ITA Makes First Cut in Tough Budget Process

The House Appropriations Subcommittee on Commerce, Justice, State and Judiciary voted June 28th to increase the budget for the International Trade Administration by 4% to $264.9 million for FY '96. The U.S. Commercial Service, including its domestic field offices, was specifically selected for continued funding, while Commerce as a whole took a 17% cut.

The Subcommittee's recommendations now go to the full Appropriations Committee, which will conduct their mark-up on July 18th, with a floor vote scheduled for July 21st. The effort to get funding for trade promotion programs through the full committee will be “a lot tougher”, according to Paul Freedenberg, the international trade consultant with Baker & Botts who is representing the District Export Councils (DEC) on this issue. Trade promotion programs will compete with the Justice Department and other parts of Commerce for funding. If funded, these programs will face total reorganization during the reconciliation process this Fall.

The Appropriations Committee markup is a key point on the decision path for funding of these important programs. Julian Dixon, (D-Los Angeles) the only Californian on this key subcommittee, actively supported continued funding for trade promotion programs. Dixon said he was "very pleased with the Subcommittee's actions on funding for the International Trade Administration."

Continued on page 2
budget constraints, as well as calls for the elimination of the Commerce Department, the Subcommittee's decision to fund the ITA should be gratifying to supporters of its domestic and international activities."

International business people interested in continued representation at the Cabinet level and supportive of trade-facilitating programs should contact California members of the House Appropriations Committee including: Jerry Lewis, Ron Packard, Frank Riggs, Julian Dixon, Vic Fazio, Nancy Pelosi and Esteban Torres.

CCIT is tracking this issue and developing recommendations regarding the delivery of trade and investment services. We participated in a DEC advocacy trip to Washington D.C. and will return to Washington in September to follow-up. For more information, contact CCIT @ (415) 788-4127.

**Are Imports Bad?  Continued from page 1**

**A Lesson from the Past**

The past generation of American business executives learned that market and product superiority and dominance are not enduring or guaranteed. Ingenuity is not an American exclusive. Globalized competition challenges economic arrogance and smugness. Most important, learning this lesson has been to the benefit of the American consumer, particularly as wider choices, frequently lower prices and different quality have become available.

**Focus on Net Trade Adds Misunderstanding**

Much of the lack of understanding about the importance of imports arises from the exceedingly narrow focus of public discussion on net trade balances (i.e., difference between exports and imports). Official reports and media rarely analyze the gross (i.e., total) numbers of two way trade.

Admittedly, a prolonged chronic net trade deficit, e.g., with Japan, is unsustainable politically if not economically. But, too often the implication remains that the deficit is so serious that its elimination must be made whatever the cost. This is a mistaken notion. The vastly larger gross volumes of trade in both directions could be disrupted by damaging protectionist policies and actions. Contrary to much thinking, trade must be seen and accepted as at least a two-way process, with far more attention on the size of gross flows.

Underlying gross flows lie jobs and the strength of economic linkages between nations. History reminds us that undue preoccupation with trade balances risks generating retaliatory policies which too often lead to confrontation and war. Overall economic, political, social and cultural ties between nations are significantly more important for preserving peace than excessive efforts to win a specific trade issue however irritating.

**Similarities & Differences Between Imports and Exports**

Further support for attaching greater importance to
Member Poll  Please indicate whether you support or oppose the proposals listed below. Indicate the level of priority, from 1-10, (1 being highest). Issue summaries follow for your reference.

Federal Budget and Reorganization Issues
- Eliminate the U.S. Department of Commerce

Implementation of Existing Law
- Customs Modernization Act (Automated Export System)
- Harbor Maintenance Fee

Congressional Initiatives
- Eliminate Federal Maritime Commission
- Sanction Cuba's trading partners
- China: Most Favored Nation Status
- Fast Track Authority

USTR Negotiations
- Chilean Accession to NAFTA
- China: Membership in the World Trade Organization

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Name: ______________________________  Company Name: ______________________________
Telephone: __________________________ Fax: __________________________

May we contact you to discuss this further? yes ______ no ______

Issue Summaries

Stephanie Broerman*

U.S. Department of Commerce
Issue: Congress has proposed to eliminate the Department of Commerce and defund federal trade promotion services (see related story, page 1)

Customs Modernization Act: Automated Export System
Issue: The Customs Modernization Act shifts the burden of proper declaration of goods from Customs to the exporter. Proposed regulations requiring pre-notification of shipments may treat large companies preferentially, giving them a "gold card" while requiring small and medium-sized companies to prenotify Customs and complete documentation before shipment.

Revision of the 1984 Shipping Act
Issue: The Budget resolution has eliminated funding for the Federal Maritime Commission, which would deregulate the U.S. shipping industry. Opponents of deregulation cite heavily subsidized foreign competition; proponents argue that market forces should be allowed to operate.

Cuban Embargo
Issue: The proposed Helms-Burton bill seeks to further tighten the U.S. embargo against Cuba. It would strengthen international sanctions against Cuba by prohibiting the importation of goods from third countries and denying visas to persons who do business with Cuba.

Fast Track Authority
Issue: House Representatives Bill Archer (R-TX) and David Dreier (R-CA) are likely to propose a bill that extends Fast Track for four or five years, but is limited to trade liberalization negotiations. The current draft has tighter restrictions on labor and environment provisions than last year's bill.

China: Most Favored Nation Status
Issue: Whether to extend MFN for 1995-96; whether to grant permanent MFN status. One-year extension of MFN is being considered by Congress now. Human rights abuses or poor compliance with IPR agreements could make passage difficult.

Chilean Accession to NAFTA
Issue: Chile has been identified as the next possible member of NAFTA. Negotiations are underway, but it is uncertain how far NAFTA negotiations can proceed without fast-track.

China: Membership in the World Trade Organization
Issue: China seeks entry as a developing country with long lead times for compliance with WTO regulations. U.S. claims China has such a big market, they should enter with commitment to full compliance.

* Stephanie Broerman is CCIT's Policy Analyst
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*CCIT will publish additional e-mail addresses as they become available.*
Are Imports Bad?

from page 2

Imports can be found by looking at the similarities and differences between exports and imports. To a considerable degree, they have common characteristics and economic consequences, especially following the manufacturing stage. Many exports require imports to complete final delivery and use. Commercial trade executives confirm a strong trend to manage distribution, after imports arrive, requires much the same coverage and jobs as domestically created goods and services.

For California and the United States, the principal economic difference between exports and imports lies in the jobs linked to actual on-shore production. It is understandable that protests arise when manufacturing jobs are lost to imports. However, it is important to inquire whether the criticism is targeted at products and services which are popular with American consumers. If so, the same jobs in due course would be in jeopardy. A significant offset, as indicated, is to be found in the jobs necessary to move the imported goods and services through channels to American consumers and users.

U.S. Department of Commerce estimates place the number of California jobs attributable directly to merchandise exports at about 1.5 million. Many are the result of indirectly related export activities. No comparable import job created estimates are available, but certainly the number cannot be small. It is high time to find the correct answer.

A determined effort must be made to quantify the job dimensions of imports to help balance public understanding about the positive vs. negative impact on California and the nation. The implications for future trade policies and relationships are certain to be substantial when the facts are known and understood.

Meanwhile, let’s stop thinking that imports are bad. Far from it, most are good.
CCIT People

Alan Levenson is leaving Deloitte & Touche to take a position with Coopers & Lybrand in Washington D.C. We will miss Alan a great deal and wish him the best of luck. Steve Cohen will handle Deloitte & Touche’s International Tax Services. Many thanks to AT&T for hosting the wildly successful Public Policy Committee videoconference on June 22nd. Join the Policy Committee today if you want to be in on CCIT’s next high-tech adventure. Thanks also to Eddy Lehrer, Bank of America’s exceptional MIS expert, for setting up CCIT’s new “Trade by Congressional District” database.

The new voices at the Secretariat are CCIT’s stellar summer interns. Anh Tran, senior in German and Sociology at UC Davis, is the artisan behind this month’s newsletter and will be working on the 1995 Membership Directory. Steve Smith, senior in Political Economy at UC Berkeley, is working to help CCIT reach its goal of one member in each Congressional district. Matt Speakman, also a Political Economy major at Berkeley, is CCIT’s summer legislative intern.

Coming Soon to CCIT...

CCITONLINE: Jerry Hanley and his colleagues at USC have donated the development of a CCIT homepage. See you on the net! :)

International Trade Data Base: With the help of Bank of America, CCIT has developed a database of California’s international companies, organized by Congressional District. This information will be used to improve our grassroots education and advocacy capability. We intend to organize a key advocate group in each district composed of an international business, an academic, a local business organization and a representative from the District Office. CCIT’s Membership, Communications and Public Policy Committee are cooperating on this exciting new venture.

August
1 Program Committee Meeting
12:00 noon @ Ord and Norman
650 California Street, SF
8 Executive Committee Meeting
4:00 – 6:00 p.m.
16 Public Policy Committee Meeting
12:00 noon
31 Strategies for Success in Korea
August 31, Bankers Club, SF

September
5 Board of Directors Meeting
4:00 to 6:00 p.m., SF

October
10 Executive Committee Meeting

November
14-16 Ex-Im Bank Training Seminars
at the Federal Reserve Bank of San Francisco

CCIT Editorial Board
Martina Johnson
Jerry Hanley
Ham Dethero
Stephanie Broerman
Anh Tran

*Walter Hoar is the retired Chief Economist for Bank of America.