed to foreign competition and investment, officials said.

**International Trade****SOVIET LEGISLATURE SEEN APPROVING LAW ENABLING IMPROVED U.S.-SOVIET TRADE TIES**

The Soviet legislature is expected to approve by the end of this month legislation liberalizing the country's emigration laws, clearing the way for the United States to ease current restrictions on trade between the two countries, a U.S. business executive who met recently with leading Soviet government officials said Nov. 6.

James H. Giffen, chairman of the Mercator Corp., said Soviet Foreign Minister Eduard A. Shevardnadze is "strongly pushing" the legislature to consider the proposed legislation.

Some analysts have suggested that Soviet President Mikhail Gorbachev wants the legislature—the Supreme Soviet—to approve the new legislation before he meets with President Bush Dec. 2-3 as a signal of his country's willingness to comply with U.S. prerequisites for improving bilateral trade relations.

Bush announced May 12 that the administration would work with Congress on a waiver of the so-called Jackson-Vanik amendment to the 1974 trade act for the Soviet Union, paving the way for most-favored-nation trade status, if the Soviets enacted and implemented emigration legislation consistent with international standards. The amendment links the health of U.S.-Soviet trade relations with improvements in Soviet emigration policy and practice.

Secretary of State James Baker, in a major policy speech on East-West relations Oct. 18 said, "We've told the Soviets to modify the changes we're seeing in their emigration practice so that we can waive Jackson-Vanik as we've promised."

According to Giffen, who was testifying at a hearing called by the International Trade Commission to consider the possible impact on U.S.-Soviet trade of easing U.S. legal restrictions on such trade, Gorbachev and Prime Minister Nikolai Ryzhkov made it "absolutely clear" during a meeting in Moscow last month that the current state of U.S.-Soviet trade and economic relations is "totally unsatisfactory." Gorbachev also said he is "fully committed" to changing the Soviet economy into a consumer economy, "and that he intends to implement the necessary changes within two years," the U.S. executive said.

Giffen, who is also president of the American Trade Consortium, was in Moscow for a U.S. trade fair organized by the U.S.-USSR Trade Council, of which he is a former president. The consortium, formed in April, comprises several major U.S. corporations, including Chevron Corp., Eastman Kodak Co., and RHT Nabisco Inc., which hope to expand business ties with the Soviet Union.

At the ITC hearing, Giffen was among several industry witnesses and others who testified in favor of waiving the Jackson-Vanik amendment for the Soviet

Union and of negotiating a "comprehensive" U.S.-Soviet trade pact.

**Vanik Also Seeks Waiver**

Charles A. Vanik, a co-author of the amendment, urged the administration and Congress to repeal the amendment for at least a year, saying the United States should respond unilaterally to recent improvements in Soviet emigration practices and other reforms.

"Our trading partners, including the European Community and Japan, are positioning themselves to feast on improved commerce and trade with the Soviet Union," Vanik said. "If they see a great potential for business, are we correct in acting with less vision?"

Steven A. McCoy, president of the North American Export Grain Association, Inc., said waiving Jackson-Vanik and extending MFN status to the Soviet Union would enhance the administration's ability to negotiate a new long-term grain agreement with the Soviets.

"Failing to do so, we will push the Soviets further into the arms of our competitors," McCoy said. The current U.S.-Soviet grain agreement expires Sept. 30, 1990. Negotiations on a new pact are scheduled to begin in early December.

Eugene J. Milosh, president of the American Association of Exporters and Importers, said any further "humiliation" of the Soviet Union—"which is foundering in a sea of problems"—by the United States in limiting trade opportunities through various legal restrictions would not be in the long-term interests of the United States.

**Industry Witnesses Seek Trade Pact**

Giffen told the hearing that waiving Jackson-Vanik for only one year, as some have suggested, would be unacceptable to the American business community, "and it would certainly not be acceptable to the Soviet Union," particularly in light of the many "substantial" long-term U.S.-Soviet projects now under consideration.

"We should treat the Soviet Union no differently than we recently treated Hungary," Giffen said, referring to Bush's announcement Oct. 26 that he was granting MFN status to Hungary and exempting from Jackson-Vanik indefinitely.

Once Jackson-Vanik is lifted, Giffen said, the United States should begin negotiations on a new comprehensive U.S.-Soviet trade pact "which would facilitate an expansion of trade." Negotiations also should begin on an investment protection treaty, as well as on a treaty on taxes "in take into account recent changes in Soviet foreign economic trade practices and procedures, particularly with respect to joint ventures," the U.S. executive said.

"Our Western European and Japanese competitors are eager to gain market share in the new and expanding Soviet market," Giffen said. "The EC is studying an ambitious ten-year trade and cooperation agreement with the Soviet Union. Why should the United States leave this market to Europe and Japan because of the lack of a trade agreement? The American business community wants to be competitive with the

countries of Western Europe and Japan. To do that, we need a comprehensive agreement."

The ITC hearing was called in response to a request by the Senate Finance Committee Sept. 19 for the ITC to examine the likely impact of granting the Soviet Union MFN status on U.S.-Soviet trade relations. The ITC has said it will forward a report on its findings to the committee on Nov. 16, 1990.

**Monetary Policy****BRITAIN SOLE OPPONENT OF EUROPEAN MONETARY UNION PLAN AT BRUSSELS MEETING**

BRUSSELS—(By a BNA Special Correspondent)—Following a Nov. 11 meeting of European Community Foreign Ministers, the United Kingdom remained isolated in its opposition to full Economic and Monetary Union as outlined in the so-called Delors Report.

In an attempt to provide a workable alternative to the three-stage process described in the report, U.K. Foreign Secretary Douglas Hurd formally presented a counter proposal which emphasized the importance of the first stage where monetary cooperation and convergence will be reinforced and which then called for free competition of all national currencies in every member state.

The Delors Report approved by all EC Central Bank Governors in May called for a three-stage process towards EMU. The first stage involves increased cooperation among monetary authorities while the second and third stages will lead to locked exchange rates and the formation of a European Central Bank accompanied by a gradual transfer of monetary competence from the member states to Brussels. The first stage could be carried out under the existing Treaty of Rome, but any further moves towards EMU would require a revision of the founding Treaty to permit this transfer of sovereignty.

In June 1989 all twelve Heads of State committed themselves to introducing the first stage of EMU on July 1, 1990 but delayed any formal commitment on the follow-up stages until their next meeting in December. At that time the Commission and the French who hold the Council Presidency until end-1989 want the Heads of State to decide on a date—possibly as early as autumn 1990—for launching the intergovernmental conference needed to revise the Rome Treaty to permit EMU.

In June U.K. Prime Minister Margaret Thatcher expressed her opposition to the second and third stage, and since then the British have been preparing their alternative approach. The British also believe that "a considerable amount of work is needed" on the substantive issues before an intergovernmental conference can be called, a spokesman said. Hurd explained that "much wider and fuller discussions are required."

In presenting the U.K. alternative to the other Ministers, a U.K. spokesman explained that Hurd stressed that during the June meeting of Heads of State in Madrid, the twelve had agreed that the "Delors report was only a basis for EMU and not the only basis." Hurd also described the U.K. approach as an "evolu-

detailed to cover Khrushchev's visit to this country in 1959.

That detention may be the only time Steve has failed to fulfill his duty as a reporter honorably, fairly, and well in the three decades that he has covered the Congress.

Today, when the liberties of free speech and a free press are being openly sought in Soviet Russia and Eastern Europe, it is a good time to consider the role that our Nation's independent media have played in the development of our system and the preservation of our liberties.

Not all of us always enjoy the attention we receive from our friends in the press, but if we are given the honest and fair reporting that is a hallmark of Steve Gerstel's work, we have much to be grateful for.

Our Nation was the winner when Steve came to this country, and it is a real pleasure to congratulate him on his 30th anniversary on the job.

#### STEVE GERSTEL: CONGRATULATIONS ON 30 YEARS OF CAPITOL HILL JOURNALISM—WE'LL CALL YOU IN THE MORNING

Mr. DOLE. Mr. President, I want to take just a moment to salute someone who is celebrating a remarkable anniversary today. I am talking about Steve Gerstel of United Press International, who is observing his 30th year of dedicated journalism on Capitol Hill—that gives Steve more tenure than almost every Member of the U.S. Senate. In fact, it might even entitle him to vote on the floor.

Let's face it, anyone who has spent that much time listening to the Senate deserves something special—like a free doctor's examination.

Steve found out all about this place when he first joined UPI's Washington bureau. One day his boss told him to get some reaction comments from Senator Herman Talmadge of Georgia. Although it was late in the evening, the young reporter dutifully called the distinguished Senator at his home. Senator Talmadge answered but told Steve he would call him back in the morning.

"That's OK," Steve said. Well, the Senator called back in the a.m.—4 a.m. to be exact!

Steve, welcome to the U.S. Senate!

Since that time, Steve Gerstel has seen plenty of 4 a.m.'s on Capitol Hill. Of course, UPI subscribers and newspaper readers don't think about how the news got to their desks or breakfast tables—they just want the news.

But behind that news are the men and women who do the thankless task of digging out the news and getting it out to the public in a seemingly endless series of pressure-packed deadlines. That is why Steve Gerstel's service in the Press Gallery is so impressive.

Steve, I congratulate you and wish you all the best as you continue your record-setting pace in this historic

building. You have earned the respect and admiration of your colleagues and my colleagues as well.

#### TEMPORARY WAIVER OF THE JACKSON-VANIK AMENDMENT

Mr. MITCHELL. Mr. President, we are all heartened by the progress made in United States-Soviet relations during the past few days. I congratulate the President and Secretary of State for their work to ensure the success of their meetings with Soviet Foreign Minister Shevardnadze. I hope that both sides will devote significant energies to building upon these developments.

President Bush has pledged to respond to positive steps by the Soviet Union with positive steps of his own.

One specific step that President Bush should take immediately is a temporary waiver of the Jackson-Vanik amendment linking nondiscriminatory trade treatment with the freedom of emigration.

Since the beginning of 1989, over 100,000 people have emigrated from the Soviet Union. Tens of thousands more have permission to leave. The monthly rate of emigration continues to rise. Depending on how the overall trend is projected, we can anticipate that over 150,000 will depart the Soviet Union this year. It is estimated that as many as 250,000 Soviets could apply to come to the United States in 1990.

In the early 1960's, only about 1,000 people were allowed to leave the Soviet Union annually.

This is a truly remarkable change.

The indisputable rise in Soviet emigration is a step that deserves an American response, the response quite clearly should be the conditional lifting of impediments to trade imposed by the Jackson-Vanik amendment. Particularly if we are to maximize the leverage of the law, Jackson-Vanik should be temporarily waived now.

In 1974, Congress passed the Jackson-Vanik amendment to the Trade Act. The amendment bars an extension of certain credits and the granting of most-favored-nation status to nonmarket economy countries that deny their citizens the freedom to emigrate.

The United States is virtually the only country that denies nations nondiscriminatory trade treatment and export credits based on their emigration policy.

In this respect, the Jackson-Vanik amendment is unique, reflecting Senator Jackson's forceful argument that the right to emigrate should not be separated from other issues of United States-Soviet relations.

The amendment gives the President the authority to lift the restrictions on trade if he determines that first, the relevant country no longer denies its citizens the right or opportunity to emigrate; or second, the waiver will promote freedom of emigration and

receives appropriate assurances that emigration practices will lead to such freedom. The President may waive the amendment on a temporary or continuing basis, Congress concurring.

Waiving Jackson-Vanik would not automatically confer dramatic benefits. The United States and Soviet Union would have to complete a commercial agreement, as required by the Trade Act, before the Soviet Union could benefit from most-favored-nation status. Other provisions of United States law would continue to limit the availability of certain trade credits and guarantees for American exports to the Soviet Union. Moreover, United States-Soviet trade would continue to be limited by the lack of demand for Soviet products.

But, Jackson-Vanik is of enormous symbolic importance.

Despite the assurances about continued freedom of emigration that the Soviets reportedly have given the administration, the President still says that he will consider waiving the amendment only once Soviet emigration law is changed and the United States is able to see the faithful implementation of that law.

I believe this is an overly timid approach.

Now is the time to grant a temporary waiver and maximize its utility by making a waiver extension contingent upon guaranteed freedom of emigration.

I believe—and the historical record demonstrates—that the actions of the Soviet Government are more meaningful than its laws. The number of Soviet citizens emigrating this year almost certainly will be three times that permitted in 1979—a year once regarded as the freest period of emigration in Soviet history.

Why wait? Why not give the Supreme Soviet added incentive to make legal reform a legislative priority?

If the President temporarily waives Jackson-Vanik, he loses nothing. He can only win. He can refuse to renew it should the Soviets restrict emigration or refuse to codify their emigration laws—and I would be among the first to urge him to do so.

By failing to grant a temporary waiver now, the United States could miss an important opportunity to respond to the changes we have demanded and to maximize the utility of the Jackson-Vanik amendment.

A temporary waiver would accomplish three things. It would conform with the intention of the Jackson-Vanik amendment; it would provide a carrot and a stick with which to influence the future of Soviet emigration; and it would demonstrate that the trade between the United States and Soviet Union is limited first and foremost by the failings of the Soviet economy.

As Senator Jackson noted, the waiver provision in the Jackson-Vanik amendment "gives the President the

legal authority he needs" to make a "gesture" to the Soviets once they improve emigration policy. Presidents have waived Jackson-Vanik in response to improve emigration policies in Hungary and other countries.

The law was written to ensure that the President could respond promptly to greater freedom of emigration. The restrictions of Jackson-Vanik becomes meaningless if they are not lifted when the conditions are fulfilled. Clearly, the freedom of Soviet emigration policy has increased—far more dramatically than many anticipated. Therefore, President Bush should grant a temporary waiver now.

An essential and related point is this: if we do not waive the amendment when its conditions are met, we have no leverage, no appropriate response, should emigration freedom be restricted in the future.

Many believe that the United States missed an important opportunity to faithfully implement the law in 1979, when Soviet emigration topped 50,000. Then, after the Soviets invaded Afghanistan and drastically restricted emigration, the United States had no specific response to that change of emigration policy. Having never waived Jackson-Vanik when emigration became freer, we could not reimpose it when emigration was restricted. If we fail to use the law as intended, we deprive ourselves of a useful tool.

Finally, a temporary waiver of Jackson-Vanik would pave the way for more normal economic relations between the United States and Soviet Union. I believe this would serve American interests. It is in our interest not because it would spur a vast increase in trade between our nations, but because it would clearly indicate our willingness to build a relationship based on economic reality.

A temporary waiver would be a first step toward removing the political barriers to trade in acknowledgement of the political changes made by the Soviet Union. It would indicate the American willingness to welcome the Soviets into the international trading system if it can adapt to the economic principles and rules upon which that system is based. Finally, it would be a necessary precondition for revealing the fact that it is Soviet economic weakness, not American law, that ultimately limits United States-Soviet trade.

For all these reasons, I have urged the President to immediately exercise his authority to temporarily waive the Jackson-Vanik amendment.

Since May, I have called for such a waiver. Since May, Soviet emigration numbers have continued to rise.

Senator Jackson often said that his amendment would only be deemed a success when the President could exercise the waiver provision. Now is the time to make the amendment successful.

It is disappointing that the President has failed to recognize that the goals of Jackson-Vanik have been met.

President Bush should accept victory and respond accordingly. Both the United States and the Soviet Union have everything to gain.

#### RESERVATION OF REPUBLICAN LEADER'S TIME

Mr. MITCHELL. Mr. President, I reserve the time of the distinguished Republican leader. I yield the floor.

#### MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period for the transaction of morning business not to extend beyond the hour of 10 a.m., with Senators permitted to speak therein for not to exceed 5 minutes each. The Senator from Delaware is recognized.

#### IRA-CAPITAL GAINS

Mr. ROTH. Mr. President, Americans need the individual retirement account, and America needs the capital gains tax cut. Both represent programs vital to the economic well-being of our countrymen and our country—especially if the prosperity we have enjoyed the last 8 years is to continue.

When Congress passed the 1986 Tax Reform Act which pulled the teeth from the effective IRA program, then in place, my office rang loud with phone calls from angry Delawareans who had trusted Congress' earlier IRA legislation. These people were upset that a program which has grown to represent a quarter of personal saving—much needed saving for investment in America's future—was being cut. They were upset that Congress was attacking their nest egg, stripping them of a good program that led toward self-reliance, a basic principle in the American work ethic.

The time has come to bring back the IRA—and not at the expense of the capital gains tax cut. Congress has seen the consequence of the mistake it made by cutting the IRA program.

Annual contributions declined by almost \$25 billion, a serious drop that adversely affects our gross national product and America's ability to compete in the global community.

And as savings represents the means to a bright future, this was a tremendous error.

To correct the mistake, in June I introduced an expanded IRA, known as the IRA-Plus. It picked up immediate support from constituents, and then earlier this month Senate Finance Committee Chairman LLOYD BENTSEN announced his support for the expansion of IRA's. Frankly, both represent significant steps toward reviving this important program—both show this necessary step is not only possible, but also important.

However the Bentsen plan is proposed as an alternative to President Bush's capital gains tax cuts, another measure needed to encourage investment in America. To exchange one for another would be like the man who trades in the tires on his car for a tank of gas. Both are needed if the machine is to work properly and progress is to be made. More importantly, the IRA, if properly crafted, could be combined with the capital gains tax cut, instead of being a substitute for it. Handled correctly, the IRA-Plus could actually raise revenues in the early years after enactment, a necessary and attractive feature in this time of deficits.

Where Senator BENTSEN's plan will cost the Federal Government around \$8 billion in its first 3 years, my IRA-Plus should actually raise revenue for the Government while providing a greater payoff for the contributor. This is done by shifting the contributor's benefit to the time of withdrawal, rather than offer the tax deduction up front like the Bentsen plan and allowing current IRA depositors to transfer their funds to an IRA-Plus—provided they pay a tax on the previously deductible contributions. My IRA-Plus requires after-tax contributions, but then allows the contributor to withdraw the earnings after age 59½ completely tax free. This gives our senior citizens the security of knowing that once they have paid taxes on the earned income during their working years, the money saved in an IRA-Plus, and all interest, will be tax free at the time of retirement.

Even if the money is withdrawn before retirement, for purchasing a home, paying for education, or covering catastrophic health care bills, the withdrawal remains tax free. BENTSEN's proposal allows for early withdrawal without a penalty, but still subject to tax. And the withdrawal can be used only for purchasing a home and paying for education. There is no withdrawal provision for catastrophic health care.

The differences between my IRA-Plus option and the Bentsen plan become even more poignant with an example:

If a couple contributes \$2,000 a year from the time they're 30, and receives an 8-percent yield on their investment, they can, upon reaching age 59½, withdraw \$23,080 tax-free each and every year. Under the Bentsen plan, the same investment would yield \$19,617 after taxes, if the taxpayer is in the 15-percent bracket. The difference is \$3,463 annually. However, if the taxpayer is in the 28-percent bracket, the annual withdrawal under the Bentsen plan would be reduced to \$16,617, for an annual difference of \$6,463. If the couple is in the 33-percent bracket the Bentsen plan pays only \$15,464 a year at retirement.

These examples do not take into account the effect of the future value of the annual tax deduction offered

## Lithuanian Panel Declares

... witnesses said some people  
 ministry said. Activists said it were beaten.

# Soviets Loosen Restrictions On Travel and Emigration

Associated Press

MOSCOW, Aug. 22—About 200,000 Soviets are expected to emigrate this year and more than 2 million will make visits abroad because of eased travel restrictions, the head of the country's visa agency said today.

Most of the emigrants go to the United States and West Germany, said Rudolf Kuznetsov, head of the agency, during a briefing for journalists.

The previously strict Soviet rules on travel and emigration have long been a target of censure from the West. The U.S. Congress has linked tariffs on imported Soviet goods with emigration to try to pressure the Soviets to let more people out.

A draft law on the liberalization

of Soviet travel is almost ready to be submitted to the legislature, which will meet next month. It brings Soviet emigration rules closer to Western practice but still requires would-be emigres to receive an invitation from a friend, relative or prospective employer.

Kuznetsov cautioned that even with passage of the law, Soviet travel would still be difficult. International tickets on Aeroflot, the Soviet airline, are in such demand that people must wait months and even years to buy them. They also have to wait days or weeks in line to change rubles into hard currency.

President Bush has said that if the Soviets change the travel law, he will urge Congress to waive for one year the amendment that links tariffs with emigration.

## Unabated East German Exodus