

WELLSTONE for 20 minutes; Senator MACK for 15 minutes; Senator DOMENICI for 15 minutes; Senator MURKOWSKI for 10 minutes; Senator GORTON for 5 minutes; Senator WYDEN for 10 minutes; and Senator KERREY for 20 minutes.

I further ask unanimous consent that following these times, the majority leader be recognized as under the provisions of the earlier agreement.

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

Mr. LOTT. I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

#### DECISION IN THE FSC CASE

Mr. GRASSLEY. Mr. President, as chairman of the International Trade Subcommittee, I rise to express extreme disappointment about a very adverse decision to the United States handed down in Geneva today by the World Trade Organization appellate body in the Foreign Sales Corporation case, sometimes called the FSC case.

I suppose I should not be standing here on the floor crying about the United States losing a case before the World Trade Organization because we win most of these cases. The reason I am so disappointed in this one is that I think there is a fundamental misunderstanding of the purpose of our Foreign Sales Corporation tax law. From that standpoint, when we rely so much on income taxes and the European Community relies so much on value-added taxes, this sales corporation tax law is to equalize the playing field between Europe and the United States on a lot of key manufactured products.

The appellate body decision essentially means the Foreign Sales Corporation rules in our Tax Code violate the WTO rules. As I indicated, the appellate body fundamentally misunderstood the nature and the intent of the Foreign Sales Corporation plan. The FSC plan was designed to address the competitive disadvantage faced by United States businesses that compete with foreign firms in European countries that have value-added tax regimes. When products from countries with a value-added tax regime are exported, they typically get rebates. However, in the United States, because we rely upon the corporate income tax and not on a value-added tax, our exporting firms don't enjoy this type of tax benefit. This obviously makes our exports less competitive in world markets. The FSC rules were designed, then, to create a level playing field with these European tax systems.

The appellate body decision is a very serious development because it comes at a time when the World Trade Organization itself is under attack. In my view, these attacks are unwarranted and unjustified, but politically we have to deal with them. It will probably be

the case, in one or the other body of this Congress, that we will even be voting this year on the issue of whether or not the United States ought to stay as a member of the World Trade Organization. I think they should, but this case could impact that decision.

Of course, we must not allow this setback to undermine either the World Trade Organization or our support for this vital institution. I will do everything I can to make sure this does not happen. In the meantime, I strongly urge President Clinton to attempt to negotiate a settlement with the European Union that modifies or overturns this appellate body's decision. This should be President Clinton's No. 1 priority at the G-8 summit in Okinawa later this year.

I also call upon the European Union not to take any retaliatory action against the United States until we, through our President, have the opportunity to personally discuss this case in Okinawa at the summit there.

We must make sure we observe the rule of law in this case and in every case involving international trade disputes. We expect no less from our trading partners, and we must do the same. And since we win the vast majority of these cases, we find ourselves not in a bad position by taking this moral stand.

But I hope when we address this case, we bear in mind that while the outcome of the case itself is very important, there is something else at stake; that is, the integrity of our international trading system. We must remember that the WTO benefits every farmer and every business that sells its goods and services in foreign markets. If we did not have a WTO and, more importantly, the discipline in the rule of law in international trade that goes with it, we would have only the rule of the jungle. Those who would suffer the most would be the small exporters.

In the United States, two-thirds of all businesses that export have 20 or fewer employees. It is, then, the WTO that prevents these small firms from being dominated by their larger competitors in the international marketplace.

Let's make sure we get an appropriate and fair resolution of this case, and let's make sure we maintain our strong support for the World Trade Organization.

Mr. ROTH. Mr. President, I am extremely disappointed by the WTO appellate body's decision on the FSC. The panelists completely ignored economic reality. The FSC is not an export subsidy. It is a remedy for the competitive disadvantage our firms face in the marketplace due to the tax practices of other WTO members, particularly the members of the European Union.

That said, the real problem here is not the appellate body's decision, but the underlying WTO rules. That, and

the perverse decision by the European Commission, over the objection of many of its own firms and member countries, to reopen this trade dispute 20 years after we had reached a satisfactory settlement of these issues.

Other WTO members, particularly in the European Union, employ a territorial-based tax system that does not tax foreign source income, including income from exports. That system affords a competitive advantage to firms operating in those jurisdictions that the U.S. tax system, based on worldwide reporting of income, does not. The WTO rules currently permit the use of territorial based tax systems, despite the competitive benefits they confer on products exported from those countries. That is what the FSC and the DISC before it were designed to offset.

I want to be absolutely clear about my view on this. While I fully expect we will live up to our obligations, no resolution of this issue can leave our firms, our farmers, and the American worker at a permanent competitive disadvantage in the marketplace.

Indeed, I thought we had put this issue to rest with our European counterparts 20 years ago. But, they saw fit to abrogate the agreement we had reached to resolve our prior dispute over the trade effects of their tax system and our attempts to redress those effects. That agreement included the understanding that, in the future, we would take our differences over tax policy to fora that were specifically designed for that purpose, and not the GATT or the WTO.

The reason for that understanding was simple. The GATT and the WTO are essentially agreements to reduce trade barriers and avoid other discriminatory trade practices. Nothing in those rules was intended to force a member country to choose between competing tax systems. Yet, that is the net effect of the current ruling.

The Europeans' action raises a far broader point about the conduct of their trade policy. The decision to abrogate our 20-year-old agreement and bring the FSC case, by all accounts, was not made at the behest of the EU member countries. Nor was it made at the insistence of EU firms complaining that the FSC somehow put them at a commercial disadvantage. That is because European firms understand that they already benefit from the territorial-based tax systems and the FSC was simply a way of providing equivalent treatment under our system of taxation. In fact, a number of those European-based firms have U.S. subsidiaries that take advantage of the FSC as well.

The decision to bring the FSC case was made at the European Commission without consideration either for its political impact here or for its impact on the trading system. In that sense, the decision to bring the FSC case fits with

the Commission's attitude on our disputes on bananas and beef and on other WTO disputes. The Commission seems to have forgotten that the European Union member countries are, along with the United States, among the principal beneficiaries of the WTO system and that the Commission bears the responsibility to shore the system up, rather than engaging in tactics designed to weaken it.

Both the Commission's decision to flout the WTO rules in the beef and bananas disputes and the reckless decision to bring the FSC case are deeply inconsistent with that responsibility. This case was brought, not for any European constituency, but for the Commission's own petty political interest in balancing its losses before the WTO with a few wins, regardless of the larger consequences for the trading system.

This issue must be made a top priority in discussions at the upcoming G-8 summit. President Clinton must make the political point to his European counterparts that they, not the Commission, are responsible for setting the course of the European Union's trade policy and that this issue needs to be resolved in terms that ensure a level-playing field for American workers, farmers, and firms. As chairman of the Finance Committee, I am committed to making that happen.

#### STABILIZING CRUDE OIL PRICES

Mr. GRASSLEY. Mr. President, I rise to speak about the gouging of the American consumer, particularly high energy users and, probably most importantly, working Americans who are paying such high gasoline prices because of OPEC. I do this in the context of supporting a resolution Senator ASHCROFT is offering the Senate. I do this not only because he is my good friend but because he knows the impact on working Americans and on agriculture.

This is a sense-of-the-Senate resolution to communicate to the leaders of the OPEC nations and even non-OPEC cartel producers, prior to the next meeting of the OPEC nations in March, the importance of stabilizing crude oil prices.

I appreciate the importance of the message by my good friend from Missouri. He realizes the significance of this issue because he is from a State with vital interests in the health and well-being of the agricultural economy and the transportation industry. The soaring prices of diesel fuel and of gasoline have had an especially detrimental effect upon farmers and truckers whose livelihood is tied closely to the input costs.

We in the Senate should not stand idly by while a foreign monopoly dictates our States' economic stability.

Remember, if oil company CEOs were doing this sort of OPEC price fixing,

they would be in prison for violating the antitrust laws. We obviously can't apply our law to foreign countries in the sense that their leaders are violating them. But it is antithetical to the principles of free trade and markets, even to the WTO. Saudi Arabia wants to get into the WTO. We should not be supporting their entry into the WTO if they are using their economic power in a way that is antithetical to the very organization they want to join.

Just in the past month, gasoline prices in my State have taken their biggest jump in 10 years. We now pay an average of \$1.38 a gallon for gas, an average of 17 cents higher than last month and 48 cents higher than in February a year ago. Diesel prices in my State are averaging \$1.45, which is 12 cents more than last month and 43 cents higher than a year ago.

When considering the family farmers' plight, OPEC's action creates a harsh duty that is applied to every bushel of corn, soybeans, and any other agricultural product produced in the United States. Anyone who is farming can tell you that fuel expenditures are always one of the most costly inputs on the farm.

The agricultural industry has not fared as well in recent years. Just last year, prices for all kinds of livestock and grain commodities were at their lowest since the 1970s. The outlook for the next year is, at best, mixed. At a time when margins on farm products are already tight, OPEC has consciously increased the price of petroleum products and expenditures within our agricultural community. It is not the free forces of the marketplace that are doing this. These are political decisions that we ought to stand firmly against.

But this isn't just about family farmers and truckers. Sometimes we forget that trucking impacts almost every industry. While farmers and truckers might feel the most immediate impact from this action in my home State of Iowa, it is really true that all consumers will eventually feel the far-reaching effects of OPEC's marketplace shenanigans. In Iowa alone, trucks transport freight for 4,438 manufacturing companies, supply goods to 19,500 retail stores, and stock almost 9,000 wholesale trade companies.

Trucks supply goods to 2,359 agricultural businesses and deliver the produce and products to market. Annually, trucks transport approximately 160 million tons in and out of Iowa. Eighty-three percent of all manufactured freight transported in Iowa is carried by trucks, and over 75 percent of all communities in Iowa depend entirely on trucks for the delivery of the products my constituents use every day.

OPEC's action has and will continue to drive up costs for transportation,

and the bottom line is that the consumer will eventually be forced to bear the burden of the cost. As anyone can see, this situation has the ability to have a substantial detrimental impact on the economies of Iowa and the entire Nation.

For this reason, I have tried to address this problem from every angle available to me. I recently wrote to Energy Secretary Bill Richardson and asked him to encourage the President to use the Strategic Petroleum Reserve to stabilize the price of petroleum products. As he is well aware, the President has the power to use the reserve when a very sharp increase in petroleum prices threatens the Nation's economic stability. In my opinion, the current situation meets this test. At the very least, the option should be heavily weighed.

I also sent a letter to Mr. Stanley Fisher, First Deputy Managing Director of the International Monetary Fund, to ask that the market-distorting behavior of the 11 members of OPEC be weighed when these nations apply for loans. Twenty percent of the IMF money comes from the American taxpayers. We should not be using U.S. taxpayers' money to further the causes of an economy that is anticompetitive and is strangling the economy of the very taxpayers who support the IMF.

IMF is an international organization of 182 member nations. Each member of the Organization of Petroleum Exporting Countries also belongs to the International Monetary Fund.

Due to the fact that the IMF's purpose is to promote monetary cooperation and economic growth, I find it disheartening that the member nations of OPEC have chosen a course of action which adversely affects economic growth and stability in the United States. It is for this reason I ask the IMF to consider developing criteria to judge market-distorting behavior which would be weighed when nations exhibiting monopolistic behavior apply for loans through the IMF.

I also spoke out against Saudi Arabia previously in my remarks and about their joining the World Trade Organization. I have made this a formal request of U.S. Trade Representative Charlene Barshefsky.

As we all know, we have become far too dependent upon foreign oil. For a very long time, I have been a leading advocate for the development and expanded use of renewable sources of energy, especially corn-based ethanol as well as wind energy and biomass. I have been successful in getting tax credits applied to these alternative forms of energy. I thank my colleagues for their support of that.

You have all heard me say that not only is clean-burning ethanol good for the rural economy and the environment, it helps to reduce America's dangerous and expensive dependence on