report will not come out of this body if it doesn't have privatization language in it.

This will only lead to further delays in funding essential airport infrastructure and security programs so vital to the safety of the flying public and our economy.

The FAA bill is a jobs and air safety bill, which Congress must pass. We can do this the hard way or the easy way. Of course, I prefer the easy way because it is the right answer for America.

I urge our colleagues to work with us to craft a revised FAA conference report that honors the overwhelming sentiment in Congress against privatization of air traffic control operation and maintenance, protects the U.S. aviation industry from unfair foreign competition, and ensures that the Nation's flight attendants receive mandatory antiterrorism training.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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 President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. TALENT). Without objection, it is so ordered.

MORNING BUSINESS

Mr. MCCONNELL. Mr. President, I ask unanimous consent that the Senate proceed to a period of morning business.

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

DEFENSE PRODUCTION ACT REAUTHORIZATION

Mr. DODD. Mr. President, later today, or at some point, I gather that the Defense Production Act reauthorization bill will be before the body. It expires today, so there is a sense of urgency, I gather, in getting this bill done.

When the bill comes up, my intention is to offer an amendment to the Defense Production Act, the reauthorization bill, for the consideration of my colleagues. I gather from conversation my staff and others have had that there will be possibly some objections to this amendment over jurisdictional grounds.

My hope is something can be worked out on this amendment, so that we can avoid that particular situation. Let me tell you why I say that. This bill, if reauthorized, would reauthorize the Defense Production Act for 5 years.

Presently there is a system in place which allows defense contracts to go to prime contractors, where, as a result of a provision that existed since World War II, offset agreements are permitted in such a way that despite the amount of money we will allocate for these defense contracts, these offset agreements basically wipe out the dollar amounts that would go to subcontractors and others. The net result is that each year we are losing about 10,000 jobs in the manufacturing sector because of these offset agreements, which were written primarily—I am almost quoting—to provide assistance to war-torn Europe at the end of World War II. It made a lot of sense to try to get resources into those struggling countries so they could get on their feet after the devastation that occurred during World War II.

So these offset agreements were principally designed to assist struggling nations to get back on their feet. There are a lot of ways you might want to describe the European Community today but ''war-torn'' is hardly one we would use to describe it. These provisions have existed for almost 50 years, and their usefulness is long over.

This really hurts smaller contractors in the U.S. I want to lay out what this amendment will do, if I get a chance to offer it today. I would have offered it in committee but I was told to wait until we got to the floor to have an opportunity to offer it here. Now I am being told I cannot offer it here because we must get the bill done, it expires today, and we don't have time to deal with it.

If I have to wait 5 more years to bring this up, and if we are losing 10,000 jobs in the manufacturing sector each and every year as a result of that, not to mention the dollar loss, and losing subcontractors on a manufacturing base, then I am hard pressed to understand why we would not find a way to accommodate that which is rather modest language here in this proposal. I will explain why.

The amendment is about one thing—saving jobs. Since the Banking Committee began consideration of this important legislation, I have been discussing an issue of great importance to manufacturers in my State of Connecticut and around the country.

I am referring to the issue of foreign offset contracts. Under these arrangements, a foreign nation will agree to buy products from U.S. defense companies only if our manufacturers outsource a considerable amount of work to that country's labor force. This goes back to the end of World War II, as I mentioned. On the face of it, these arrangements might seem relatively benign, promoting a prosperous defense trade among the U.S. and its military allies.

However, as I have learned over the last number of months, these arrangements may, in fact, be weakening the U.S. defense industrial base and producing considerable job losses throughout our Nation. These arrangements are a relic of World War II, when our Nation decided that offset arrangements were one aspect of rebuilding war-torn Europe. I do not think anybody could call me bold or rash if I were to say that the economic infrastructure of Europe as a whole is no longer war-torn in the beginning of the 21st century. On the contrary, it is highly developed and very advanced.

Yet some of our allies on that continent continue to insist that offset arrangements remain a condition of contracting with American firms, particularly defense firms. This is not an issue of trade or protectionist policies. As most colleagues are aware, I have long supported both bilateral and multilateral trade agreements, such as the ratification of GATT and the establishment of fast-track authority for the American President. I am a believer in international trade. That is not what this amendment is about.

This amendment is about outdated practices that, by and large, have caused needless transfer of a countless number of U.S. jobs to our trading partners and our allies, particularly in Europe.

I must confess that when I first began to look at this issue, I was a skeptic. I thought this migration of American jobs abroad was simply the painful but unavoidable byproduct of international trade, and I thought these losses were outweighed by the benefits of trade. But upon further study, I have come to the conclusion that these offset agreements are resulting in the needless loss of American jobs with little or no compensating benefits. Let me explain why.

What impact do these agreements have on our country, on our businesses, and on our workers? The answer is, by and large, a highly negative one. This is not just the opinion of this Senator. It is the well-considered conclusion of nonpartisan, highly informed sources at the General Accounting Office and the Department of Commerce under this administration, I might add. It is also the opinion of business leaders, many of whom think offset agreements are little more than a form of coercion. Business leaders in my own State have told me they see offsets as no better than a necessary evil, a tax on their ability to export their goods and services.

The Commerce Department recently reported that in the year 2000—I hope my colleagues will listen to this—the Commerce Department reported in the year 2000, out of $5.6 billion exported by the U.S. aerospace and defense industries, $5.1 billion was offset by these arrangements. In other words, offset arrangements imposed on contracts with American firms amounted to nearly 90 percent of their export value.

In the year 2002, 2 years later, and 2003, this year, the total value of offsets is projected to be close to 100 percent by the Department of Commerce on the value of these contracts, virtually eliminating any gains from U.S. exports of these goods.

Moreover, the Commerce Department says offsets are displacing between 9,000 and 10,000 American workers annually, and that is a conservative estimate, I might add. With these kinds of figures, it is difficult to see how the United States could benefit at all from these offset contracts.