

HEARINGS ON SANCTIONS REFORM

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U.S. AGRICULTURE SANCTIONS POLICY FOR THE 21ST CENTURY

TUESDAY, MAY 11, 1999

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met at 2:31 p.m., in room SD-562, Dirksen Senate Office Building, Hon. John Ashcroft, presiding.

Present: Senators Helms, Lugar, Hagel, Thomas, Grams, Ashcroft, Brownback, and Sarbanes.

Senator ASHCROFT. Good afternoon, everyone. Let me thank you for coming today to participate in this hearing, U.S. Agricultural Sanctions Policy for the 21st Century. Welcome, Mr. Secretary and Mr. Reinsch. Is it Mr. Schumacher?

Mr. SCHUMACHER. Yes.

Senator ASHCROFT. Thank you very much for coming.

Sanctions, as you know, are under the jurisdiction of this committee, and we appreciate your willingness to appear here today to discuss specifically sanctions on agriculture and agricultural products. I look forward to hearing your remarks and discussing with you sanctions reform, which is important to America's farmers and ranchers, and especially important to me as a Member of the Senate who represents a farm State.

For more than 200 years, farmers and ranchers have been vital to the growth of our country and to its economic prosperity, always responding to the challenges of our competitive free market system. I believe the United States has the best farmers in the world, first class in their production, first class in processing, marketing both at home and abroad.

However, we are seeing the effects of depressed prices across the Nation. No doubt, we need to face the crisis head on, but we also must enact reforms that give farmers and ranchers the opportunity to be productive and competitive, and that strengthen farm families. I believe those policies are ones rooted in the American tradition of increasing opportunity.

One hundred years ago my grandfather, Cap Larsen, left Norway as a teenager to sail the high seas. He changed his name and basically carried all he had in a duffle, boarded the ship bound for America when Lady Liberty was less than a teenager. He could not speak the language, but he knew what America was all about. America was already understood a century ago as a land of ascending opportunity where every generation has the opportunity to do better than the previous generation.

And I think the single most important question that any of us can ask, how can we reinforce the definition of America as a culture of ascending—ascending—opportunity, including for agriculture? I want farm families of America to be able to say what my grandfather said when he came to this country, that is, the best is yet to come.

As I have traveled around Missouri, I have learned that farmers and ranchers, young and old, expect to create a new century of opportunity. Already the agricultural sector is one of the State's largest employers. Missouri happens to be the second leading State in the number of farms. Clearly the agricultural industry is the backbone of our economy, accounting for more than \$4 billion annually. And while the United States can produce more food than any other country, we account for only 5 percent of the world's consuming population, and that leaves 95 percent of the consumers for agricultural products outside of our borders.

This is an astounding statistic when we put it in terms of creating opportunities. Exports already account for 30 percent of the gross cash receipts for America's farmers, and nearly 40 percent of all U.S. agricultural production is exported.

However, with the consuming capacity of the world largely outside of our borders, our farmers and ranchers need increasing access to the demand of the world marketplace. Farmers and ranchers tell me repeatedly that they want more of our help abroad and less of our interference on their farms. They need us to open foreign markets and they need us to keep those markets open. And our task, opening foreign markets, looms before us as a brick barricade. With the same will and authority of President Reagan before the Berlin Wall, when he said, Mr. Gorbachev, tear down this wall, we must face head on the barricades before our farmers and ranchers. It is not an easy task, but then again, neither was dismantling the evil empire.

In just 2 days, the Europeans will stand on their massive wall of protectionism built across the trail of free trade and simply reject U.S. beef, even in the face of having lost the World Trade Organization case. They have lost the litigation. They lost it under GATT. They lost it under WTO. And they are still going to stand there in a barricade. We have got to blaze a trail, and it will be tough. The Europeans cannot be allowed to make a mockery of the competitive spirit of America's cattle ranchers.

Our second task, keeping markets open, is what we must address today. The picture of ascending opportunity for farmers is incomplete without a view of foreign markets unimpaired by our own embargoes. Using food and medicine as weapons creates a cumbersome trail and environment of descending opportunity. Agricultural embargoes amount to a denial of much needed food and medicine to the innocent people of foreign lands with whom we have no quarrel and to a unilateral disarmament of farmers in a competitive world market. We must not use our farmers for innocent people as pawns of diplomacy or allow embargoes merely to add bricks to the walls of protectionism which have been erected by foreign marketplaces.

Once farmers jump through all the hoops of foreign trade barriers and red tape to establish trusted relationships with foreign

buyers, the U.S. Government should be extremely cautious about interrupting their sales through imposing trade sanctions. Many farmers' livelihood depends on sales overseas. For instance, in the mid-1990's, more than one-fourth of Missouri's farm sales were made to overseas consumers, but because the U.S. Government has sanctioned agricultural trade, there was an estimated \$1.2 billion annual decline in the U.S. economy during those years. That translates to 7,600 fewer U.S. jobs. If even one-third of those 7,600 lost jobs translated into the loss of a family farm, that would mean about 2,500 family farms gone, and the tradition they would have passed on to the next generation is lost forever each year. This is a trend that we can and I believe we must stop.

What I hope we explore today is how U.S. agricultural trade sanctions hurt America's farmers and ranchers. Also I would like to hear some comments about how sanctions against food and medicine are detrimental to the world's poor that have to live under the rule of tyrants.

I agree that in some instances the United States needs to use trade sanctions. They can be foundational to the protection of U.S. national security interests and to the promotion of our foreign policy goals. However, because I believe that agriculture and medicine should rarely be a part of such sanctions, I support the administration's recent reform for sanctions against some sales of agriculture and medicine. It is a good first step, and I think Congress and the administration need to use their combined authority to lift further most of the remaining restrictions on our farmers and ranchers.

This is why Senators Brownback, Baucus, Bob Kerrey and I have introduced the Food and Medicine for the World Act of 1999. The theme of the bill is that sanctions should rarely, if ever, be imposed against agriculture or medicine. Our farms should not be sanctioned without serious deliberation about the effects. If the Food and Medicine for the World Act is passed, in order to use agriculture or medicine as a part of a sanctions regime, there must be an agreement between the administration and Congress. We do not tie the hands of the President; we merely ask the President to shake hands with the Congress.

The Food and Medicine for the World Act sends a message to overseas customers that U.S. farmers and ranchers will be reliable suppliers. People around the world depend on our medicine and our farm products, and the health and welfare needs of those abroad will be best served if we ensure that our farmers and producers are a continuous source of food and medical supplies.

The Food and Medicine for the World Act also sends a message to U.S. farmers, ranchers, and to related businesses and industries that their livelihood will not be threatened by the bad acts of tyrants without due deliberation. Farmers and ranchers are twice as reliant on foreign trade as the U.S. economy is as a whole. It is time for us to enact policy that reflects our support for their efforts to reach their competitive potential internationally that creates ascending opportunity for our farm families for the 21st century so that the best is yet to come for those families.

I am pleased now to recognize other members of the committee who have come to make statements. I will call on them in order

of their appearance today. In that respect, I would call on Senator Thomas of Wyoming.

Senator THOMAS. That means when they appeared?

Senator ASHCROFT. Yes. It is not how you appear.

Senator THOMAS. I see.

Senator ASHCROFT. It is not that you are better looking than the rest of us.

Senator THOMAS. Mr. Secretary, welcome. Good to have you here. I appreciate your doing this and the other attention you pay to agricultural issues. And I appreciate all of you being here.

I think it is an important issue, Mr. Chairman, and glad you are having it. I have traditionally opposed economic sanctions as a tool of foreign policy. I recognize that from time to time they must be used, but seldom are they useful. I guess the example, I was in China. We were having a little fuss with China, and so they canceled their purchases with Boeing and bought Airbuses. So, it sort of points up that most countries can buy whatever we sell somewhere else.

So, certainly we want to recognize that prohibitions hurt U.S. farmers and other businesses, undermine our reputation as a dependable supplier, and hand over important markets to others.

So, I appreciate this hearing and look forward to your comments. Again, thank you for being here.

Senator ASHCROFT. Thank you very much.

It is my pleasure now to call upon Senator Lugar, who as the chairman of the Agriculture Committee for the U.S. Senate and expert in foreign relations as well, is most appropriately welcomed here. Thank you for coming.

Senator LUGAR. Thank you very much, Mr. Chairman, and I thank you for this hearing because I think the legislation you have introduced is very important. It is always good to see the Secretary of Agriculture in the Foreign Relations Committee or in the Agriculture Committee. We had, as you know, a hearing this morning in the Agriculture Committee, and Gus Schumacher, the Under Secretary, was with us as was Mr. Yost, who will appear later today, for the soybean people.

They are going to make some general comments I suspect that you have already made eloquently, Mr. Chairman. It is that the problem of unilateral economic sanctions, whether it be in the area of food and medicine or more broadly, has usually been ineffective, especially ineffective in the case of food and humanitarian services, including medicine.

I welcome, as you have, the activity taken by the administration with regard to three countries. We heard this morning and we may hear again this afternoon that this action involves the licensing of specific sales and that poses some difficulties. The need for legislation, I believe the administration indicated through Mr. Eizenstat and Mr. Schumacher this morning, is evident.

My own activities in this area have been involved in a general sanctions reform effort which finally reached culmination in the debate on the agricultural appropriation bill last year and it lost 53 to 46. This year we have introduced nearly identical legislation, trying to work with the administration specifically on the prerogatives of the President to make certain there is adequate flexibility

in terms of our foreign policy interest and waiver comparable to that which we approved on the Glenn amendment and which mercifully allowed some flexibility with India and Pakistan. That legislation I believe has been referred to this committee.

Now, in addition, we also have a bill that deals directly with agriculture and food and commercial sales, and that was what we heard this morning. S. 566. I hope that we will have rapid action in the Agriculture Committee to report out that legislation so that there will be activity on the floor as soon as possible.

We have another bill that I have introduced that is in the Finance Committee. Because of the cross-jurisdictions, we took the precaution of introducing legislation that might end up in any of the three committees and it might finally succeed in any of these platforms. I applaud your initiative, Mr. Chairman, in this area, and that of Senator Harkin, the ranking member in the Agriculture Committee who has worked with you on one of your bills; and Senator Dodd, a member of this committee, who has been active. I have a feeling the critical mass of activity is going to lead to some degree of success this year, and therefore this hearing is important to help refine the issues, find where the areas of potential success might be, and to combine the efforts of the various committees that have jurisdiction so it does not fail.

I would just finally say, with regard to agricultural America, this legislation is especially urgent. We heard testimony this morning that passage of the Agriculture Sanction Act by itself would bring about enormous encouragement to farmers and, some hasten to add, increases in prices. There was some caution that even after we come back into those markets, having damaged ourselves substantially, it may take a while for people to get used to buying from us again. And this is not automatic.

But failure to act quickly in the areas of food and medicine would certainly be tragic. So, I share your idealism and your practicality, Mr. Chairman. I am grateful to be a part of this hearing.

Senator ASHCROFT. Thank you very much, Senator Lugar.

Now the Senator from Minnesota. Do you have remarks you would like to make? The Senator from Wyoming has already enlightened us.

Senator GRAMS. No, I do not have an opening statement, but I have a few questions. Thank you, Mr. Chairman.

Senator ASHCROFT. Thank you very much.

It is now my pleasure to call upon the first panel of witnesses: the Honorable Dan Glickman, Secretary of Agriculture, and the Honorable Bill Reinsch, Under Secretary for Export Administration at the Department of Commerce, and of course, Gus Schumacher, the Under Secretary of Agriculture for Farm and Foreign Agricultural Services.

Let me just say, Mr. Secretary, it is good to have someone from the bread basket of America as deeply concerned about agriculture as you are and willing to come and appear before us to participate in this hearing. I would be pleased to welcome your remarks at this time.

STATEMENT OF HON. DAN GLICKMAN, SECRETARY OF AGRICULTURE; ACCOMPANIED BY AUGUST SCHUMACHER, JR., UNDER SECRETARY FOR FARM AND FOREIGN AGRICULTURAL SERVICES, DEPARTMENT OF AGRICULTURE, WASHINGTON, DC

Secretary GLICKMAN. Thank you very much, Mr. Chairman. You have properly noted Mr. Schumacher who is here to help bail me out with answers to your questions. He did testify also this morning before Senator Lugar's committee, and I would call upon him at the appropriate time on the question and answer side of the picture.

I might say to you that my mother was born on the Missouri side in the city of Kansas City, not far from where the Country Club Plaza is now. So, I am kind of two worlds.

Senator ASHCROFT. Well, sometimes we call that Lap Land, and that is where Missouri laps over into Kansas and Kansas laps back over into Missouri. We are delighted.

Secretary GLICKMAN. Mostly you get our water and air, though, I would have to say.

Senator ASHCROFT. Well, thank you.

Secretary GLICKMAN. It just flows west to east.

Senator ASHCROFT. We are grateful.

Secretary GLICKMAN. Thank you.

In any event, I am honored to be here. I think this is the first time that I have appeared before this committee. I have, of course, appeared before Senator Lugar's committee on many occasions, and it is a pleasure to see him, as well as Senator Thomas and Senator Grams.

I have a very short statement.

If I might just say with respect to reform of U.S. sanctions policy, you are aware that 2 weeks ago that President Clinton announced that the United States will exempt commercial sales of agricultural commodities and products, medicine, and medical equipment from future unilateral economic sanctions, unless the President finds that it is in the national interest to include such items due to compelling circumstances.

This is a very significant step toward revising U.S. unilateral economic sanctions and it has important implications for American agriculture, as you so noted in your opening statement. While this new policy does not mean automatic approval of agricultural sales, it does give U.S. producers and exporters an opportunity to compete in more open markets.

In addition, the new policy will extend to existing unilateral economic sanctions to permit case-by-case review of specific proposals for commercial sales. Because under current policy, conditioned sales of certain items are already licensable for Iraq, North Korea, and Cuba—and at least in the cases of Iraq and North Korea, there have been both donations as well as I believe commercial sales—the change will affect only Iran, Libya, and Southern Sudan, that particular announcement because the other sales were opened.

We are working to implement these changes as quickly as possible in developing licensing criteria to guide this on a case-by-case review. I would say that the Agriculture Department is a key player and a partner in the interagency effort to ensure that these

rules are written in a way which are fair to U.S. farmers and ranchers, and Under Secretary Schumacher and his team are actively involved in this licensing process, this criteria process.

The criteria will be designed to ensure that sanctioned governments do not gain unjustified or unwarranted benefits. Sales must be at prevailing market prices and sales generally will be restricted to non-government entities or government procurement bodies not affiliated with the coercive organs of the state. However, sales to some quasi-government organizations could be authorized, provided that they are not affiliated with coercive organizations.

This policy change will cover agricultural commodities and products, medicine, and medical equipment. As I said, we are working with other Departments of Government, including State, Commerce, and Treasury, to develop precise definitions of the products to be covered.

This important step toward sanctions reform should help boost U.S. agricultural exports of bulks commodities. This is largely a bulk commodity issue right here that we are talking about. Wheat, corn, rice, and vegetable oil are the primary bulk commodities that would be involved. We estimate that our producers may sell an additional half a million to 1 million tons in exports of both wheat and corn as a result of this change to policy. And this is largely to Iran. Of the three countries I mentioned, Iran is probably one where the overwhelming majority, if not all, of the sales would go to at least initially. In addition, some of these countries were once major markets for U.S. rice, and we hope that our rice producers will recapture some of these lost sales.

For example, Iran, a nation of 60 to 70 million people represents about a \$3 billion food market. Two decades ago with only about half of its current population, Iran was the biggest customer for American rice and one of the biggest for American wheat. Now our producers will have the opportunity to recapture their share of that market.

There has been a lot of discussion about what is the value of lost sales under our sanctions policy. Well, there are a myriad, I suppose one could call of them, sanctions in a whole host of laws that have been adopted by Congress over the last 30 or 40 or 50 years. Primarily we are talking about the following countries: Iran, Libya, Sudan, Cuba, North Korea, and Iraq. Those have been the countries that the sanctions have been pretty much across the board. We estimate—and this is merely an estimate—that we are probably talking somewhere of around \$500 million worth of sales are affected in those countries. That is an estimate. It could be a little higher, it could be a little lower. It could raise higher in the future if other economic factors occurred.

The reason why I mentioned that is because that number is less than what some people have talked about in terms of lost agricultural markets to sanctions. These countries that I just mentioned would probably represent roughly about 1 percent at current levels U.S. agricultural sales. Now, while that may seem small, any amount right now is good. The opening might allow us to be more competitive in other places around the world.

I do not want to overstate the value of this, however, the overwhelming majority of our agricultural products do not go to these

countries. They go to many other countries around the world. This will represent an opening. I think it is very positive news.

The Clinton administration is committed to the reform of U.S. sanctions policies. We need to ensure that unilateral economic sanctions, to the extent that they exist, are effective, that the cost to U.S. interests are minimized, and that they directly contribute to U.S. foreign policy goals.

The changes we are discussing today follow through on the President's belief—and I have talked to him about this myself and it is my own belief, after having been in the U.S. Congress for 18 years—that agricultural commodities and other human essentials should not be used as instruments of foreign policy, absent very compelling circumstances. And as you said, Mr. Chairman, there are certain circumstances where they may be warranted.

When it comes to monitoring rogue nations and combatting international terrorism, we will continue to be vigilant. But we have found too often that sanctions on food and medicine have no influence on the behavior of governing regimes. Instead, they harm innocent citizens, poor citizens as you indicated, who may be denied basic tools of survival.

And, of course, sanctions can have a negative economic effect here at home. American agricultural export shares in these markets are frequently captured by our global competitors. Just as innocent people abroad should not be punished for the policies of their governments, there is no reason why American farmers should be punished either.

With farm prices still low and global demand still soft, this new sanctions policy could not have come at a better time. Our farmers are hurting and they deserve every opportunity to reach out to as many potential consumers around the world as possible. They produce the best food the world has to offer, and we cannot afford to handicap them by ceding potentially lucrative markets to our global competitors.

Mr. Chairman, that completes my statement. After all the statements are finished, I will be glad to answer any questions that you have.

[The prepared statement of Secretary Glickman follows:]

PREPARED STATEMENT OF HON. DAN GLICKMAN

Mr. Chairman, members of the Committee, I am pleased to appear with Bill Reinsch, Under Secretary of Commerce for Export Administration, to discuss sanctions and their effects on U.S. agricultural trade.

REFORM OF U.S. SANCTIONS POLICY

Mr. Chairman, two weeks ago, President Clinton announced that the United States will exempt commercial sales of agricultural commodities and products, medicine, and medical equipment from future unilateral economic sanctions, unless the President finds that it is in the national interest to conclude such items due to compelling circumstances. This is a significant step toward revising U.S. unilateral economic sanctions policy and it has important implications for American agriculture. While this new policy does not mean automatic approval of agricultural sales, it does give U.S. producers and exporters an opportunity to compete in more markets.

In addition, the new policy will extend to existing unilateral economic sanctions to permit case-by-case review of specific proposals for commercial sales. Because under current policy conditioned sales of certain items are already licensable for Iraq, North Korea, and Cuba, this change would affect only Iran, Libya, and Sudan.

We are working to implement these changes as quickly as possible. We are developing licensing criteria to guide this case-by-case review. These criteria will be designed to ensure that sanctioned governments do not gain unjustified or unwarranted benefits. Sales must be at prevailing market prices and sales generally will be restricted to non-government entities or government procurement bodies not affiliated with the coercive organs of the state. However, sales to some quasi-governmental organizations could be authorized provided they are not affiliated with coercive organizations.

This policy change will cover agricultural commodities and products, medicine and medical equipment. We are working with the Departments of State, Commerce, and Treasury to develop precise definitions of the products to be covered.

This important step toward sanctions reform should help boost U.S. agricultural exports of bulk commodities such as wheat, corn, rice, and vegetable oil. We estimate that our producers may sell an additional 500,000 to 1 million tons in exports of both wheat and corn as a result of this change in policy, mainly to Iran. In addition, some of these countries were once major markets for U.S. rice, and we hope our rice producers will re-capture some of these lost sales.

For example, Iran, a nation of 60 to 70 million people, represents about a \$3-billion food market. Two decades ago, with only about half its current population, Iran was the biggest customer for American rice and one of the biggest for American wheat. Now our producers will have the opportunity to recapture their share of that market.

CONCLUSION

Mr. Chairman, the Clinton Administration is committed to the reform of U.S. sanctions policies. We need to ensure that unilateral economic sanctions are effective; that the costs to U.S. interests are minimized; and that they contribute to U.S. foreign policy goals.

The changes we are discussing today follow through on the President's belief that food and other human essentials should not be used as instruments of foreign policy, absent compelling circumstances.

When it comes to monitoring rogue nations and combating international terrorism, we will continue to be as vigilant as ever. But we have found too often that sanctions on food and medicine have no influence on the behavior of governing regimes. Instead, they may harm citizens, who may be denied basic tools of survival.

And, of course, sanctions can have a negative economic impact here at home. American agricultural export shares in these markets are frequently captured by our global competitors. Just as innocent people abroad should not be punished for the policies of their governments, there is no reason why American farmers should be punished either.

With farm prices still low and global demand still soft, this new sanctions policy could not have come at a better time. Our farmers are hurting, and they deserve every opportunity to reach out to as many potential consumers as possible around the world. They produce the very best food and fiber that the world has to offer, and we cannot afford to handicap them by ceding potentially lucrative markets to our global competitors.

Mr. Chairman, that completes my statement. I will be happy to answer any questions.

Senator ASHCROFT. Mr. Secretary, I want to thank you very much and commend you for taking, I think as Senator Lugar mentioned—and I certainly believe—a significant step in the right direction in terms of making our products available and making markets around the world available to our producers.

It is now my pleasure to call upon the Honorable Bill Reinsch, the Under Secretary for Export Administration at the Department of Commerce. Mr. Reinsch, please go forward.

STATEMENT OF HON. WILLIAM A. REINSCH, UNDER SECRETARY OF COMMERCE FOR EXPORT ADMINISTRATION, DEPARTMENT OF COMMERCE, WASHINGTON, DC

Mr. REINSCH. Thank you, Mr. Chairman. It is a pleasure to be back here before the committee to testify. I recall the last time was

on chemical weapons. This is a slightly happier topic, and I am pleased to have the opportunity to be with you.

Let me also, Mr. Chairman, on behalf of the Department of Commerce, welcome you to membership on the President's Export Council. It is an important opportunity, I think, to work with us to enhance exports in this sector, but also in other sectors. I know that Secretary Daley and I and Ambassador Aaron look forward to working with you. We particularly appreciate your participation in the last meeting. Not all of our congressional representatives show up, but you did and we are grateful for it.

Let me today discuss the Department of Commerce's views on agricultural sanctions and, in particular, our activities in regard to licensing the export of food and medicine to sanctioned states.

As Secretary Glickman pointed out, this administration has been working for the last 2 years, in conjunction with the Congress, to rationalize the sanctions process. A major step in this effort, as you noted, occurred last month when the President announced that commercial sales of food and medicines will generally be exempt from unilateral sanctions. This will allow sales to Iran, Libya, and Sudan. That is an important step for several reasons.

First, when we look at the broad outline of sanctions policy, it is clear that multilateral sanctions are generally more effective in enforcing international norms, advancing U.S. interests, and defending U.S. values. Multilateral sanctions maximize international pressure, while minimizing damage to the U.S. economy. Unilateral sanctions are usually much less effective since there are few products or services for which the United States is the only producer. For agricultural products, the large number of alternative suppliers means that unilateral sanctions may do more damage to U.S. farmers than to their intended target, as Senator Thomas pointed out in his remarks a few minutes ago. The President's decision of last month takes this into account.

For example, when the United States imposed a grain embargo after the Soviet invasion of Afghanistan, the Soviets were able to replace the majority of the embargoed grain with imports from other sources. GAO concluded that the embargo caused almost no change in Soviet consumption. The economic cost for the United States, however, was high, and not only in the agriculture sector. In addition to the loss of the direct sales, manufacturers of agricultural equipment, savings and loan associations in wheat farming areas, the shipping industry, and trading companies all suffered losses. Additionally, there was long-term damage to business relationships and market share. As Senator Lugar pointed out, when your credibility is damaged in these things, it takes a long time to rebuild it and restore it. Nevertheless, there are clearly times when important national interests or values are at stake, and unilateral sanctions should remain available as a tool to address these situations.

In pursuing this policy, the administration is building, in part, on longstanding humanitarian precedent. Since the 1960's, within certain specific guidelines, the United States has generally encouraged and authorized donations of food and medical equipment to sanctioned and embargoed nations. However, the sale of food and medical items has been restricted in certain instances. The Presi-

dent's April decision has changed this and will allow sales of food and medical products to Iran, Libya, and Sudan.

Commerce is currently assisting the Department of State in developing a list of medical items that will need to be exempted from the President's policy of general approval. This list will include certain chemicals, pharmaceuticals, vaccines, and medical equipment which will be subject to stringent review because they are controlled for chemical and biological weapons' concerns.

We are also working with other agencies to develop precise definitions of the affected products and country-specific licensing criteria. Commerce expects that changes in the regulations for Cuba, North Korea, and Syria are not necessary because sales of food and medicine are already permitted to these destinations. In the case of Iraq, sales are permitted under the United Nations oil for food program and U.N. Security Council resolutions, and as a result, we do not expect regulatory changes there either.

Now let me describe briefly how Commerce Department licensing activities vis-a-vis food work. In 1998, the Bureau of Export Administration processed 10,378 license applications for the export of controlled U.S.-origin goods. Two percent of those, or 221, were for food and medical items to sanctioned states. These licenses are processed under existing Commerce authorities in consultation with the Departments of Defense and State and under the aegis of Executive Order 12981 which sets up the process for considering these and which imposes discipline and transparency on BXA's licensing process.

As spelled out by the Cuban Democracy Act of 1992, the United States will generally approve licenses to export medicines, medical supplies, instruments, and equipment to Cuba that meet a set of five criteria. In 1998, BXA processed 107 applications worth \$97 million for food and medical exports to Cuba.

In March 1998, the President announced that export applications for the sale of medicine and medical supplies and equipment to Cuba would be simplified and expedited, that direct cargo flights for humanitarian reasons would be restored, and that the monetary value and allowable frequency of family remittances to Cuba would be increased. In the aftermath of this announcement, Commerce's approved licenses for medical sales increased significantly, from a total value of only \$22,500 in 1997 to \$19.2 million in 1998. However, at the same time we understand that actual shipments are substantially below the authorized level. In this respect I should point out, Commerce licenses or authorizes exports. We do not necessarily keep track of everything that actually leaves the country pursuant to license, and I can go into that a little bit later in questions if you wish.

In January of this year, the President announced a series of new initiatives for Cuba designed to help the Cuban people transition to democracy without strengthening the current regime. The initiatives include a provision permitting the sale of food and certain agricultural items to independent organizations and non-governmental entities. Through the implementation of this initiative, the United States hopes to support the small but vital private sector of the Cuban economy. The Commerce regulations liberalizing the sale of food to Cuba and the accompanying Treasury regulations go

into effect today and will be published in the Federal Register on Thursday.

In regard to North Korea, although sales of goods, including food and medical items, are permitted under the embargo, the country's lack of hard currency makes payment a problem, and as a result most food exports to North Korea are donations. As the scale and intensity of North Korea's food shortage have intensified, the number of export licenses BXA has processed has increased. In 1994, for example, BXA processed a total of 10 licenses for North Korea. By 1998, the number had increased to 48, with a value of \$173 million.

While Syria has been designated as a supporter of terrorism and is under strict export controls for many U.S.-origin goods as a result of that, it is not an embargoed state. Therefore, although some agricultural commodities, such as pesticides and vaccines, are controlled, the majority of food and medical items exported to Syria do not today require a license.

Finally, Mr. Chairman, let me comment briefly on S. 425, the Food and Medicine for the World Act of 1999, although I want to be clear that the administration is still studying the bill, and we have not taken a formal position on it. While we sympathize with the objective of this bill, we do have some concerns in regard to the limited flexibility it offers the administration. That said, the bill also shows that there is an important opportunity here for Congress and the administration to continue to work together along the lines Senator Lugar suggested in his remarks. The President's April 28 initiative is an important step forward in rationalizing sanctions. As we assess the effect of this decision, further steps to rationalize agricultural sanctions and sanctions in general may well be possible.

Commerce looks forward to continuing to work with this committee and others in the effort to ensure that sanctions advance U.S. foreign policy goals but minimize burdens and other U.S. interests. While multilateral sanctions are a strong and effective foreign policy tool, we believe unilateral sanctions should only be used when the United States is unable to rally other states to the defense of our national security interests.

Thank you.

[The prepared statement of Mr. Reinsch follows:]

PREPARED STATEMENT OF HON. WILLIAM A. REINSCH

Mr. Chairman, members of the Committee, thank you for the opportunity to testify on sanctions reform for agriculture and on the bill before the Committee to exempt agriculture and medicine from unilateral sanctions legislation. In my statement, I will address the Department of Commerce's views of agricultural sanctions and Commerce's activities in regard to the export of food and medicine to sanctioned states.

This Administration has been working for the last two years, in conjunction with the Congress, to rationalize the sanctions process. A major step in this effort occurred last month when the President announced that commercial sales of food and medicines will generally be exempt from unilateral sanctions. This will allow sales to Iran, Libya and Sudan, countries to which U.S. farmers could not previously sell food. This change is part of the Administration's overall approach to sanctions reform and is not directed to any specific country. It is an important step for several reasons.

First, when we look at the broad outline of sanctions policy, it is clear that multilateral sanctions are generally more effective in enforcing international norms, ad-

vancing U.S. interests and defending U.S. values. Multilateral sanctions maximize international pressure while minimizing damage to the U.S. economy. Unilateral sanctions are usually much less effective since there are few products or services for which the United States is the only producer. For agricultural products, the large number of alternative suppliers means that unilateral sanctions may do more damage to U.S. farmers than to their intended target. The President's decision takes this into account.

For example, when the U.S. imposed a grain embargo after the Soviet invasion of Afghanistan, the Soviets were able to replace the majority of the embargoed grain with imports from other sources; the GAO concluded that the embargo caused almost no change in Soviet consumption. The economic cost for the United States, however, was high. In addition to the loss of the direct sales, manufacturers of agricultural equipment, savings and loan associations in wheat-farming areas, the shipping industry, and trading companies all suffered losses. Additionally, there was long-term damage to business relationships and market share. Nevertheless, there are clearly times when important national interests or values are at stake, and unilateral sanctions should remain available as a tool to address these situations.

In revising its approach, the Administration is building in part on long-standing humanitarian precedent. Since the 1960s, within certain specific guidelines, the United States has generally encouraged and authorized donations of food and medical equipment to sanctioned and embargoed nations. However, the sale of food and medical items has been restricted in certain instances. The President's April decision changed this and will allow sales of food and medical products to Iran, Libya and Sudan.

Commerce is assisting the Department of State in developing a list of medical items that will need to be exempted from the President's policy of general approval. The list will include certain chemicals, pharmaceuticals, vaccines and medical equipment, which will be subject to stringent review because they are controlled for chemical and biological weapons' concerns.

We are also working with other agencies to develop precise definitions of the affected products and country-specific licensing criteria. Commerce expects that changes in the regulations for Cuba, North Korea and Syria are not necessary because sales of food and medicine are already permitted to these destinations. In the case of Iraq, sales are permitted under the United Nations oil-for-food program and U.N. Security Council resolutions, and as a result, regulatory changes are not expected.

Let me now describe briefly Commerce Department licensing activities vis-a-vis food. In 1998 the Department of Commerce's Bureau of Export Administration (BXA) processed 10,378 license applications for the export of controlled U.S.-origin goods. Two percent of all BXA's license applications, or 221, were for food and medical items to sanctioned states. These licenses are processed under existing Commerce authorities, in consultation with the Departments of Defense and State, and under the aegis of Executive Order 12981, which imposes discipline and transparency on BXA's licensing process. Donated goods can, under Commerce regulations, be exported without a license.

As spelled out by the Cuban Democracy Act of 1992, the United States will generally approve licenses to export medicines, medical supplies, instruments and equipment to Cuba that meet a set of five criteria. In 1998, BXA processed 107 applications worth \$97 million for food and medical exports to Cuba.

In March, 1998, the President announced that export applications for the sale of medicine and medical supplies and equipment to Cuba would be simplified and expedited, that direct cargo flights for humanitarian reasons would be restored, and that the monetary value and allowable frequency of family remittances to Cuba would be increased. In the aftermath of this announcement, Commerce's approved licenses for medical sales increased significantly, from a total value of only \$22,500 in 1997 to \$19.2 million in 1998. However, we understand that actual shipments are substantially below the authorized level.

In January of this year, the President announced a series of new initiatives for Cuba designed to help the Cuban people transition to democracy without strengthening the current regime. The initiatives included a provision permitting the sale of food and certain agricultural items (i.e., seeds, pesticides and fertilizer) to independent organizations and nongovernmental entities. Through the implementation of this initiative, the U.S. hopes to support the small but vital private sector of the Cuban economy. Treasury will also implement a counterpart regulation on the Cuban initiatives under its jurisdiction. The Commerce regulations liberalizing the sale of food to Cuba and the accompanying Treasury regulations go into effect today.

The newest initiative for Cuba involves the sale of food and agricultural items, including but not limited to pesticides, herbicides, seeds, and fertilizer.

In regard to North Korea, although sales of goods including food and medical items are permitted under the embargo, the country's lack of hard currency makes payment a problem, and as a result, most food exports are donations. As the scale and intensity of North Korea's food shortage has intensified, the number of export licenses BXA has processed has increased, in 1994, for example, BXA processed a total of ten licenses for North Korea; by 1998, the number had increased to 48 with a value of \$173 million. Many of the license applications for North Korea are filed by organizations, such as USAID and CARE, that are working under U.S. Government contracts to fulfill U.S. obligations under the Agreed Framework and other agreements we have with North Korea. These shipments represent direct food aid from the U.S. to the Democratic Peoples' Republic of Korea.

While Syria has been designated as a supporter of terrorism and is under strict export controls for many U.S.-origin goods as a result of that designation, it is not an embargoed state. Therefore, although some agricultural commodities, such as pesticides and vaccines, are controlled, the majority of food and medical items exported to Syria do not today require a license.

Finally, let me comment briefly on S. 425, the "Food and Medicine for the World Act of 1999," although I want to be clear that we are still studying the bill and have not taken a formal position on it. While we sympathize with the objective of this bill, we do have some concerns in regard to the limited flexibility it offers the Administration. That said, this bill also shows that there is an important opportunity here for Congress and the Administration to continue to work together. The President's April 28 initiative is an important step forward in rationalizing sanctions. As we assess the effect of this decision, further steps to rationalize agricultural sanctions and sanctions in general may be possible.

Commerce looks forward to continuing work with this committee and others in the effort to ensure that sanctions advance the United States' foreign policy goals but minimize burdens on other U.S. interests. While multilateral sanctions are a strong and effective foreign policy tool, unilateral sanctions should only be used when the United States is unable to rally other states to the defense of national security interests.

Senator ASHCROFT. Thank you, Secretary Reinsch, for your participation and for your comments.

It is my understanding that Secretary Schumacher will just choose to be a part of responses to inquiries. Thank you.

We would launch then our round of inquiries now and let me begin again by expressing my appreciation.

I think all of us are sensitive to the fact that our farmers and ranchers have been facing some really tough times. Mr. Secretary, I would like to hear your thoughts about how the ability of farmers to export their farm products affects the U.S. farm economy as a whole.

Secretary GLICKMAN. It is dramatic. You talked about your own State of Missouri. One out of 3½ acres production in this country is dedicated to exports. Of course, that does not take in the extraordinary amount of exports in the livestock sector as well.

Roughly 45, 50 percent of wheat is exported. Corn is significantly less. I am sorry. Wheat is about 30 percent. Corn is 40, 45 percent. Soybeans are half or thereabouts. And that is replicated across the board. Cotton is an important export item, not quite as high. Rice is an important export item that has fallen to some degree, and then of course, the livestock sector, which is becoming more and more of an important part of it. So, it is dramatic.

Senator ASHCROFT. It seems to me that an important part of our promise in the 1996 Freedom to Farm bill was that we would increase access to international markets. Do you think that that part of our commitment includes reforming the sanctions regime for agricultural markets?

Secretary GLICKMAN. Well, I think it is across the board looking at ways that we can open markets. Mr. Schumacher and his team

have done a lot of things over the last few years. For example, this year we expect our humanitarian assistance overseas to reach 10 million metric tons, compared to 3 million metric tons last year, so over a triple increase. North Korea and Russia are two of those places.

We are going to use our GSM credits this year and last year at a significantly higher amount than we have done before.

Gus may want to talk about some specific markets where we have had great success.

1996, 1997, and 1998, each year was record world grain production. Each year. 1996 over the rest of the years, 1997 over the rest of the years, 1998 over the rest of the years. I guess everybody was blessed with wonderful weather and higher yields, productivity, technology, et cetera. When you couple that with some decrease in demand, and it has had a profound effect on price. But there is no question that we are doing everything we can to move this product overseas. Obviously, if there are some markets that are excluded from us, that has an impact.

Senator ASHCROFT. So, sanctions reform can have an impact on—

Secretary GLICKMAN. It can have an impact. It is probably, in the short term, not a monumental impact, but it has some impact.

Senator ASHCROFT. Tell me about the importance of the USDA's export credit and credit guarantee programs to U.S. farmers and their competitiveness overseas.

Secretary GLICKMAN. I might ask Mr. Schumacher to talk. He runs that program.

Mr. SCHUMACHER. Thank you.

I think we nearly doubled the use of the GSM program, GSM 102, particularly helpful, Senator, in Asia when things got a little rocky in Korea and the other Asian countries in late 1997 and 1998. In Korea it was extraordinarily helpful. We went from very little use of GSM to nearly covering half of our exports in 1998, and that has been renewed in 1999. Very important not just for bulk, but particularly for the meats and the meats have been taken up very aggressively.

Senator ASHCROFT. So that if we are going to be competitive overseas, in many respects we rely on our ability to have credit guarantees.

Mr. SCHUMACHER. Yes. Those are not subsidized interest rates. They are commercial rates of interest. They provide a term of 1, 2, sometimes 3 years, but mainly 2 years to assist our producers in selling overseas.

Senator ASHCROFT. If we were to end our credit and credit guarantees unilaterally, what effect would that have on our farmers?

Secretary GLICKMAN. It would make the French and other countries very happy. That is what it would do.

Senator ASHCROFT. It would hurt us dramatically.

Secretary GLICKMAN. It would make our competitors very happy because, as Gus was saying, these are not subsidies, but they do provide the ability of the U.S. Government's economic power to guarantee commercial bank loans. Being the most economically powerful nation in the world, there is a lot of resistance to our use of our credits overseas.

But if we didn't use them, it would, as last year, support about \$4 billion to \$5 billion in sales. They provide liquidity for a lot of people buying our commodities. They are available only in certain markets where there is credit worthiness. Other sorts of tests apply there of course.

But it would have a fairly significant impact, and a growing impact on the livestock sector where they are used more and more all the time.

Senator ASHCROFT. U.S. law prohibits credits for terrorist nations. The prohibition was drafted so broadly that a U.S. farmer cannot use these programs to export food to a private citizen in one of these countries. Even if Congress were to ameliorate the harshness of this law such as by allowing credit guarantees for entirely private citizens, does not the USDA still have a review process in place to evaluate whether any one particular credit request should be granted?

Mr. SCHUMACHER. We look at many credit requests, but we, of course, do not make GSM credits available to terrorist nations. That is a very important issue.

Senator ASHCROFT. Do you have a process that would review and evaluate whether a particular credit would be granted in the event the Congress were to expand the law to include the potential of credit extensions to private citizens in those nations which currently do not receive credit guarantees?

Mr. SCHUMACHER. Certainly I think, Senator, you recall in the case of Pakistan and India last year, when the law was amended. We responded rapidly in terms of the Pakistan issue and worked that one very carefully.

Secretary GLICKMAN. This is an issue that we are encouraging further discussion in the interagency process, the use of GSM credits, as we deal with the issues raised in the sanctions issues. The sanctions policies the President brought forward did not make any changes in the GSM credits, and I am not saying that there will necessarily be changes, but it is something that is desirous of review in that process.

Senator ASHCROFT. Senator Lugar.

Senator LUGAR. Thank you very much, Mr. Chairman.

Let me just review for a minute the licensing process. I have noted in your statement, Secretary Glickman, that you are working to implement this change or licensing criteria to guide us on a case-by-case review. You pointed out that sanctioned governments should not gain unjustified or unwarranted benefits. And the sales would generally be restricted to non-government entities or government procurement bodies not affiliated with the coercive organs of the state.

I understand all that, but the effect of that is, it seems to me, to discourage export sales. The thrust of all we are talking about today is that somehow, as you point out, bulk commodities, rice, wheat, vegetable oil, would be available to Iran, Libya and Sudan. Already, as you pointed out, some of this is available to North Korea through emergency gifts in our foreign policy, and in Cuba through 107 licenses that you pointed out have led to some humanitarian business.

But I am wondering why the regulations could not simply say that if anybody in the United States wants to make a sale of bulk commodities, rice or wheat or vegetable oil, to somebody in Iran, that they go ahead and do it. In other words, we may define Iran as a coercive state and try to define what is a quasi-governmental entity there, but anybody in this country that wants to make a sale is going to find it very difficult to market to somebody in Iran who will want to know can you get through all of the hoops to get the material to me, given the fact there may be some resistance in that market, given all that has transpired.

Can you enlighten me a little as to why you are not just making a general category with bulk commodities?

Secretary GLICKMAN. While these are basic principles to be applied in this licensing process, the licensing process has not been finalized yet. We do have to use good judgment and make sure it makes sense, while facilitating trade in the process. So, your views have and are being expressed in the interagency process as the final licensing criteria is done.

I do not know if my colleague from the Commerce Department has any comments on that.

Mr. REINSCH. If I could add a word, Senator Lugar. Personally I think you make a good point, and there is certainly the possibility that we will do it wrong and end up having the impact that you fear. That has not happened yet. That is, as Secretary Glickman said, still under discussion.

There are some other aspects of this that are important, generally speaking, particularly on the finance side. The Treasury Department, which is the agency that will actually be issuing the license in these particular cases has wanted to track the financing of these items very carefully to make sure that the financing is not coming from an entity that is problematic from a foreign policy or national security point of view. That creates arguments in the interagency process for attaching some additional reviews and some additional cuts on these things to make absolutely certain that we are not assisting people as part of this process that we do not want to assist.

Senator LUGAR. Well, I understand that, and you can make that case for the whole country of Iran. In other words, in a common sense way, either you open up the market or you do not. This is sort of a little bit of a "now you see it, now you don't" situation. Who in Iran are these coercive forces? Are you trying to parse between the new President and a few local officials who are perceived as more democratic than others? Or is the Ayatollah buying it and you then say no? I do not think you can do it from here.

I appreciate the bureaucratic regimens that go through this. Within your own administration, you may not have people that are exactly in agreement that the policy should have been changed at all.

I am just saying this as a practical effect—and I think you are correct, Secretary Glickman, not to hold out great hopes for a lot of product moving because not much is going to move. We have the one significant contract possibility with the Nikki Company which is sort of well known in all the trade publications for a long time, and they might move some wheat. But after you get beyond that,

this is going to be heavy going for anybody working through even these draft regulations and all the debate that is occurring here.

So, I just take advantage of the chairman's hearing to make this point because it is critical.

Now, that does not mean that we should not proceed with legislation. I think that is the solution. In other words, solve the problem for you and to say, in essence, you do not have to wrangle among the administration people parsing all these fine places. We would just say simply food and medicine can be shipped.

Now, at that point, there is still a definition of food. It is almost like the food stamp problem. Does it cover beer and wine and spirits, adhesive, and whatever else is in the grocery store? I admit that there are some problems here.

But you were talking today about the basic things we do, bulk wheat and beans and oil and so forth. That is not a tough call. It seems to me that if we pass this legislation and send clearer signals, that would be helpful to you, but in the meanwhile, hopefully you will be helpful to us. We have an immediate problem of agricultural sales.

Secretary GLICKMAN. I agree with you in this sense. It is fruitless for us to go down this road and then to use all sorts of bureaucratic machinations and nothing happens because we cannot find parties to talk to each other or reach agreement with each other. That is clearly not the President's intention.

Senator LUGAR. And that is what I am suggesting is going to happen unless there is a little different type of dialog in this inter-agency process.

Secretary GLICKMAN. That is one of the reasons why the U.S. Department of Agriculture is an equal partner in this effort because I think they need our judgment and our experience as part of this dialog.

Mr. REINSCH. If I may, Senator, I think you make a very compelling point. Personally I am glad you made it, and I am looking forward to conveying your views back to the Office of Foreign Assets Control at Treasury.

Senator LUGAR. Well, please do. I am prepared to argue personally with these people.

Mr. REINSCH. That might be a good idea.

Senator LUGAR. Throughout all of this business, we have seen the Secretary here today, but also Sandy Berger, a whole raft of administration people to get to this point. So, this has involved hand-to-hand combat, and we would be glad to help out further.

Senator ASHCROFT. Thank you very much, Senator Lugar.

Senator Thomas.

Senator THOMAS. Just a couple questions. Tell me a little about—do you deal with North Korea?

Mr. REINSCH. Yes, sir.

Senator THOMAS. What is the technique? What is the programs or resources that allow us to get agricultural products there?

Mr. REINSCH. Most of what we do with respect to North Korea, largely because of their hard currency problem, is donations, parcels that are assembled by people here who do that as a business. I made a little elaboration on this in my testimony. It was the part that I did not deliver orally.

Most of the license applications we get for North Korea are filed by organizations such as USAID and CARE.

Senator THOMAS. NGO's and USAID?

Mr. REINSCH. USAID, but also CARE which would be an NGO. But they are working under U.S. Government contracts to fulfill U.S. obligations under the agreed framework and other agreements we have with North Korea as part of the energy negotiations that we had with them. These shipments represent direct food aid from the United States to the DPRK.

Senator THOMAS. Well, energy agreements provided for an exchange of commerce. They do not have any money? We do not have any just commercial sales?

Mr. REINSCH. Very few commercial sales right now. Sales are permitted, but there are not any effectively.

Secretary GLICKMAN. We estimate this year somewhere between 400,000 and 600,000 tons of wheat will move to North Korea primarily through the World Food Program, U.S. wheat. You are talking about a lot of product that is moving there.

Senator THOMAS. I guess there have been some unsatisfactory commercial deals where companies have ended up without being paid.

Mr. REINSCH. This is also an example, Senator, of why monitoring of these things and licensing of these things is important. In the case of North Korea, in particular, there is always a question of whether the food is being diverted to the military and also whether it is being resold for profit. So, this is one of those cases where I would say why it is important for us to have a licensing system in place and a monitoring system in place so that we can make sure that it does go to the people who need it.

Senator THOMAS. But you still are not able to do that. Is that not correct?

Mr. REINSCH. Yes, sir.

Senator THOMAS. You are not able to.

Mr. REINSCH. No. I am sorry.

Senator THOMAS. You are not able to determine exactly where it ends up.

Mr. REINSCH. We try the best we can.

Senator THOMAS. You mentioned, Mr. Secretary—I realize we are talking about sanctions, but there is much more loss in terms of tariffs and non-tariff barriers. Is that not true?

Secretary GLICKMAN. That is correct.

Senator THOMAS. What is your outlook on the EU in terms of beef? I am off the subject a little bit I guess.

Secretary GLICKMAN. The 13th of May, which is the end of this week, is the deadline date in terms of their compliance with the WTO rulings, and under the presumption that they do not intend to comply, although there are continuing discussions between us and them on some sort of compensation system, labeling and compensation—I do not have anything to report today. It is our intention to move ahead, assuming there is no agreement reached there, with sanctions. Then there is a process to be followed there, but we intend to exercise our rights fully under the law.

Interestingly, next week I intend to be at the World Meat Congress in Dublin on Wednesday where a lot of the European—I am

not sure which ministers will be there. The EU ag minister will be there and I am sure this will be an item of intense discussion.

This is obviously a very serious problem. In the context of our other trade problems, it is frankly far more serious than the banana issue because of the impact that it potentially has here in our markets.

Senator THOMAS. It is in Wyoming anyway.

They have had sanctions basically on their purchases for some time, but we have not ever exercised a reciprocal sanction, have we? And that is what we might do now.

Mr. SCHUMACHER. If I may, Senator, in the past we had \$100 million worth of what they call withdrawal of concessions up until 1993, 1994. The WTO came in. Then we went through the dispute settlement mechanism, and they simply have not complied, as the chairman said earlier. We won the panel and we won the appellate, and they simply decided that, for a variety of reasons, they cannot abide by the ruling. We did offer some proposals. Those have moved a bit, but the issue still remains. There are still 2 days left, but it does not look good.

Senator THOMAS. Thank you. Thank you, Mr. Chairman.

Senator ASHCROFT. Thank you.

The Senator from Minnesota, Mr. Grams.

Senator GRAMS. Thank you very much, Mr. Chairman.

I want to thank our panel for being here. Secretary Glickman, Secretary Reinsch, thank you very much.

I also look forward to working with you, Mr. Chairman, on this issue. I think it is very important.

I also want to particularly thank a fellow Minnesotan, Mike Yost, who is here today and is going to testify—he is President of the American Soybean Association—for his willingness to be here as well today.

This whole hearing is about the fact that farmers are tired of losing sales due to the increasing use of unilateral sanctions and having to combat the reputation that the United States earns as an unreliable supplier long after the sanctions end.

Secretary Glickman, is it your opinion that the U.S. still suffers from the reputation of being an unreliable supplier, especially after the Soviet grain embargo, also the Japanese soybean embargo? Do we still have that lingering bad reputation out there?

Secretary GLICKMAN. I do not think so, but I must say that when I go out around the world, I do reinforce the fact that they can count on us, that we are reliable. There are clearly some markets—we have talked about them today—that we have been sanctioned out of. We are trying to change that. But by and large, with respect to our major markets, they need to know that we are reliable suppliers.

To be honest with you, a lot of times there is a lot of rhetoric. I am not saying it is here but in the political rhetoric about when some country does something bad, the immediate response is, let us cut them off. It is often agriculture that will suffer as a result of that. And it is not a partisan thing either. It happens on all sides of the political aisle.

So, while I think there is some concern, I have not found this to be an incredibly difficult problem. I think it is a dog-eat-dog world

out there. It is competitive as heck out there right now. Every nation is trying to get the advantage over the other nation in terms of supplies.

For example, I saw recently where Iran—the issue is some countries have been selling to Iran and have been selling at a higher price because the U.S. has not been in the market. There is certainly a lot of potential competition for that market that we would benefit from and some of our competitors have gotten the benefit that we have not been in the market. So, it is a very competitive world out there.

Senator GRAMS. The Senator from Indiana put me up to this, but do you support the Lugar Sanctions Reform Act?

Secretary GLICKMAN. Well, let me say this. I do not know what Under Secretary Schumacher said this morning about that, but we certainly support in general principle the exempting of commercial sales of agricultural commodities from unilateral economic sanctions. We would have to work, whether it is on Senator Lugar's bill or Senator Ashcroft's bill, with the issues like how one would define the waiver authority of the President of the United States. How you would set up the process so that the President would be able to react quickly, if he needed to, in order to deal with a difficult international situation is very important. But as a matter of general principle, I think we agree on it.

Senator GRAMS. You mentioned the progress in lifting some of the agricultural sanctions on countries like Iran and Sudan and Libya. Why not include Cuba?

Secretary GLICKMAN. I will let you answer first and then I will think about how I am going to answer that.

Mr. REINSCH. The short answer is we are constrained by the law with respect to Cuba, Senator Grams. The embargoes on Iran, Libya, and Sudan were matters of executive action which can be changed by the President. The various pieces of Cuban legislation impose very strict restrictions on what we can do. We believe we have liberalized food sales to Cuba and donations to the extent the law permits. There may be some people in the Congress who think we have gone beyond what the law permits. But I think it is quite clear to go any farther would take some statutory change with respect to Cuba.

Secretary GLICKMAN. I would say that clearly Helms-Burton, the other legislation means that the Congress has spoken on this issue. These are political decisions. It relates to the regime of Fidel Castro. I think the President in January, as you said, announced some changes in the policy.

If, in fact, the conditions exist that allow for normal trading relations—and they do not exist now, but if they existed—and I want to qualify it like that—I think the opportunities would be fairly good. Cuba currently imports about \$700 million in agricultural products, with wheat as the leading import, then oils, rice, fruit and vegetables, other meat products as well. So, you would expect the U.S. to be a major factor in that market if, in fact, relations got to the point where they could be opened up.

Senator GRAMS. Also, Secretary Glickman, is there any way you can assure us that no unilateral sanctions on ag will be imposed

without justifying those sanctions through a process similar to one that is being spelled out in the Lugar bill?

Secretary GLICKMAN. Well, I can just tell you from the President's announcements of late last month, coupled with his announcements on Pakistan and India earlier, I do not expect the President to make any announcements on sanctions of agricultural products without some extraordinary event happening without a thorough review with the Congress.

Senator GRAMS. Also, are there any options to the trade sanctions that might work better? We are always looking for some way. It seems like sanctions have become the first resort rather than last resort. Is there anything that you would suggest that would work better or something that does not cause other countries to usurp our markets?

Secretary GLICKMAN. The only thing is, is that I would say to the extent that we can deal with international problems on a multilateral basis, we minimize the impact of unilateral sanctions. I think that is what the President is trying to do in the Balkan situation right now, i.e., the NATO conference here. So, the best I can tell you is multilateralism is a way to resist unilateral sanctions.

Senator GRAMS. Just one last question, if I could, to Mr. Reinsch. Would you support adding language to the EAA reauthorization that would exclude agriculture from unilateral sanctions.

Mr. REINSCH. There is already language in there in the old EAA that addresses this and makes it somewhere between difficult and virtually impossible for the President to impose agricultural export limitations under the Export Administration Act. I would have to look at the existing language to see if it was sufficient, but in general I agree with Secretary Glickman. The President has made very clear his belief that it is not appropriate to include food as an instrument of foreign policy. I think that if there were appropriate language that embodied that thought, that we would be able to support that.

Also though, as you know and as my statement said, we have opted at the end of the day in these situations for leaving with the President some flexibility to deal with extreme situations, such situations being, for example, a case of declared war or situations where we had evidence that the food that would otherwise not be embargoed would be going directly to assist the military in a conflict situation. So, there are, at least theoretically, circumstances in which we would not want to have a flat ban and would want to have some flexibility.

Senator GRAMS. All right. Thank you very much, Mr. Chairman.

Senator ASHCROFT. Thank you, Senator Grams.

Senator Hagel from Nebraska.

Senator HAGEL. Mr. Chairman, thank you. To our guests this afternoon, thank you very much for coming to add your contributions.

If I could pick up on an element of Senator Grams' question regarding Cuba, with the new realization that the general principle that food and medicine should not be subject to sanctions, is the administration contemplating any suggestions in the way we now deal with Cuba or any changes in the law regarding our sanctions with Cuba directly related to—

Secretary GLICKMAN. I am not aware of any, Senator. Just the January announcement that was made by the President. It was the last word that I think has come out of the administration. Maybe Commerce knows more.

Mr. REINSCH. Well, as far as I know, we are not presently contemplating proposing legislative changes. I think we have taken a number of steps, particularly the one referenced in January to flesh out, if you will, the Cuban Democracy Act and the authorities that are permitted under that. Whether we would want to contemplate some further suggestion to the Congress in the future I could not say. These are the kinds of situations where we take a step. We wait to see what the Cubans do. We wait to see how the Congress reacts. I would not rule out some future initiative here, but right now I do not believe anything is contemplated.

Mr. SCHUMACHER. If I may, one of the things that disturbed us is that there was a severe drought in Cuba, and there was some offer made of some food aid through the World Food Program of the United Nations, and Fidel Castro rejected that.

Senator HAGEL. Thank you.

Secretary GLICKMAN. He did not want food assistance, for whatever reasons.

Senator HAGEL. These were private entities—the decisions that were made in January. Is that correct?

Mr. REINSCH. You mean the destination?

Senator HAGEL. Yes.

Mr. REINSCH. Yes, that is correct.

Senator HAGEL. Would you take us through the process that is being used now and maybe associate a timeframe with that in regard to the changes in policy with Iran, Libya, and the Sudan, interagency regulations and how long and other dynamics of making sure that we get this put into place and it is implemented?

Mr. REINSCH. Well, not all of the actors are here, let me say, Senator, because that particular decision for those three countries, the way it is divided up, will be administered by Treasury's Office of Foreign Assets Control.

What is going on is the President made his announcement on April 28, which was about 2 weeks ago, roughly. As Secretary Glickman said earlier, we are presently engaged in a discussion of fleshing out some of the details, in fact, precisely the details Senator Lugar commented on in his series of questions about what is covered in terms of what constitutes food which, as he pointed out, is not an easy question always—and the food stamp program is a good illustration of that—and also the circumstances of the particular kinds of end users, what kinds of financing arrangements are appropriate, and particularly the point that he raised about how much information, if you will, and how much of this has to be certain in advance before a license could be granted, recognizing that that can often be a deterrent to these deals being made.

Our target is that we are aiming for 60 days to both work out these problems and then publish regulations. So, the target there would be the end of June.

Senator HAGEL. And that would then mean that you feel that the Government would be in a position to be able to then implement the changes in the law?

Mr. REINSCH. The changes the President announced.

Senator HAGEL. Yes.

Mr. REINSCH. Yes, sir.

Senator HAGEL. What additional agriculture export opportunities do you foresee out there with this change?

Secretary GLICKMAN. I think Iran is the primary beneficiary of this particular change. I have also said we will supply North Korea somewhere around a half million tons of wheat this year through the World Food Program, somewhere between 400,000 and 600,000 tons. I think the North Korean needs will increase. I cannot tell you how much we will go through that process, but their needs are monumental. So, those would be the two opportunities.

Gus, do you have any other thoughts there?

Mr. SCHUMACHER. Those are the main ones.

Senator HAGEL. So, wheat is where you think the first focus would be.

Secretary GLICKMAN. Wheat and corn both. As I said, we would hope that we could get some rice into Iran as well because they used to be very large rice producers.

Senator HAGEL. You mentioned Senator Lugar's line of questioning on what is defined as exportable and appropriate and falls within the terminology of agriculture exports. I know agriculture inputs or fertilizers, so on have yet to be dealt with. Is that correct?

Mr. SCHUMACHER. That is correct. We are still working through that issue in the interagency and we have another few weeks to sort through that.

Senator HAGEL. Could you give us any sense of where you are going with that?

Mr. SCHUMACHER. No.

Senator HAGEL. You will not give us any sense.

Mr. SCHUMACHER. I think it is we are going to work through the interagency. We have a very vibrant interagency process and—

Senator HAGEL. A vibrant process. Absolutely. So, we will know within a few weeks what that vibrant policy is going to produce.

Mr. SCHUMACHER. We are working that through very carefully and vibrantly.

Senator HAGEL. Secretary Reinsch, would you care to add anything to that?

Mr. REINSCH. I think Mr. Schumacher said it very well, Senator.

Senator HAGEL. He is very eloquent.

Mr. REINSCH. He is, indeed.

Senator HAGEL. Thank you very much, Mr. Chairman.

Senator ASHCROFT. Thank you.

The distinguished chairman of the Senate Foreign Relations Committee, the senior Senator from North Carolina, has come to be with us. It is a bit humbling to introduce him in a round of questions, but I am delighted to do so.

The CHAIRMAN. Mr. Chairman, I thank you very much especially for holding this hearing today. I hold the Senator from Missouri in enormously high respect. He is one of the most distinguished members of this committee. He has been a leader in the effort to find a workable compromise on the sanctions issue that protects America's moral and national security interests while at the same time

helping American farmers. And I commend you, sir, for all these efforts.

And I join you in welcoming Secretary Glickman to the Foreign Relations Committee. This is a novel place for you to be, but I hope my colleagues have made you welcome.

Secretary GLICKMAN. They have but I feel more welcome now that you are here, Senator.

The CHAIRMAN. If I may, Mr. Chairman, explain why I am so late. All the staff members of the Foreign Relations Committee and hundreds of others around this place will be sad to know that Admiral Nance, the chief of staff of the Foreign Relations Committee, is not expected to make it. Bud and I have been close friends since we were born in Monroe, North Carolina. He was 2 months older than I. I used the past tense, but he is 2 months older than I. He is a distinguished American. He served 38 years in the Navy, the skipper of the *Forrestal*, the aircraft carrier that had more sailors aboard than we had people in my hometown. I do not know of anybody around the Senate who does not love Bud Nance.

I hope that all of you will say a little prayer for him. He is hanging by a slim thread. And I am a little bit emotionally upset. I know you will forgive me.

I have a full statement that I would like for you to include in the record, Mr. Chairman, as if read.

Senator ASHCROFT. We will be pleased to receive it and put in the record.

[The prepared statement of Senator Helms follows:]

PREPARED STATEMENT OF SENATOR JESSE HELMS

Thank you, Mr. Chairman, for holding this hearing today. I hold the Senator from Missouri in enormously high regard. He is one of the most distinguished members of this committee, and has been a leader in the effort to find a workable compromise on the sanctions issue that protects America's moral and national security interests, while at the same time helping American farmers. I commend him for those efforts. And I join him in welcoming you, Secretary Glickman, to the Foreign Relations Committee. I know this is not your normal turf, Mr. Secretary, but we will do our best to make you feel at home.

Like the Senator from Missouri, I represent a farm State. And I know that farmers are hurting today—not only in North Carolina but across the Nation. The lenders I speak with back home have estimated that one-third of the farmers they currently service will no longer be in business by the end of the year if commodity prices remain in their current dismal condition. Clearly, there is a farm crisis in this country. And we need to do everything we can to help American farmers to boost exports.

Now I understand that in desperate times, some people reach for desperate solutions. And unfortunately, some in the agriculture community have been pressing the U.S. Government for a wholesale lifting of sanctions on pariah states. I know that these folks have only the best of intentions, and the interests of American farmers at heart, but we and they all need to recognize some facts: The farm crisis in America has not been *caused* by U.S. sanctions on pariah states, and it will not be *solved* by gutting U.S. sanctions on pariah states.

Let's consider some facts:

- The Foreign Agricultural Service (a division of the U.S. Department of Agriculture) recently estimated that the net cost of sanctions to the American agricultural economy is approximately *\$500 million* per year. That amounts to just *one percent* of the *\$49 billion* worth of farm exports the USDA projects for 1999.
- Of the more than 200 countries in the world, only *six*—I repeat, *six*—are targets of comprehensive sanctions. Those are: North Korea, Cuba, Libya, Sudan, Iran, and Iraq.
- The share of world agricultural trade represented by these six closed markets totals just *1.9 percent*.

With these facts in mind, Secretary Glickman, your own chief economist at USDA, Keith Collins, said the following in a speech this February about the drop in U.S. farm exports. He asked: "Wouldn't elimination of trade sanctions help solve the problem? . . . The answer to [this] question is 'no' . . . trade sanctions are having only a minor effect on our exports . . ."

According to Mr. Collins, the farm export crisis is due to a combination of 1998's bad weather (which devastated many regions across the country), and the fact that the Asian financial crisis and rising world commodity supplies reduced farm prices and the value of farm exports. Exports are dropping, he says, "As a result of anemic world economic growth and lower prices."

So, according to USDA, sanctions are not the cause of the dramatic fall of U.S. farm exports, and lifting sanctions on terrorist states will not bring significant relief to American farmers.

Now, that said, our farmers are hurting. And we need to do everything we can to help them increase their exports. So it is right that this committee and the administration work together to examine our sanctions policies, and see if there are some ways we can help them by adjusting our sanctions to allow some new export opportunities, while at the same time protecting U.S. national security.

It is for this reason that I gave my strong support to the measures announced last week by Ambassador Stuart Eizenstat adjusting our sanctions on Sudan, Iran and Libya. The administration announced that food and medicine sales to those sanctioned countries will be allowed under carefully-crafted conditions: The sale must be pursuant to a fully negotiated contract, made at prevailing market prices and made to non-governmental organizations or to governmental entities not associated with coercive bodies (i.e., not to police, military, etc.). Also no sales of dual-use items (such as pesticides, fertilizers, sprayers, etc.) which can be used to build weapons of mass destruction will be permitted.

Most importantly, such sales will *not* be eligible for any credits or U.S.-backed subsidies of any kind. Credits are the key issue. If Iran wants to pay cash-on-the-barrel for American grain, that is fine with me. Every dollar Iran spends on U.S. farm products is a dollar Iran cannot spend on terrorism or weapons of mass destruction. Giving Iran or other terrorist states credits, by contrast, would have allowed cash to be diverted from food purchases for other and nefarious purposes. That would have amounted to a U.S. taxpayer subsidy for terrorism.

I think the measures taken by the administration are responsible, and they should be a model for Congress to follow—and I will be proud to co-sponsor legislation doing just that. They represent a good faith effort on Ambassador Eizenstat's part to find middle ground between those who want to eliminate sanctions, and those of us who insist that the moral and national security dimensions of our foreign policy be protected. Unfortunately, some business lobbyists are pushing for much broader elimination of sanctions, and are exploiting the suffering of farmers to accomplish this goal. Their objective is the establishment of a mercantilist foreign policy driven exclusively by trade. We cannot allow that to happen.

Indeed, I was impressed by an excellent statement Senator Ashcroft made in the Foreign Relations Committee a few weeks ago during our markup of the State Department authorization bill. He said, and I quote: "There is a trend to commercialize all aspects of the United States Government and its relationships with other nations, and the commercialization results [in] going to the bottom line and letting the almighty dollar rule all of the considerations. My view is that we have got to be very careful that we do not go so deeply into the commercialization of these relationships that we do not [undermine] our national security interest[s] . . . that exist between the United States and other countries."

I agree wholeheartedly, and I thank the Senator for chairing this hearing and for his leadership on this issue. Let's do everything we can to help farmers—but let's do so without allowing the commercialization of our foreign policy, without undermining America's moral and national security interests.

Thank you.

The CHAIRMAN. Now then, Mr. Secretary, if I can regain my composure, let me say that I appreciate and applaud the administration's recent decision to permit the sale of agricultural commodities on a cash basis to Iran, Libya, and Sudan.

Now, to your knowledge, will all traditional agricultural commodities, such as cotton, be included in the administration's new policy?

Secretary GLICKMAN. That, Senator, is still being discussed right now in the interagency process. I cannot give you an absolute answer just yet. But I would tell you that USDA is an active player in that interagency process, and I would just tell you that cotton is one of the items that we are very worried and concerned about as well as a commodity. But I cannot give you a specific answer yet.

The CHAIRMAN. I have got a lot of cotton farmers in my State, as have many other southern States, and I will be a little bit provincial and hope that you can work it out.

Now then, a lot of our friends in the business community have lobbyists who are enthusiastic about doing business with terrorist states and like to trot out statistics saying that the sanctions imposed by the United States cost the American Government enormous amounts of money. But the CBO, the Congressional Budget Office; the Congressional Research Service; and the Department of Agriculture, your own department, disagree with that. They say that the cost of sanctions is a tiny percentage of national income.

I will ask any or all three of you to comment on whether the lobbyists are correct about that.

Secretary GLICKMAN. I understand the CBO study assessed trade sanctions' impacts on overall merchandise trade in the general economy, and they really did not address agricultural exports per se.

Our belief is that the sanctions amount, on these six countries, three of which were subject to the latest announcement by the President, the ones you mentioned, plus three others which would be North Korea, Libya, and Iraq—are not a monumental impact on exports. Actually all the countries that are sanctioned we expect, if we allowed the sanctions to be lifted, would amount to roughly about \$500 million worth of sales, which is about 1 percent of our total exports. Not huge in the big picture, but important, particularly when prices are down and markets are so rough around the world.

I do know there is a lot of talk about how much agricultural exports are affected by sanctions. I think, generally speaking, the talk tends to overstate the impact, but it is still quite important, particularly when times are so rough as they are.

And it has a big impact on certain commodities, wheat particularly, which is in oversupply produced almost everywhere in the world, and some of these markets could be buying U.S. wheat.

The CHAIRMAN. Do either of you gentlemen wish to comment?

Mr. REINSCH. Senator, this is a little farther afield from what I do. I am more in the international security business.

I think that Secretary Glickman made an important point. I would just like to reiterate it in a slightly different way. There are really two issues at hand here. I think the studies to which you are referring focused on the overall cost of sanctions beyond agriculture sanctions, and beyond sanctions to the particular list of terrorist countries, because we do have sanctions that are in place in other cases, particularly with respect to India where the commercial consequences in the non-agricultural area, in particular, are much larger if only because the economy is much larger.

So, you can look at the big picture or the smaller picture. I certainly agree with Secretary Glickman with respect to the smaller picture that for these particular countries in the gross sense or particularly as a percentage of GDP or exports, however you want to look at the universe, this is going to be a small number. I think the issue for the Department of Agriculture, as well as the issue for the committee, is notwithstanding that, what is going to be the impact on the American farmer, is the amount that is involved significant, will it benefit the farmer and do we want to go down that road or do we not?

The CHAIRMAN. Well, I would hope that we take a look at who is in charge in a nation, as in Cuba where the people are being held in bondage down there under circumstances that most people find it difficult to believe in terms of what is imposed upon them.

But setting aside the question of sanctions as our focus and returning to the issue of terrorism, if I may, last month the administration's change in sanctions policy regarding Libya was announced just a few days after two Libyan agents charged with the bombing of Pan Am flight 103 showed up for their trial. Now, what would the opponents of sanctions and export proponents say about the signal this sends to the families of the victims, or does this country even care what they feel? I will just throw that out.

Secretary GLICKMAN. Senator, I cannot respond to your particular question.

Mr. REINSCH. I may have to ask for some additional detail from you, Senator. What happened in the wake of the Libyan Government handing over the two individuals to the court was that the United Nations, almost immediately, dropped its sanctions. The U.S. Government, as far as I know, has made no change in its policy. We have had unilateral sanctions in place with respect to Libya, and those sanctions remain in place. We have not changed anything.

Secretary GLICKMAN. The only thing that has changed is that Libya is covered in the President's recent approval in current licensing policies to permit case-by-case approval of proposals for commercial sales of agricultural commodities and products and medicines. That is the extent of which Libya was covered under this announcement.

Mr. REINSCH. And I do not think any have been approved yet.

The CHAIRMAN. Well, I think I can ask this question feeling certain it does not violate any information that we have got on the fourth floor of the Capitol, the secure room. A number of experts have reported, however, that a handful of hostile countries may be studying biological warfare that could be used to attack American crops. Now, what countries are giving us concern, Mr. Secretary?

Secretary GLICKMAN. USDA is involved in a Government-wide effort to review this issue. Some of this information is classified. But we have a fairly extensive program within our Agricultural Research Service as well to try to mitigate the effects of international terrorism as it might affect food supply. This is an important issue, bioterrorism as it would affect food and water both. But I probably could not comment much further in open forum.

The CHAIRMAN. Well, you almost answered my next question, as I was going to ask what is the nature of the precautions you are

taking to protect American crops from such economic warfare. Maybe you have something you want to add.

Secretary GLICKMAN. We have a fairly extensive research effort that is ongoing, plus all the other disaster preparedness efforts that we are involved with as a country. In fact, there was a hearing over here. Senator Bennett called a hearing on the Y2K problem where the safety of the food supply during the year 2000 problem came up, and it kind of spilled over into the subject that you raised as well. So, there is increased attention to this issue of the stability and safety of the food supply in an era of greater international terrorism.

The CHAIRMAN. One quick question and a quick answer, Mr. Chairman. Are we talking to our friends around the world and suggesting that they pay attention to this potential problem?

Secretary GLICKMAN. Yes. In fact, a lot of these efforts are multi-lateral efforts.

The CHAIRMAN. I see.

My time is expired. Thank you, Mr. Chairman, and thank you, sir.

Senator ASHCROFT. Thank you, Mr. Chairman.

Senator Coverdell of Georgia, a distinguished member of this committee, has asked that I pose a question to you, and it relates to the current status of the approximately \$2.5 billion in disaster assistance that was appropriated last fall for crop loss. He indicates that he understands that the USDA will distribute these funds this coming June, and he asks why is it that the funds would only be distributed in June of this year when the crop loss was presented and was, indeed, a serious problem last year.

Secretary GLICKMAN. Just briefly, Congress passed a disaster bill of about \$6 billion in October. About 65 percent of that money was out within 3 weeks. What is called the supplemental AMPTA payments went out immediately to Eurocrop producers. The livestock assistance program has gone out, and the dairy program is in the process of going out.

This is one of the few—it has happened before, but this disaster program was capped, which meant we could spend only a designated amount of money on it. In prior years, disaster programs have often been entitlement. If you suffered the disaster, you could come into your county office and get a check. In this case, Congress limited us to some amount slightly in excess of \$2 billion to spend on these programs. So, we cannot pay the money out until all of the requests for disaster assistance come in.

In addition to that, there were two funds in that bill. One was a multi-year loss fund and one was a single-year loss fund. The farmer could choose which of the two that he would be covered under. I must tell you it is an extraordinarily complicated thing to run.

There is no program that has generated more interest by our inspector general and the General Accounting Office than our disaster programs. Quite frankly, over the last 30 years, we always have not had a stellar record in this area, making sure that the right people get the money.

So, we have done as best as we can with it and the money will be out by the middle of June.

Senator ASHCROFT. Senator Lugar of Indiana has another question.

Senator LUGAR. Mr. Chairman, I just want to supplement the response to the chairman's question on the amount that might be covered. As we were discussing earlier, the \$500 million of possible sales to Iran may not occur if the licensing situation does not work out. It could be zero dollars ultimately. The problems, as we heard this morning, with our negotiators at both the Uruguay Round and the Tokyo Rounds were essentially that because our country has been perceived as unreliable, after the soybean problems, the sanctions against soybean sales in Japan back in the 1970's, and the Russian wheat sale in the 1980's, our negotiators said they had very great difficulty making any headway with the Japanese at all. In other words, the parameters of those negotiations were very, very limited.

Now, Japan is a big market. We are talking about small countries now that have, at best, as you say, 1 or 2 percent of the sales. When you come to Japan or other countries that are potentially large buyers—and they maintain all of their tariff and non-tariff barriers because we do not have the clout, given our sanctions posture—that is a serious problem.

The second basic problem they raised was the India/Pakistan situation. It is illustrative of the Glenn amendment. Now, because we have temporary waiver authority and because the Congress acted almost instantly to try to begin lifting sanctions in agriculture almost the day that it happened much of those large markets were preserved, or given the chance to bid for the Pakistan wheat, which was the first situation we faced. In other words, the problem that the Government study overlooked was the secondary or collateral effects of sanctions upon our ability to negotiate trade treaties.

Now, agriculture remains the most protected area in the world, and Ronald Reagan started to change it when he got rid of 100 percent of all the non-tariff and tariff barriers. Bush scaled that back to 50 percent. We finally settled at about a third at Uruguay.

So, we have a huge amount still to do, and the WTO negotiations are hobbled from the start by the lack of fast track authority and the sanctions business. Now, if we get those two things cleared away, then our ability to export will begin to take off. And those are the parameters of the market that we are losing or in jeopardy of losing.

Secretary GLICKMAN. I think you raise a good point, that is, this issue is beyond just the 1 or the 2 percent. It sends signals around the world as well.

Senator, could I just make one other comment?

Senator ASHCROFT. I would be happy to have you do that, and then I have one more followup question.

Secretary GLICKMAN. I just thought I would mention, since Senator Helms is here, that I am pleased to announce that the President recently announced his intent to nominate as an ambassador, the first USDA Foreign Agriculture Service person in history to become an ambassador. He is nominating Mr. Christopher Goldthwait to be our new Ambassador to Chad. Of all the people, he is a career Foreign Service person within the Foreign Agriculture Service. He is the first one to be nominated in the history

of the country. So, we are very proud of that, that we finally have a USDA person that has been nominated to be an ambassador.

The CHAIRMAN. I feel like I am being lobbied a little bit.

Secretary GLICKMAN. Pardon?

The CHAIRMAN. I said, I feel like I am being lobbied a little bit.

Secretary GLICKMAN. No, no, no. I just wanted to let you know. He has been the general sales manager for the Commodity Credit Corporation for all these years under Republican and Democratic administrations. He has done an outstanding job. I just thought I would mention that.

The CHAIRMAN. Well, I thank you. Now, we will welcome his papers.

Senator ASHCROFT. The Senator from Kansas has reappeared. I need to ask you if you could sort of look back to your tradition of brevity and see if you can tap that, but since the Secretary is also known to favor sunflowers, I do not want to go without calling on you for this panel.

Senator BROWNBACK. I will, recognizing brevity is next to godliness many times.

I do not have other questions I want to add. I apologize for missing much of the panel. I have talked with Secretary Glickman about the sanctions issue before. I used to serve with Secretary Schumacher when we were both ag secretaries together.

I just want to state I deeply appreciate the action the administration has taken, and I hope that the Congress can followup some of these sanctions with some sanctions-lifting legislation here as well. But I think these are great steps.

I also thought you put it in the right context. This is not something that is going to solve all of our market problems. We have much broader based problems as well we need to deal with to get more marketing taking place, but I applaud the action that you have done.

Senator ASHCROFT. Thank you very much, Senator Brownback.

Mr. Secretary, this last question. From what you have said, it seems that the USDA credits should rarely be cutoff unilaterally for farmers. As Congress considers reforms that will allow more commercial sales, should we also consider reforms that will allow more credit guarantees to be used to a greater extent?

Secretary GLICKMAN. Well, we would certainly work with you on that. Right now the primary limits are, of course, a credit worthiness test. Credits cannot be issued unless the country can basically pay the money back. Of course, the credits are not issued in the cases of those countries where sanctions exist. In the announcement that was made, there was no mention of allowing credits to go forward with those particular countries, but we will work with you on that. I do not have any further announcements to make on that right now.

Senator ASHCROFT. Let me thank you and Secretary Reinsch and Secretary Schumacher for coming. We are delighted to have your appearance and we applaud the steps that the administration has taken. I believe that if Congress and the administration can act together with their respective authorities we can go even further toward developing a fair and appropriate policy that will be reflected

in a better livelihood for farmers and ranchers. So, thank you very much for coming.

I would like now to welcome our second panel. It is a panel that recommends I think the values of America to Washington, and that is the genius of this country. The genius of America is not that values expressed in Washington would be imposed on America, but that the values of America would be imposed on Washington. So, I am glad that you all could make it here.

Would Dr. Max Thornsberry please come forward? Mr. Gary Hall, who is the president of the Kansas Farm Bureau; Mr. Mike Yost, who has already been mentioned; Mr. Robert Kohlmeyer. If you would all please take your places. Dr. Max Thornsberry is president of the Missouri Cattlemen's Beef Association from Columbia, Missouri. As a fellow Missourian, welcome to the Foreign Relations Committee. Please proceed with your remarks.

**STATEMENT OF MAX THORNSBERRY, D.V.M., PRESIDENT,
MISSOURI CATTLEMEN'S ASSOCIATION, COLUMBIA, MO**

Dr. THORNSBERRY. Thank you. Mr. Chairman and Senators, I want to thank you on behalf of the National Cattlemen's Beef Association and the Missouri Cattlemen's Association for the privilege of being before you here today. We appreciate your efforts to shed light on the impact of unilateral sanctions on American agriculture. I might add that Missouri is No. 2 in the Nation in cow/calf numbers. So, any sanctions against beef would have a very significant effect for our State.

Although I have not met all of the Senators personally, I do know that Senator Ashcroft is concerned about the effect of sanctions on U.S. exports and the ricochet effect of those sanctions on beef producers. At this very moment, cattle producers nationwide are attempting to influence their legislators concerning the area of free trade and the ability to break down trade barriers.

Senator Ashcroft has been instrumental in attempting to force the European Economic Union to yield to the World Trade Organization in ruling that the importation into Europe of American beef be allowed. This would be a very poor time to discuss foreign trade sanctions that would, in effect, rebuild trade barriers.

Although multilateral trade sanctions have been a useful tool in diplomatic processes in the past, unilateral trade sanctions simply reduce American farmers' ability to compete in the world economy. Our agricultural competitors simply step in and take our place in the market, and we do not believe that food and fiber should be used as a weapon unilaterally.

The National Cattlemen's Beef Association and the Missouri Cattlemen's Association policy on sanctions and any type of export control is very simple. We oppose governmental intervention that has the effect of restricting U.S. exports of any agriculture commodity except to countries that pose a threat to our national interest and our security.

It has been a long time since beef has been directly affected by trade sanctions, but our brothers and sisters in other areas of agriculture have been significantly affected even in the very near future.

We are currently in desperate straits economically. The last 5 to 6 years the beef cattle industry has literally lost billions of dollars of equity. We have a very fragile beef commodity, a very fragile beef economy, with only three meat packers to offer a bid for our cattle. The current prices of beef will not support or cover the cost of production. Even in the best of times, our margins are very slim.

Please do not alter our ability to do business.

Thank you.

[The prepared statement of Dr. Thornsberry follows:]

PREPARED STATEMENT OF DR. MAX THORNSBERRY

Mr. Chairman, Senators: Thank you for the opportunity to participate in today's hearing. On behalf of the National Cattlemen's Beef Association (NCBA) and the Missouri Cattlemen's Association (MCA), I appreciate and commend your leadership regarding your efforts to shed light on the impact unilateral trade sanctions has on America's agricultural producers.

Although I have not had the privilege of meeting each of you, I know from my visits with Senator Ashcroft that this Committee is truly concerned about our nation's use of sanctions to affect foreign policy and all-to-frequent ricochet affect on U.S. export commerce, particularly in the agricultural sector. As we begin the new millennium, we clearly need your continued leadership to forge a sanctions policy that hits the intended target.

While the beef sector has not been directly impacted in recent history, NCBA and MCA echo the concerns and frustrations described by my fellow panel members. Each of our respective organizations is constantly and consistently working to improve our export opportunities. I am sure you have heard this many times—with 96 percent of our potential customer base living outside of the United States, we must export to fuel growth and profitability in agriculture. The beef business is no exception.

At the same time we are working to improve our export trade outlook, cattlemen and women, as well as our neighbors in other livestock and farm enterprises, are working with the government and our industry partners to break down the barriers to U.S. food and fiber exports. Which raises the essential question: Why do we as a nation have a foreign sanctions policy that effectively rebuilds trade barriers?

It makes no sense. As Members of this Committee, you know better than I how much it takes in terms of time, resources and manpower to achieve even modest reductions in the trade barriers that limit access to, or keep U.S. products out of, foreign markets. Even more frustrating to those of us involved in agriculture is the fact that in many cases where the United States has imposed unilateral sanctions, our foreign competitors simply step in and take the business. That is the ricochet I mentioned earlier.

The result? The country targeted for sanctions still gets their food or fiber, albeit from our competitors. Our competition gets a boost in their economic viability courtesy of Uncle Sam. And America's farmers and ranchers must cope with even lower prices because of reduced export demand. The commodities impacted in each sanctions case may change, but almost like clockwork, the impact is the same. Agriculture's road to economic recovery just gets longer.

NCBA and MCA policy on sanctions and related export controls is simple. We believe the ability to export U.S. agricultural products is of great economic importance—not only to producers, but the nation. We believe that establishing our reputation as a dependable supplier is critical to developing new markets and expanding existing ones. We oppose governmental intervention that has the effect of restricting U.S. exports of any agricultural commodity, except to countries that pose a threat to our national security.

I would add a caveat. When the United States is considering sanctions of any kind, we should work with our allies to ensure that we are not the only participants. I am not a foreign policy or relations expert, but it appears that when the United States has worked with other countries to impose multilateral sanctions, they generally work. Or more to the point, they do not unfairly impact American producers.

In recognition of the situations affecting the other members of the panel, I want you to understand that the beef industry has not experienced the effects of U.S. sanctions policy for some time. Our research indicates we would probably have to go back to the time of the Shah of Iran to find circumstances directly related to beef. However, given the Asian economic crisis and the decade-old and growing EU ban on U.S. beef—just to name a couple of trade issues/concerns—NCBA, MCA and our

members will be continuing our coalition efforts to work with Congress on enacting trade sanctions reforms that protect American agriculture.

Again, on behalf of all beef producers, thank you for your interest and leadership on this issue. I would be happy to answer any questions you might have.

Senator ASHCROFT. Thank you very much, Dr. Thornsberry.

Mr. Gary Hall is the president of the Kansas Farm Bureau. Delighted to see you here from Manhattan, Kansas. It is our second Kansan joining us today. It looks like my colleague from Kansas stacked the deck.

Senator BROWNBACK. We just know an important issue, Mr. Chairman, and we want to be involved in it.

Senator ASHCROFT. We should at least get a good, strong representation of Kansas values here today.

Mr. Hall, please go forward.

**STATEMENT OF GARY HALL, PRESIDENT, KANSAS FARM
BUREAU, MANHATTAN, KS**

Mr. HALL. Thank you, Mr. Chairman. It is my pleasure to be here and I extend greetings to you from my counterpart in Missouri, Charlie Cruse, also Harry Pearson, also Bryce Nightig, and of course, my favorite Senator, Mr. Brownback, we appreciate the opportunity and the invitation to be here.

My name is Gary Hall and I am president of the Kansas Farm Bureau. I represent a multi-generation farm in north central Kansas, and I do appreciate having a chance to talk about something that is very important to those of us in Kansas. We are all very proud of our respective States. Kansas is the sixth leading exporter in the United States, a major livestock State, a major wheat producing State, and previous conferees have mentioned the importance of wheat exports across the world.

But I think most important, the reason that I am here, is to take philosophies, take dollars and cents, metric tons, and the other discussion we have heard so far today and put it down to human terms. By that I mean, Mr. Chairman, that in our State—and Senator Brownback is very well aware of this because of his great effort in bringing out Ambassador Scher recently to Garden City—that we are now facing a terrible economic crisis across the board, across all commodities. The Kansas Ag Management Association, which is really our best producers in that management association, experienced a 70 percent reduction in their net income from 1997 to 1998. And these would be our better producers. This is not a potential that we are facing. This is a crisis we are facing. So, I compliment you, as others have, for holding this hearing today.

Obviously, having access to foreign markets is important for our producers. A third of our products have to be exported. However, when we are denied access to those export markets, it merely exacerbates the situation that has been so eloquently described earlier today.

I am very concerned about the unilateral component of the sanctions. I want to make it clear in respect to Mr. Helms, who I wish would have been able to remain here because I wanted to relate to him how much respect we have in Kansas for his leadership, but the unilateral sanction does not work. We have not seen clear examples where the target country has truly been impacted. We are

in favor, of course, of multilateral sanctions when others, the rest of the world, participate, and we are in favor of sanctions when there is an armed conflict involved. But the unilateral sanction concerns us very much, and we would like to see that changed considerably.

I would like to relate a little bit of policy that does not come from me as an individual, but comes across from farmers and ranchers across the Nation. We oppose artificial trade constraints such as sanctions. We believe that opening trading systems around the world and open engagement with our trading partners are the most effective means of achieving international harmony and economic stability. And is that not really what this is all about? International harmony and economic stability.

We believe that all agricultural products should be exempt from embargoes and unilateral sanctions except, as I mentioned earlier, in the case of armed conflict. Should trade embargoes or restrictions be declared in case of armed conflict, the embargo or sanction should apply to all trade, all technology, all exchange. An embargo should not be declared without the consent of Congress.

Moreover, the threat of embargoes or other restrictions adversely affects markets and is an inappropriate tool in the implementation of foreign policy. If an embargo is enacted, farmers should be compensated by direct payments for any resulting loss.

And finally, Mr. Chairman, all export contracts calling for delivery of agricultural commodities or products within 9 months of date of sale should never be interfered with by the U.S. Government, except following an embargo consented to by Congress. This sanctity of contracts is essential to maintain the reputation of the United States as a reliable supplier, a key component.

We share what others have mentioned today that the recent changes by the administration in its policy regarding agriculture and food sales to Iran, Libya, and Sudan. We think this is a good step forward.

We also concur with Senator Helms that the new policy on Iran and Libya and Sudan is a good faith effort to find the middle ground between those who want to eliminate sanctions and those who would like to keep them in place. We would only hope that this new policy will establish a precedent for Congress to pass legislation that exempts agriculture and food from unilateral economic sanctions with the exception to be made in the case of armed conflict.

We also agree with statements made earlier today referencing Under Secretary of State Stuart Eizenstat that said lifting sanctions on ag exports will help to alleviate that negative image generated by the target countries of the United States not being caring, but rather being vindictive and cruel, thereby encouraging other countries not to follow suit from imposing a sanction.

We also agree with the Under Secretary when he indicated that sales of food and medicine do not increase a country's capacity to support terrorism. Rather, in fact, we find that if the money is spent on agricultural goods, that generally makes it not available for other uses much less desirable.

I might add, though, quickly, relative to the administration's new policy, we do have one concern. The concern is that the administra-

tion must approve on a case-by-case basis each export sale and issue a license for already negotiated sales only if the sale is approved. We note that this new policy will not erase the unreliable supplier image that unilateral sanctions has created for our producers because, in theory, an agricultural sale could still be denied. The bottom line again, Mr. Chairman, is we have to rebuild our credibility as reliable suppliers.

Let me also offer what many others have said and that is support behind Senate bill 425 introduced by Senators Brownback, Ashcroft, Kerrey, and Baucus. This would carve out agriculture of future sanctions unless the President requests agriculture to be included and Congress approves the President's request by joint resolution.

We have learned two things in the past on why this bill is very important. We have learned that the cost of unilateral sanctions to our producers is very high. The second thing we have learned is that not only is the monetary cost of exports sales high, but it takes years and years to regain markets that were once closed due to sanctions.

Then let me conclude with something that we think we need to go forward with, and that is relative to unilateral sanctions on Cuba. We have changed our national policy to embrace the opening of negotiations on normal trade relations with Cuba. The Gulf of Mexico is a major export for hard red winter wheat, with 75 percent of such exports flowing through that port. As a result, we see strong potential for trade with Cuba, particularly for wheat given our proximity to the Gulf and the Gulf's proximity to Cuba.

Mr. Chairman, we are very proud of our infrastructure in Kansas and also across this great Nation. We want to see the agricultural infrastructure maintained and enhanced. And on behalf of those that have the responsibility to feed the world, I appreciate this opportunity to testify. Thank you.

[The prepared statement of Mr. Hall follows:]

PREPARED STATEMENT OF GARY HALL

Mr. Chairman, members of the Committee, I am Gary Hall, President of the Kansas Farm Bureau and owner of a multi-generation grain and livestock operation in Central Kansas. I appreciate the opportunity to testify before you today on the important issue of sanctions reform.

The Kansas Farm Bureau represents 120,000 member families. Our members produce a number of different commodities, including wheat, corn, soybeans, beef, pork and dairy products and depend on access to customers around the world for the sale of over one-third of our production.

Kansas is the sixth leading state in terms of agricultural exports, with 1997 shipments to foreign countries exceeding \$2.6 billion. Our principal export commodities are live animals, meats and wheat. In fact, Kansas is first in the nation in total wheat production. Our wheat producers account for more than one-third of the total U.S. Hard Red Winter wheat produced in the United States. Kansas wheat farmers realized \$860 million in wheat exports in 1997.

Access to foreign markets is important for our producers. However, our farmers and ranchers, as well as all of U.S. agriculture, have been denied access to five important export markets due to unilateral economic sanctions: Iran, Libya, Sudan, Cuba and North Korea. Shutting off access to these markets is not in the best interest of Kansas producers.

Sanctions represent more than just export figures or bushels of wheat being shipped to foreign nations. This is a real-life issue facing the farm and ranch families in our state. Kansas farmers experienced a 70 percent reduction in farm income in 1997-98. We cannot afford to see our farm income further eroded due to sanctions.

Unilateral sanctions have cost Kansas farmers, and U.S. farmers, valuable access to export markets with little gain in foreign policy achievements. In fact, unilateral sanctions have removed over 14 percent of our rice market, 10 percent of our wheat market, 5 percent of our vegetable oil market, 5 percent of our barley market and 4 percent of our corn market from the table for all of U.S. agriculture.

Farm Bureau has longstanding policy opposing artificial trade constraints such as sanctions. We believe that opening trading systems around the world and open engagement with our trading partners are the most effective means of achieving international harmony and economic stability.

Farm Bureau believes that all agricultural products should be exempt from embargoes and unilateral sanctions, except in the case of armed conflict. Should trade embargoes or restrictions be declared in case of armed conflict, the embargo or sanction should apply to all trade, technology and exchanges. An embargo should not be declared without the consent of Congress.

Moreover, the threat of embargoes or other restrictions adversely affects markets and is an inappropriate tool in the implementation of foreign policy. If an embargo is enacted, farmers should be compensated by direct payments for any resulting loss.

Finally, all export contracts calling for delivery of agricultural commodities or products within nine months of date of sale should never be interfered with by the U.S. government, except following an embargo consented to by Congress. This sanctity of contracts is essential to maintain the reputation of the United States as a reliable supplier. That reputation has been irrefutably diminished because of the use of unilateral sanctions.

We are very pleased with recent changes by the administration in its policy regarding agriculture and food sales to Iran, Libya and Sudan. The administration announced in late April that commercial sales of food, medicine and medical equipment will be eligible for exemption from sanctions to these three nations.

This new policy will give our wheat producers a chance to compete in the Iranian, Libyan and Sudanese markets. Iran used to be a primary purchaser of our wheat exports until sanctions were placed on U.S. trade with this country. Purchases of U.S. wheat by Iran reached as high as 1.7 million metric tons. Sudan was also once a good customer of our Hard Red Winter wheat exports, buying up to 437,000 metric tons in 1989-90. As a result of unilateral sanctions, these three countries now buy at least 7.5 million metric tons of wheat per year from our competitors. Our producers would appreciate the opportunity to re-enter those markets.

We concur with Senator Helms that the new policy on Iran, Libya and Sudan "is a good faith effort to find the middle ground" between those who want to eliminate sanctions and those who would like to keep them in place. We hope that this new policy will establish a precedent for Congress to pass legislation that exempts agriculture and food from unilateral economic sanctions, with an exception to be made in the case of armed conflict.

We agree with the recent statements made by Undersecretary of State Stuart Eizenstat that lifting sanctions on agricultural exports will help to alleviate the often counterproductive effect of unilateral sanctions by target nations that use images of suffering, innocent civilians to depict the United States as cruel and vindictive, thereby discouraging other nations from following suit. Undersecretary Eizenstat further noted that sales of food and medicine do not increase a country's capacity to support terrorism. In fact, funds spent on agricultural goods are generally not available for other, less desirable uses.

However, the new policy on Iran, Libya and Sudan has one caveat: the administration must approve, on a case-by-case basis, each export sale and will issue a license for already negotiated sales only if the sale is approved. We note that this new policy will not erase the unreliable supplier image that unilateral sanctions has created for our producers, because, in theory, an agricultural sale could be denied. We need Congress to exempt agricultural exports from unilateral sanctions in order to rebuild our credibility as reliable suppliers.

To this end, we stand behind "The Food and Medicine for the World Act of 1999." This bill, S. 425, introduced by Senators Brownback, Ashcroft, Kerry and Baucus, would leave agriculture out of future sanctions unless the President requests agriculture to be included and Congress approves the President's request by joint resolution. We believe this legislation takes the very necessary step of exempting agriculture from costly sanctions.

We have learned very poignantly that the cost of unilateral sanctions to our producers is high. According to USDA, the Soviet grain embargo of the early 1980s cost the United States about \$2.3 billion in lost farm exports and government compensation to American farmers.

Not only is the monetary cost of lost export sales high due to unilateral sanctions, but it also takes years to regain markets that were once closed due to sanctions. For example, when the United States cut off sales of wheat to protest the Soviet invasion of Afghanistan, other suppliers—France, Canada, Australia and Argentina—stepped in. These countries expanded their sales to the Soviet Union, ensuring that U.S. sanctions had virtually no economic impact on the target country. Congress must lift unilateral economic sanctions on agricultural exports.

Regarding unilateral sanctions on Cuba, Farm Bureau recently changed its national policy to embrace the opening of negotiations on normal trade relations with Cuba. The Gulf of Mexico is a major export for Hard Red Winter wheat, with 75 percent of such exports flowing through that port. As a result, we see a strong potential for trade with Cuba, particularly for wheat, given our proximity to the Gulf and the Gulf's proximity to Cuba.

We in Kansas are proud of the generations-old farming infrastructure we have created. We produce high quality export products and enjoy a high demand in most parts of the world. However, we cannot allow the impressive infrastructure that we have built, and our positive export reputation, to be continually impaired by unilateral sanctions. We are not opposed to multilateral sanctions such as those in place now for Iraq. We are opposed, however, to unilateral sanctions. Unilateral sanctions only hurt those of us who have a responsibility to feed the rest of the world.

Thank you for the opportunity to testify today on behalf of the farmers and ranchers in Kansas.

Senator ASHCROFT. Well, thank you very much. It is a pleasure to have a neighbor come and to see you. I appreciate your bringing greetings to us from so many of our friends in the Farm Bureau.

Mr. Mike Yost is president of the American Soybean Association from Murdock, Minnesota. I understand you were already at the Agriculture Committee hearing today, and so you are on a hearing marathon? Marathons take about 2 hours and 40 minutes for good runners. I hope that you can run faster than that. But we are pleased to hear you. Please try to limit your remarks to about 5 minutes so we have an opportunity for questions. Mr. Yost, it is a pleasure to see you.

STATEMENT OF MIKE YOST, PRESIDENT, AMERICAN SOYBEAN ASSOCIATION, MURDOCK, MN

Mr. YOST. Well, good afternoon, and thank you, Mr. Chairman and members of the committee. As you stated, I am a farmer from Murdock, Minnesota and I currently serve as president of the American Soybean Association. And we very much appreciate the opportunity to appear before the committee today.

ASA commends you, Mr. Chairman, for holding this important hearing on U.S. unilateral economic sanctions. Exports are very important to American soybean farmers because we export every other bushel of soybeans we produce either in the form of whole beans or soybean products. I would like to add that Missouri is one of our largest soybean producing States and is home to many of the companies that are key leaders in our industry. On behalf of both our State and national membership, ASA would like to thank you for your leadership on this important issue.

Mr. Chairman, the use of unilateral economic sanctions by our Government has been a recurring nightmare for soybean producers and all of U.S. agriculture for nearly three decades. Every year these sanctions deny U.S. farmers, processors, and exporters access to multi-billion dollar markets. In a report completed last August, ASA determined that restrictions on exports to Iran, Iraq, Libya, Sudan, Cuba, and North Korea result in lost U.S. sales totaling about \$150 million annually for soybeans and soy products alone.

With world demand and farm prices at historic lows, these lost market opportunities only worsen the current crisis in our farm economy.

Even more damaging than the loss of annual sales to specific countries, unilateral sanctions establish the reputation of the United States as an unreliable supplier. Food and fiber are the most basic of necessities and the most strategic of commercially traded commodities. The willingness of the U.S. Government to restrict agriculture exports has had the expected effect of encouraging other countries to make long-term plans to secure their food import requirements from other suppliers.

The impact of past sanctions on agriculture has been reviewed by other witnesses, so I will skip over that part of my written statement.

I would like to point out rather than restricting U.S. agricultural exports, our Government should focus on how to maintain and expand access. Rather than restrict U.S. agriculture exports, our Government should focus on how to maintain and expand access to foreign markets. The reasons why countries resist opening their markets to increased imports now go beyond simply protecting their less efficient farmers and maintaining some degree of self-sufficiency. In recent years, governments have begun to restrict imports of food products based on how they are processed or on the processes through which they are derived.

A danger is now confronting the U.S. soybean and corn and cotton industries following the introduction of genetically modified varieties of these crops in this country in 1996. After initially approving varieties of biotech soybeans and corn that year, the EU has failed to develop a transparent, timely, and science-based process for reviewing and approving applications for additional varieties. During the same period, an active disinformation campaign by extremist groups has inflamed food safety concerns among some consumers and the European press, encouraging food manufacturers to sell products that are guaranteed not to contain genetically modified ingredients. Three weeks ago, several major food chains in the UK announced they will market only non-GMO products.

While these are private sector decisions, they reflect continuing failure on the part of the EU Commission and the governments of the EU member States to exercise their responsibilities and to conform their food safety regulations to the science-based principles of the Sanitary and Phytosanitary Agreement contained in the Uruguay Round agreement. The EU's inaction has clearly contributed to and encouraged these decisions, and the EU should be held accountable for any resulting reduction in U.S. exports of agricultural products to the EU market.

This issue must be addressed at the highest level. Last week, ASA and 23 other major agricultural organizations sent a letter to President Clinton urging the United States to raise this concern over trade in biotech products as a key priority at the upcoming G-8 meeting. We would like to commend you, Senator Ashcroft, for making a similar appeal to the administration. U.S. agriculture must forcefully oppose this and every other misguided effort to introduce factors other than sound science as the basis for decisions on food safety.

Turning to the subject of this hearing, Mr. Chairman, ASA commends you for introducing Senate bill 425. This legislation would exempt U.S. exports of agricultural and medical products from unilateral economic sanctions unless requested by the President and approved by both Houses of Congress. The only exceptions to this exemption are in the event Congress has declared war, the President has declared a state of national emergency, or in the case of products which could have some military application. Also, the bill would not exempt products included in any multilateral sanction.

In our view, this legislation represents a good step toward reforming U.S. policies governing unilateral economic sanctions. It would set a precedent for exempting sales of agricultural and medical supplies from export restrictions unless conditions meeting the standards of a national emergency exist. This bill would also protect humanitarian exports under the Food for Peace Program, Section 416, and the GSM export credit guarantee program. These authorities are extremely important to U.S. soybean industry which depends on food assistance and credit sales programming for a significant part of our annual exports.

Another positive feature of this legislation is the fact that it would not impose export licensing requirements on commercial sales of agricultural products. ASA strongly supported the administration's decision on April 28 to lift unilateral sanctions on the sales of food and medicine to Iran, Libya, and Sudan. This action opens a market worth over \$4.2 billion annually and would allow a requested sale to Iran of \$500 million of U.S. agricultural commodities, including soybean oil and soybean meal, to be completed.

However, we do not support establishing an export licensing requirement as a kind of halfway house between sanctions and unrestricted commercial sales. Over time such a requirement would move our Government into direct control of international commodity transactions. Given the competitive nature of this business, any additional red tape confronting potential customers would provide just one more reason for them to buy from our competitors.

In conclusion, Mr. Chairman, the enactment of Senate bill 425 would send a signal to both our customers and our competitors that the United States is beginning to understand that unilateral sanctions are a reflection of weakness rather than a demonstration of strength in American foreign policy. It would also suggest to advocates of such policies that while active commercial relations create considerable leverage for affecting the behavior of other countries, this influence is entirely lost when those relations are disrupted.

Thank you again, Mr. Chairman, for this opportunity to appear before you, and I would be happy to respond to any questions.

[The prepared statement of Mr. Yost follows:]

PREPARED STATEMENT OF MIKE YOST

Good afternoon, Mr. Chairman and Members of the Committee. I am Mike Yost, a soybean and corn farmer from Murdock, Minnesota, I currently serve as President of the American Soybean Association, a producer-led organization with 32,000 members which represents all U.S. soybean farmers on national policy issues. We very much appreciate your invitation to appear before the Committee today.

ASA commends you, Mr. Chairman, for holding this important hearing on U.S. unilateral economic sanctions. Exports are extremely important to American soybean farmers. One out of every two bushels we produce each year must be exported, either as soybeans, soybean oil, soybean meal, or in the form of livestock products,

including pork and poultry. I would add that Missouri is one of our largest soybean producing states, and is home to companies that are key leaders in our industry. On behalf of both our state and national membership, ASA would like to thank you for your leadership on this important issue.

To put it bluntly, Mr. Chairman, the use of unilateral economic sanctions by our government has been a recurring nightmare for soybean producers and all of U.S. agriculture for nearly three decades. Every year, these actions deny U.S. farmers, processors, and exporters access to multi-billion dollar markets. In a report completed last August, ASA determined that restrictions on exports to Iran, Iraq, Libya, Sudan, Cuba, and North Korea result in lost U.S. sales totaling about \$150 million annually for soybeans and soy products alone. With world demand and farm prices at historic lows, these lost market opportunities only worsen the current crisis in our farm economy.

Even more damaging than the loss of annual sales to specific countries, unilateral sanctions establish the reputation of the U.S. as an unreliable supplier. Food and fiber are the most basic of necessities, and the most strategic of commercially-traded commodities. The willingness of the U.S. government to restrict agricultural exports has therefore had the not unexpected effect of encouraging other countries to make long-term plans to secure their food import requirements from other suppliers.

THE IMPACT OF PAST SANCTIONS ON AGRICULTURE

The restrictions on agricultural exports due to supply shortages imposed by Presidents Nixon and Ford in 1972 and 1973 sent shock waves through countries that had become dependent on the U.S. as a supplier of basic food products, including soybeans. Within a few years, major importers led by Japan initiated a long-term investment program to develop the agricultural potential of South American countries, particularly soybean production in Brazil. Twenty-five years later, Brazil is our chief competitor for global soybean, soybean oil, and soybean meal markets.

The Soviet grain embargo of 1980–81 imposed by President Carter demonstrated U.S. willingness to restrict exports of farm products for foreign policy reasons. Again, the sales we lost to competitors in Europe and South America during the 16 month duration of the embargo were minor compared to the long-term impact of encouraging investment in agricultural production in those countries.

In the decade since the fall of the Soviet Union, the U.S. has repeatedly resorted to unilateral economic sanctions as tangible expressions of displeasure with, and efforts to punish the behavior of, various foreign governments. When diplomacy fails, and when our national security interests are not directly threatened, sanctions have become almost a reflexive reaction of U.S. foreign policy.

This knee-jerk use of sanctions is only accelerating efforts by many food importing countries—not just the intended targets—to make themselves independent of the U.S. as a supplier. Sanctions advocates must come to appreciate the strategic consequences of these actions. In the absence of multilateral participation that includes all major suppliers, sanctions are ineffective and will eventually become meaningless, as the rest of the world is able to supply its needs, regardless of U.S. policies.

THE NEED TO MAINTAIN MARKET ACCESS

Rather than restricting U.S. agricultural exports, our government should focus on how to maintain and expand access to foreign markets. The reasons why countries resist opening their markets to increased imports now go beyond simply protecting their less efficient farmers and maintaining some degree of self-sufficiency. In recent years, governments have begun to restrict imports of food products based on how they are processed, or on the processes through which they are derived.

Dr. Thornsberry has described how the EU is refusing imports of U.S. beef based on claims regarding our use of growth hormones that have no legitimate scientific basis. This impasse will likely result in the U.S. imposing restrictions on imports of EU products, further restricting bilateral trade. In the longer term, it will impact beef production and trade, as the EU sources supplies from other countries.

THE THREAT TO TRADE IN BIOTECH PRODUCTS

A similar danger is now confronting the U.S. soybean, corn, and cotton industries following introduction of genetically modified varieties of these crops in this country in 1996. After initially approving varieties of biotech soybeans and corn that year, the EU has failed to develop a transparent, timely, and science-based process for reviewing and approving applications for additional varieties. During the same period, an active disinformation campaign by extremist groups, including Greenpeace, has inflamed food safety concerns among some consumers and the European press, encouraging food manufacturers to sell products that are guaranteed not to contain

genetically modified ingredients, Three weeks ago, several major food chains in the United Kingdom announced they now will market only non-GMO products.

While these are private sector decisions, they reflect continuing failure on the part of the EU Commission and the governments of EU Member States to exercise their responsibilities and to conform their food safety regulations to the science-based principles of the Sanitary and Phytosanitary Agreement contained in the Uruguay Round Agreement. The EU's inaction has clearly contributed to and encouraged these decisions, and the EU should be held accountable for any resulting reduction in U.S. exports of agricultural products to EU markets.

This issue must be addressed at the highest level. Last week, ASA and 23 other major agricultural organizations sent a letter to President Clinton urging the U.S. to raise concern over trade in biotech products as a key priority at the upcoming G-8 meeting. We would like to commend you, Senator Ashcroft, for making a similar appeal to the Administration. U.S. agriculture must forcefully oppose this and every misguided effort to introduce factors other than sound science as the basis for decisions on food safety.

THE BENEFITS OF S. 425

Turning to the subject of this hearing, Mr. Chairman, ASA commends you for introducing S. 425, "The Food and Medicine for the World Act of 1999." This legislation would exempt U.S. exports of agricultural and medical products from unilateral economic sanctions unless requested by the President and approved by both Houses of Congress. The only exceptions to this exemption are in the event Congress has declared war, the President has declared a state of national emergency, or in the case of products which could have some military application. Also, the bill would not exempt products included in any multilateral sanction.

In our view, this legislation represents a good step toward reforming U.S. policies governing unilateral economic sanctions. It would set a precedent for exempting sales of agricultural and medical supplies from export restrictions, unless conditions meeting the standard of a national emergency exist. This bill would also protect humanitarian exports under the Food for Peace Program, Section 416, and the GSM export credit guarantee program. These authorities are extremely important to the U.S. soybean industry, which depends on food assistance and credit sales programming for a significant part of our annual exports.

Another positive feature of this legislation is the fact that it would not impose export licensing requirements on commercial sales of agricultural products. ASA strongly supported the Administration's decision on April 28 to lift unilateral sanctions on sales of food and medicine to Iran, Libya and Sudan. This action opens a market worth over \$4.2 billion annually, and would allow a requested sale to Iran of \$500 million of U.S. agricultural commodities, including soybean oil and soybean meal, to be completed.

However, we do not support establishing an export licensing requirement as a kind of "halfway house" between sanctions and unrestricted commercial sales. Over time, such a requirement would move our government into direct control of international commodity transactions. Given the competitive nature of this business, any additional hoops or red tape confronting potential customers would provide just one more reason for them to buy from our competitors.

CONCLUSION

I mentioned at the beginning of my remarks that the damage caused by unilateral economic sanctions far exceeds the lost opportunity for sales to the affected country. In the long term, sanctions impact the buying preferences of other importing countries, and stimulate investment in the agricultural production and export capabilities of our competitors.

Enactment of S. 425 would send a signal to both our customers and our competitors that the U.S. is beginning to understand that unilateral sanctions are a reflection of weakness rather than a demonstration of strength in American foreign policy. It would also suggest to advocates of such policies that, while active commercial relations create considerable leverage for affecting the behavior of other countries, this influence is entirely lost when those relations are disrupted.

I would like to thank you again, Mr. Chairman, for the opportunity to appear before you today. I will be glad to respond to any questions.

Senator ASHCROFT. Thank you and let me just thank you for deleting that one part of your text that was redundant to other testimony. I would indicate that if you all wish to submit your written

testimony, we will make sure that the entirety of your testimony appears for the benefit of the record and for our benefit as well.

Robert Kohlmeyer is the president of World Perspectives, a Washington, DC based organization that promotes the interests of U.S. agriculture from an international standpoint, which is exactly what we in the U.S. Government should be doing as well. It is my pleasure to call upon you to make your remarks. Try and limit them to 5 minutes to give us an opportunity for some quick questions.

STATEMENT OF ROBERT W. KOHLMAYER, PRESIDENT, WORLD PERSPECTIVES, INC., WASHINGTON, DC

Mr. KOHLMAYER. Thank you, Mr. Chairman. I am president of World Perspectives, a company specializing in analysis and strategic planning in agriculture, markets, and trade policy. I joined WPI 8 years ago after retiring from a 36-year career in the international grain trade. And I thank you, Mr. Chairman, and the committee for the opportunity to share some of my experiences and thoughts with regard to agricultural trade sanctions. I will shorten my testimony, and I thank you for including it in its entirety in the record.

I would like to share with you a brief history of U.S. agricultural trade embargoes and some of the things that I believe I have learned about them in the 44 years I have spent in this industry.

There are essentially just two kinds of agricultural trade embargoes. One is a restriction placed on trade as a result of fears of short supplies, a so-called short supply embargo, and the other is a restriction on agricultural trade as an expression of foreign policy.

Short supply embargoes occurred twice during the 1970's. In 1973, when it appeared that a large volume of export sales might drain U.S. supplies of soybeans and soybean products, the Nixon administration became concerned that such shortages would cause production problems for producers of meat animals. This would raise retail meat prices, it was reasoned, a time when double digit inflation was already a major national problem. The embargo, declared in the summer of 1973, not only forestalled new sales, but it also cut across existing sales contracts by allowing only 50 percent of open sales of soybeans to be shipped.

Then again in 1975, in response to a large volume of sales of corn and soybeans to Russia and Poland, high level USDA officials called U.S. grain exporters and informally asked them to refrain from making additional sales. The informal request covered several weeks because of concerns over rising domestic food prices at the time. No formal embargo was ever declared, but the impact on markets and trade was the same as if one had been.

Official attitudes toward tight grain supplies have changed, however. When short supply concerns began to develop once again in 1995 and 1996, USDA Secretary Dan Glickman, to his credit, made it clear that the United States would not interfere with trade on those commodities deemed to be in tight supply. Domestic and overseas users of U.S. commodities would continue to have equal access to them.

By contrast, at that time, as you may recall, the European Union's Commission imposed export taxes on sales of wheat and

barley for export. In effect, it was interfering with trade in an effort to subsidize its domestic users at the expense of foreign customers.

It seems to me that this experience with short supply grain embargoes has taught two lessons.

The first is that markets do a far better job of allocating scarce resources than do government planners. For example, in 1973 the market, by virtue of the impact of high prices on both buyers and sellers, had already sorted out supplies relative to demand before the embargo was declared.

The second lesson is simply that short supply embargoes call into question the reliability as a supplier of the nation invoking the embargo. There can be no doubt that the 1973 soybean embargo provided substantial encouragement for the newly emerging soybean industry in South America and for investment in it by overseas interests wanting to insure another source of supply. I am not saying that without the 1973 embargo soybean production in Argentina and Brazil would not have developed. Such development would have occurred eventually, but the U.S. soybean embargo certainly gave it an important jump start.

The question of reliability continues to be relevant in the face of tight supply situations in the 1990's. After all, who appears to be the more reliable supplier? The United States, which declared equal access to its limited supplies in 1995 and 1996 or the EU with its export taxes?

Foreign policy embargoes are the other type of embargo with which we have had some experience. In the latter stages of the 20th century, the United States began to engage in the use of foreign policy embargoes with some frequency. It imposed a trade embargo against Cuba following the rise to power of the government under Fidel Castro, and in January 1980, the United States imposed the grandfather of all agricultural embargoes, the embargo of grain sales to the Soviet Union. President Carter decided to cancel all sales of agricultural commodities to the Soviets in response to the invasion of Afghanistan that exceeded the quantities called for by the then current Long Term Agreement. Thus, more than 17 million tons of commercial sales of wheat, corn, soybeans, and soybean meal were wiped out with the stroke of a pen.

At the time I recall estimating that U.S. grain exporters stood to lose about \$1 billion as the difference between the value of the very high priced sales made to the Soviets and the prices at which the commodities might be resold elsewhere after the market collapsed. Fortunately, the administration at the time decided to assume the canceled contracts as they were originally priced and to be responsible for selling them into the market as the only way to protect farmers from the effect of a terrible market fallout. This also saved exporters from most, though by no means all, of the losses they faced.

Although the Carter administration tried to persuade other grain exporting countries to join with the United States in the embargo against the Soviets, they were almost entirely unsuccessful. Soviet buyers turned to suppliers such as the European Union, Argentina, Canada, and Australia and others to replace the canceled U.S. grain. One of the very little known aspects of the Soviet grain em-

bargo concerns how much money the Soviets saved as a direct result of it. They were able to cancel 17 million tons of very high priced purchases and replace them with purchases from others at much lower prices, the fact of the embargo having driven market prices lower. I estimated at that time that the embargo probably saved the Soviets about \$250 million which was not exactly a hoped-for result.

President Reagan lifted the Soviet grain embargo in March 1981. The following year, he outlined a U.S. doctrine on agricultural trade and he included these points. There will be no restrictions on exports of farm products imposed because of rising farm prices. Farm exports will not be singled out as an instrument of foreign policy and can be used only as part of a broad trade embargo. Finally, he said, we believe world markets must be freed of trade barriers and unfair trade practices.

In the 1990's, U.S. agricultural trade sanctions have become a part of a general trade action. Destinations involved have included Iran, Libya, Sudan, Cuba, Cambodia, North Korea, and Vietnam. Some of the trade restrictions were subsequently lifted, and on April 28, as we have heard, President Clinton announced his change in the regime for administrative action embargoes, including Iran, Sudan, and Libya.

Looking at all of this background and history, I have drawn several conclusions.

The first one is that unilateral trade sanctions do not work. With perhaps the exception of a small handful of highly technical products, the potential sources of supply are simply too many for the United States alone to force a desired change on a target for trade sanctions. Despite the U.S. trade sanctions that have covered virtually the entire period, the Castro regime will celebrate its 40th anniversary this year. The U.S. trade embargo has certainly caused Cuba some economic hardship over the decades, but not enough to topple the regime because other countries have stepped in to replace the United States in trade and investment. On the other hand, the U.N. sponsored multilateral trade sanctions against Libya in the wake of the Pan Am sabotage did eventually have a desired impact as the impending trial of the suspects in the Netherlands attests.

A second conclusion. Because agricultural products can be obtained from so many sources, those most harmed by unilateral sanctions tend to be the agricultural producers in the country doing the sanctioning. They suffer lower prices and reduced outlets.

A third conclusion. Unilateral sanctions by a major agricultural producing country such as the United States tend to encourage production in other competitor countries.

Another conclusion I have drawn is that confidence in the United States as a reliable supplier is reduced by unilateral sanctions.

Finally, importing countries are encouraged to pursue a self-sufficiency no matter what the cost sort of policy.

Withdrawing food and medicines from our unilateral sanctions is an important first step. It provides both the background and the opportunity for us to rethink our policies in this area. It is especially timely for us to do so in the light of the forthcoming new round of trade negotiations due to begin this autumn. Food security

will be a key issue for the agricultural trade sector in these negotiations, and the U.S. role in food security through trade is compromised by unilateral embargoes in food trade.

Harking back to President Reagan's 1982 statement, we seem to have accepted his doctrine that no restrictions be placed on food exports because of rising prices. We have partially accepted the idea that farm exports will not be singled out, but we have yet to accept the need for other nations to support a broad trade embargo before we invoke sanctions. And we still have a long way to go, of course, to achieve world markets that are free of trade barriers and unfair trade practices.

We are making progress, however, and when I think of where we were in 1973 and 1980, we have come quite a long way.

Thank you very much.

[The prepared statement of Mr. Kohlmeyer follows:]

PREPARED STATEMENT OF ROBERT K. KOHLMAYER

My name is Robert Kohlmeyer. I am president of World Perspectives, a company specializing in analysis and strategic planning in agriculture, markets and trade policy. I joined WPI 8 years ago after retiring from a 36 year career in the international grain trade. I thank the Committee for the opportunity to share some thoughts on agricultural trade sanctions.

I suppose that trade embargoes, as an expression of disapproval by one nation or a group of nations of the policies or politics of another nation or group of nations, are rooted in basic human behavior that we learn at an early age. "You can't play with my toys if you won't give me some of your candy." But for nations like the United States, which depend on international trade for an important contribution to the GNP, the use of agricultural trade as a foreign policy tool can have some far-reaching and frequently unintended consequences.

I would like to share with you a brief history of U.S. agricultural trade embargoes and some of the things I have learned about them during the 44 years I have spent in the grain trade as a participant and observer.

There are essentially just two kinds of agricultural trade embargoes: one is a restriction placed on trade as a result of fears of short supplies—a "short supply" embargo. The other is a restriction on agricultural trade as an expression of foreign policy.

SHORT SUPPLY EMBARGOES

Short supply embargoes occurred twice during the 1970's. In 1973 when it appeared that a large volume of export sales might drain U.S. supplies of soybeans and soybean products, the Nixon administration became concerned that such shortages would cause production problems for producers of meat animals. This would raise retail meat prices, it was reasoned, at a time when a double-digit rate of inflation was already a major national problem. The embargo declared in the summer of 1973 not only forestalled new sales, but it also cut across existing sales contracts by allowing only 50 percent of open sales of soybeans to be shipped.

Then again in 1975, in response to a large volume of sales of corn and soybeans to Russia and Poland, high level USDA officials called U.S. grain exporters and informally asked them to refrain from making additional sales. The informal request covered some weeks because of concerns over rising domestic food prices at the time. No formal embargo was ever declared, but the impact on markets and trade was the same as if one had been.

The farm community was upset in both cases. It saw short supply embargoes as a denial to them of the high prices they believed they deserved from tight supply situations, and their farm groups sought protective legislation. Largely as a result of those efforts, the Food and Agriculture Act of 1977 contained the first protection against embargoes. It required that commodity price support loan rates be set at 90 percent of parity if an agricultural embargo were ever again imposed for short supply reasons. The idea was to make it so expensive that no administration would ever consider such an embargo.

Official attitudes toward tight grain supplies have changed, however. When short supply concerns began to develop once again in 1995 and 1996, USDA Secretary Dan Glickman, to his credit, made it clear that the U.S. would not interfere with

trade on those commodities deemed to be in tight supply. Domestic and overseas users of U.S. commodities would continue to have equal access to them.

By contrast, at that time the European Union's Commission imposed export taxes on sales of wheat and barley for export. In effect, it was interfering with trade in an effort to subsidize its domestic users at the expense of foreign customers.

It seems to me that this experience with short supply grain embargoes has taught two lessons. The first is that markets do a far better job of allocating scarce resources than do government planners. For example, in 1973 the market, by virtue of the impact of high prices, had already sorted out supplies relative to demand before the embargo was declared.

The second lesson is simply that short supply embargoes call into question the reliability as a supplier of the nation invoking the embargo. There can be no doubt that the 1973 soybean embargo provided substantial encouragement for the newly emerging soybean industry in South America and for investment in it by overseas interests wanting to insure another source of supply. I am not saying that without the 1973 embargo, soybean production in Brazil and Argentina would not have developed. Such development would have occurred eventually, but the U.S. soybean embargo gave it an important jump start.

The question of reliability continues to be relevant in the face of the tight supply situation in the mid-1990's. After all who appears to be the more reliable supplier: the U.S., which declared equal access to its limited supplies for domestic and overseas users, or the EU with its export taxes?

FOREIGN POLICY EMBARGOES

Nations have long used trade as an instrument of their foreign policy. In ancient history the Egyptians, Greeks and Romans all allowed or denied access to trade to further their influence. So too did the great trading nations of the 16th, 17th and 18th centuries.

In the later stages of the 20th century the U.S. began to engage in the use of foreign policy embargoes with some frequency. It imposed a trade embargo against Cuba following the rise to power of the Communist government under Fidel Castro. And in January 1980 the U.S. imposed the grandfather of all agricultural embargoes—the embargo of grain sales to the Soviet Union. President Carter decided to cancel all sales of agricultural commodities to the Soviets in response to the invasion of Afghanistan exceeding the quantities called for by the then-current Long Term Agreement. Thus, more than 17 million metric tons of commercial sales of wheat, corn, soybeans and soybean meal were wiped out with the stroke of a pen.

The chaos created by this single act was extreme. At the time I recall estimating that U.S. grain exporters stood to lose about \$1 billion as the difference in value between the very high priced sales made to the Soviets and the prices at which the commodities might be resold elsewhere after the markets collapsed. Certain grain exporters told the Carter Administration that the embargo would force them into bankruptcy. Fortunately, the administration decided to assume the canceled contracts as they were originally priced and to be responsible for selling them into the market as the only way to protect farmers from a terrible market fallout. This also saved exporters from most, though by no means all of the losses they faced.

Although the Carter Administration tried to persuade other grain exporting countries to join with the U.S. in the grain embargo against the Soviets, they were almost entirely unsuccessful. Soviet buyers turned to suppliers such as the EU, Argentina, Canada, Australia and others to replace the canceled U.S. grain. One of the little known aspects of the Soviet grain embargo concerns how much money the Soviets saved as a direct result of it. They were able to cancel 17 million tons of very high-priced purchases and replace them with purchases from others at much lower prices (the fact of the embargo having driven market prices lower). I estimated at the time that the embargo saved the Soviets about \$250 million, which was not exactly the hoped-for result.

President Reagan lifted the Soviet grain embargo in March 1981. The following year he outlined what he believed the U.S. doctrine on agricultural trade should be. He included these points:

- There will be no restrictions on exports of farm products imposed because of rising farm prices.
- Farm exports will not be singled out as an instrument of foreign policy, and can be used only as a part of a broad trade embargo.
- We believe world markets must be freed of trade barriers and unfair trade practices.

In the wake of the unfortunate Soviet grain embargo, a provision was inserted in the 1981 farm bill that required, among other things, the government to raise

price support loan rates to parity in the event that an embargo was imposed that did not include all U.S. goods. The point was to leave the conduct of foreign policy with the executive branch, but make it extremely expensive to have just an agricultural trade embargo.

Later language in 1985 and 1990 provided for the sanctity of contracts made before an embargo. Finally, the 1996 farm bill states that unless other agricultural exporting countries join in an embargo, and unless the sanction is due to war, the loss of farm income must be made up by the government in the form of direct producer payments or enhanced support for export market development. If the embargo is due to short supplies, payments must be made to producers.

In the 1990's U.S. agricultural trade sanctions have been a part of a general trade action. Destinations involved have included Iran, Libya, Sudan, Cuba, Cambodia, North Korea, and Vietnam. Some of the trade restrictions were subsequently lifted. On April 28 the Clinton Administration announced that it did not wish to include food and medicines under its unilateral trade sanctions anymore, and it would therefore consider requests for export licenses to those destinations that it could consider via executive order. These included Iran, Sudan and Libya.

CONCLUSIONS

Looking at all of this background and history, I draw several conclusions.

Unilateral trade sanctions do not work. With perhaps the exception of a small handful of highly technical products, the potential sources of supply are simply too many for the U.S. alone to force a desired change on a target for trade sanctions. Despite U.S. trade sanctions that have covered virtually the entire period, the Castro regime will celebrate its 40th anniversary this year. The U.S. trade embargo has certainly caused Cuba some economic hardship over the decades, but not enough to topple the regime because other countries have stepped in to replace the U.S. in trade and investment. On the other hand, UN-sponsored multilateral trade sanctions against Libya in the wake of the Pan Am sabotage did eventually have a desired impact, as the impending trial of the suspects in the Netherlands attests.

Because agricultural products can be obtained from so many sources, those most harmed by unilateral sanctions tend to be agricultural producers in the country doing the sanctioning. They suffer lower prices and reduced outlets. Aggregated over the years, U.S. sanctions have certainly cost U.S. farmers a significant volume of exports and probably lower prices as well especially during years of plentiful world supplies such as is the case now.

Unilateral sanctions by a major agricultural producing country such as the U.S. tends to encourage production in other competitor countries.

Confidence in the U.S. as a reliable supplier is reduced.

Importing countries are encouraged to pursue a "self-sufficiency no matter what the cost" policy.

Withdrawing food and medicines from our unilateral sanctions is an important first step in rationalizing the use of agricultural trade as a foreign policy tool. It provides both the background and an opportunity for us to rethink our policies in this area. It is especially timely for us to do this in light of the forthcoming new round of trade negotiations due to begin this autumn. Food security will be a key issue for the agricultural trade sector of the negotiations, and the U.S. role in food security through trade is compromised by unilateral embargoes on food trade.

Harking back to President Reagan's 1982 statement, we seem to have accepted his doctrine that no restrictions be placed on food exports because of rising prices. We have partially accepted the idea that farm exports will not be singled out, but we have yet to accept the need for other nations to support a "broad trade embargo." And we still have a long way to go to achieve world markets that are free of trade barriers and unfair trade practices.

We are making progress, however. When I think of where we were in 1973 and 1980, we have come quite a long way.

Senator ASHCROFT. I thank you very much for your informative discussion of a wide variety of trade embargoes. I do not think we often enough hear about some of the real effects. It is a little stunning to think that the Russians picked up an extra \$250 million as a result of the pain we were inflicting. I think that is the kind of pain that caused them to laugh all the way to the bank.

I appreciate the comments of all of those of you who have appeared to testify, and I would call upon the Senator from Indiana to begin questioning.

Senator LUGAR. The comment has been made by several of you that the basic problem is unilateral sanctions, and that we differentiate them from multilateral sanctions. There may be some problems with the latter, but most of you have testified that your studies of unilateral sanctions have led you to believe that they are, by and large, ineffective.

I think that is important because the argument usually comes—and I think Senator Helms brought an important facet to this. He discussed the possibility of terrorism. He discussed the possibility of bio-terrorism that may be out there with various countries. It is clearly a problem for our Nation in terms of our overall foreign policy to always have a menu of ways in which we may try to meet that.

Now, I think most of the sanctions legislation offered by Senators—that certainly is true of the “U.S.A. Engage” and the American Farm Bureau efforts that I have introduced—again recognizes the fact that sanctions have to be a part of our foreign policy. But we also have stipulated that before we go down that road, either the administration or the Congress ought to explain why this particular sanction in this country and what its likely effects are going to be so there could be a benchmark to assess its efficacy, whether it really works. Although that has not been adopted by law, the net effect has been, I think in the Congress and the administration ever since we started this debate, that that kind of rationality has had to occur.

So, one of the pieces of good news is that we have not had any more unilateral economic sanctions without a whole lot of thought being given to it. And that is of benefit all by itself.

But the second point is that if we are interested in terrorism, will the specific legislation the Senator from Missouri is offering today with regard to humanitarian and food make any difference at all with regard to bio-terrorism, terrorism in general, or the Libyan shoot-down, or with our families? I think the answer I come to is no. In these two particular areas, leaving aside the whole gamut of American trade, specifically with regard to food and medicine, it seems to me we have a very specific debate.

I would be prepared to argue I think the larger range of issues in terms of overall American trade policy, and many people who are outside this discussion today would say, well, we would consider more than agriculture. You are going to settle that problem and move along, and I hope that we will. But obviously our overall interest as a reliable supplier as a competitor out there relies upon everything else, too.

So, it seems to me this is a very important debate. As Secretary Glickman pointed out, this is a very tough jungle out there in terms of competition for our country in the economic realm. To the extent that we deliberately tie our hands behind our back with policies that we find ineffective historically, that is a very poor set of decisions to make.

So, I appreciate the comments all of you have made. I find myself in agreement literally with all that you have said. We appreciate

your taking time to come and say it because it is very important that Americans wake up to the problems that we are in.

With regard to agriculture, they are terribly acute, and this is why in the committee that I chair we talk about this issue almost every day. Sanctions reform is not a panacea, and all of us have tried that to restore the credibility of our country and our marketing situation is going to take some doing. Senator Lincoln, from Arkansas, this morning in the Agriculture Committee hearing said, I want immediate results on prices. And she got some of the witnesses, maybe because she was so persuasive, to say they are going to go up if this bill is passed.

I pray that will be so, but I am not confident that people in Iran necessarily will fall over themselves buying from us suddenly because we make that possible. I am certain, so long as we are licensing this deal-by-deal, that the effect is likely to be zero unless the very specific Nikki trading deal that has been out there finally gets done. So, the administration is presenting its position guardedly. It is not \$500 million in sales. It could be zero.

This is the reason why legislation is probably required and why your coming today brings some rationalization, but also some dialog so that you understand our concerns and perhaps are prepared to act more favorably.

I thank you again, Mr. Chairman, for this hearing and this opportunity to visit with the witnesses.

Senator ASHCROFT. Well, your comments and insights are as valuable as any we have heard. I appreciate the fact that these individuals have come to share and exchange with us.

I would call upon Senator Brownback from Kansas for any additional questions he might have before I conclude with questions of my own.

Senator BROWNBACK. Thank you very much, Senator Ashcroft, and thanks to Senator Lugar for your leadership in bringing this issue in front of us. You have been there for a couple of years pushing this and doing a great job.

I want to thank too the panel. I know from traveling across Kansas, Gary, and pushing with the Farm Bureau, there is a real groundswell out there of people saying we have got to lift these sanctions off. If you are going to have freedom to farm, we have to have freedom to market. And really it is your grassroots push that has made a big difference.

The Secretary noted that we were only talking about 1 percent of the market of total U.S. ag sales, but if you look at wheat, which is something that I am interested in—I am interested in a lot of the agricultural commodities, but wheat of key importance—about 10 percent of the world's wheat market is cutoff to U.S. farmers. Now, 1 percent has an impact, particularly when you are looking at that adjustment between supply and demand and where price is met, but you go to 10 percent, you have an enormous impact.

I would note that wheat stocks in the United States have increased by about 16 million metric tons in the past 3 years, which is about 25 percent of annual U.S. production, but during the same time period, the price has decreased 260 percent from what we had. And Gary alluded to this, the 70 percent drop-off of net farm income of our best farmers.

Listen to these numbers. In May 1996, the monthly average price of wheat in Kansas City—now, this was a great wheat market at that time, but it was \$7.02 a bushel in May 1996. Today it is \$2.70 a bushel. We are in a very difficult position with that commodity, and it only showcases where we are with a lot of commodities.

To me, Mr. Chairman, the lifting of sanctions is a paramount issue. We are asking people in Freedom to Farm to produce and they are producing freely and producing quite well, but we have got to help them in the market end of it. And this is something we have to do to get this done. I do not think it is enough here. Once we move past here, then we need to get much more aggressive on our marketing. I know all of your organizations that you are part of will do everything they can to market these products and will push that very aggressively.

I would just ask Gary, if I could. As you are talking with Kansas farmers, what is kind of their attitude about whether they are going to be able to make it through the current financial problems that Kansas agriculture finds itself in?

Mr. HALL. Well, Senator Brownback, that is a painful question, and I know when you were in Garden City recently, you not only saw some of that pain on the faces, but you also heard some frustration. And I am hearing the same. We are hearing from some of our financial institutions that the line of credit was established this year, but if we have another year like last year, there will be certainly a shortage of credit, and that is a major concern.

The second thing that we are hearing from producers is—and this is the part that hurts the most, Senator—I do not think I want to bide it on out. I went through the 1980's and I recovered, but I do not want to fight this one out, which then goes to something even worse in my eyes, and that is that next generation. When the parents are saying we are not going to fight it out, what happens to the next generation? I have a 20-year-old son that is a sophomore at Kansas State, and we are fortunate that those statements have not been made at our coffee table yet or our kitchen table but it is being made elsewhere around Kansas.

Senator BROWNBACK. That is what I have been picking up as I travel around Kansas, just a very serious attitude that last year was a tough year, but if you do not start doing some of these things to get prices and more income coming into agriculture, people question how much they can stand, how much they can take.

So, these become very important pieces, even though they are not panaceas, but they are items. And if you are talking about keeping us away from 10 percent of the world wheat market, that is a significant price issue then as well.

So, I applaud your efforts and what you have been doing to push this on forward. Hopefully we can move this legislation on through and then not stop there but lift further sanctions, get more aggressive in our marketing efforts so that we can help farmers in this very difficult time.

Thank you, Mr. Chairman.

Senator ASHCROFT. Thank you very much. I appreciate those important insights.

Mr. Hall, how important is it to include in our agricultural sanctions reform bill provisions on credit and credit guarantees so that

we continue to have sort of a capacity to compete with other nations who provide these kinds of items in their portfolio.

Mr. HALL. Mr. Chairman, I think it is critical. I think it must be included because, as we compete in the international marketplace, other countries are offering similar type situations. And if we unilaterally exclude ourselves from those same opportunities, we no longer are the competition. So, I think to piggyback off of what Senator Brownback has just mentioned eloquently, if we are going to, indeed, open up the marketplace to farmers and ranchers, we have to use everything in our arsenal.

Senator ASHCROFT. So, it is your view that just opening up the marketplace if, when we get there, we are at a serious disadvantage as it relates to our competitors, it is not really that helpful to us.

Mr. HALL. Yes, that is my feeling.

Senator ASHCROFT. Dr. Thornsberry, sometimes I wonder about the message we send to our farmers and ranchers when one hand of Government is trying to open markets and another hand of Government is imposing sanctions. Do you have a comment on the way we are perceived in that respect?

Dr. THORNSBERRY. Well, it is very confusing to those of us who are out in the field trying to make a living. Most of my constituents that I work with do not understand why Europe will not allow beef into that nation, and at the same time they do not understand why there would be sanctions against our products. We have not experienced sanctions directly but recently South Korea restricted imports of beef into that nation. It had a very significant effect on our prices. So, it is a confusing issue.

Senator ASHCROFT. For any of you, there are times when we have seen the proposed discussion of and implementation of what I would call third party sanctions where someone that we are not seeking to sanction makes conveyances of products to someone we are, so we add the person who was dealing with the country we were upset with to our list of people, sort of third party sanctions. Do you have any comments any of you would like to make on that practice?

Mr. HALL. Mr. Chairman, again, I think it represents what testimony you have heard today not only from this panel but other panels and other Senators that a unilateral activity does not work as it perhaps was sincerely intended, and then to just merely exacerbate that situation by adding on does not seem to make sense. If the first act was incorrect, why exacerbate the problem by adding acts?

Senator ASHCROFT. Let me express my appreciation to all of you. I have already made notes in your written comments of things that I want to be able to tap and use later on as I discuss this issue. I appreciate the wisdom you bring to the committee. It is clear that agricultural sanctions are damaging our farmers and ranchers, and lifting them will create an ascending opportunity. I believe that S. 425, the Food and Medicine for the World Act, strikes a balance between the seemingly competing interests of promotion of exports and the preservation of national security. It does not tie the hands of the President. It does require that the President and Congress

shake hands before sanctioning in any way which would affect our farmers. And I hope we can work together to ensure its passage.

Without objection, the hearing record will remain open for additional questions or any additional comments that you would like to make until May 18 at 5 p.m.

With the consent of members of the committee, I would now adjourn this committee. Without objection, the committee meeting is adjourned.

[Whereupon, at 4:47 p.m., the committee adjourned, to reconvene at 11 a.m., July 1, 1999.]

THE ROLE OF SANCTIONS IN U.S. NATIONAL SECURITY POLICY

THURSDAY, JULY 1, 1999

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 11:10 a.m. in room SD-419, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms, Lugar, Hagel, Grams, Ashcroft, Biden, and Sarbanes.

The CHAIRMAN. The committee will come to order, and we will not transact business pending the arrival of other Senators, who have been in the process of a rollcall vote on the Senate floor, and as soon as I have the authorization of the distinguished Ranking Member, Senator Biden, and he will arrive quickly.

Well, Mr. Secretary, welcome. I know you were saddened, as many of us were this past Tuesday, when the news came about the death of a good friend of all of us, Chancellor Michael Hooker.

You are an alumnus of the University of North Carolina, as is my best friend, Dot Helms. It is good to see you, and I particularly appreciate your willingness to appear here this morning, during your last 2 weeks at the Department of State. Congratulations on your promotion.

Now, most Senators on this committee are aware that there is a significant reason for this, the first of a number of hearings on the question of sanctions as a tool in promoting U.S. national security and foreign policy objectives, and you have been greatly helpful to me and to many others in that regard.

For the public record let me briefly review the genesis of this debate. I think simply put it is about the question, should the United States punish another country for pursuing policies or programs inimical to our national security and the safety and security of American citizens and American allies throughout the world?

Are we doing the right thing, for example, in punishing the Government of Muammar Qadhafi for the bombing of Pan Am 103, despite the fact that no other nation is willing to impose similar sanctions? Are we going too far in making clear to the government of such a country that not only will the United States refuse to sell high tech commodities or oil equipment, we will also refuse to sell food and medicine?

Now, some argue that such unilateral sanctions do little more than handicap U.S. business against foreign competitors. Others go even further and argue that all sanctions, including those that re-

strict weapons sales and dual use technology to pariah States are inappropriate if the sanctions are unilaterally imposed by the United States, so our task today and in subsequent hearings, I think, will be to begin to examine this issue for ourselves.

We have opinion pieces on both sides, and some in the middle. Studies have been prepared by the CBO and the CRS and a virtual alphabet soup of other think tanks and agencies. The time has come, I think, for us to lay out the facts and debate the issue of sanctions in a comprehensive manner, and that's what this meeting and subsequent meetings are all about.

Now, it will be no surprise to my fellow and sister Senators, or to Secretary Eizenstat, to hear my position on the question of sanctions. I have quoted James Madison—so many times that I feel like he walked into the room with me—on the question of why I believe economic sanctions are a vital tool in our foreign policy. President Madison said, and I am quoting him, “The efficacy of an embargo cannot be denied. Indeed, if a commercial weapon can be properly crafted for the Executive hand, it is more and more apparent to me,” he said, “that it can force nations to respect our rights.”

Now, I simply do not believe that there can be any substitute for American moral leadership in this world. We cannot always lead through consensus. Sometimes we must lead by example, and I have said more than once that I have never met an American farmer who would want to profit at the expense of American moral leadership in this world.

I have also disputed the cost of sanctions as advertised by certain industry groups. I do not know where they get their figures, but I just do not believe them. In fact, in the area I believe to be the most in need of sanctions reform, agriculture sanctions, the Foreign Agricultural Service recently estimated that the net cost of all U.S. economic sanctions to the American agriculture economy is approximately \$500 million a year. Now, that amounts to just 1 percent of the \$49 billion worth of farm exports the USDA projects for the year 1999.

At a time when American farmers need all the help they can get, even a small amount of lost business can take on serious proportions, and that was why I was willing to surprise my friend, Stu Eizenstat, by endorsing the Clinton administration's proposed changes to certain export regulations to allow the commercial sale of food and medicine to pariah States, because my thinking is that if terrorist States would rather give their money to American farmers than to, say, Abu Nidal, well, that is fine with me.

So the question is how much further should we go? Proposals before this committee—and I should add parenthetically that all reform bills are properly within the jurisdiction of the Senate Foreign Relations Committee—run the gamut from restricting the Congress and the President's ability to legislate sanctions in the future to lifting all sanctions existing now, imposed for foreign policy and national security reasons.

So with that rather lengthy explanation of the purpose of this hearing, we will now have an opportunity to discuss all such proposals with the distinguished Secretary.

Members with legislation will be invited to present their views before the committee at our next hearing on July 15, as we have

scheduled it, and after that we will see if an agreeable legislative proposal can be reached on this matter. I look forward to an interesting informal debate, of course.

Senator Sarbanes, Senator Biden has not yet arrived. Would you have any comments that you wish to make?

Senator SARBANES. Mr. Chairman, I will be very brief.

First, I want to join you in your comments about Michael Hooker. He at one time served as the president of the University of Maryland, Baltimore Campus, and did an outstanding job. He took the whole academic institution to a much higher level, and we remember him with great respect and fondness. I know he has been an extremely effective chancellor at the University of North Carolina. He passed away at the age of 53, so higher education in this country has really lost one of its leaders.

I join you in welcoming this series of hearings. This is a difficult and complicated subject. A lot of overstatement takes place during discussion of this issue. Therefore, I am looking forward to hearing Under Secretary Eizenstat, who is not given to overstatements, and expect we will get a significant contribution.

I noticed your article in Foreign Affairs, and read it with considerable interest. I cannot believe in the end we are going to conclude that the United States in certain circumstances ought not to limit or restrain its intercourse with other countries in order to try to achieve important foreign policy or national security objectives. It seems to me the question is how much of that do you do, and how do you do it, not whether it is done at all.

Some are asserting it ought not be done at all. That would end up, leaving us with a choice between doing nothing and going to war. That does not seem to be a very comfortable choice. I think this set of hearings that the chairman and Senator Biden have projected is going to be extremely helpful and informative. Thank you.

The CHAIRMAN. I thank the Senator.

Stu, you knew Michael Hooker, did you not?

Mr. EIZENSTAT. Yes, sir, I did, and I appreciate very much your comments.

The CHAIRMAN. For the sake of our friends visiting with us today, he had been at the University of North Carolina at Chapel Hill as chancellor for the past 8 years, and he has a delightful, wonderful, capable former legislator, Senator, I think, in the Massachusetts legislature, as his bride.

He liked to joke about his name, particularly when—and bear in mind, his name is Hooker, and he is chancellor, and the new president of the University of North Carolina is Motley Broad—he said, this is the only university that has a Broad for the presidency and a Hooker for the chancellor.

The CHAIRMAN. Senator Biden.

Senator BIDEN. Mr. Chairman, thank you. I want to thank you for starting this series of hearings on U.S. policy on economic sanctions, and as you have already stated, I am sure the committee is going to conduct several hearings in the coming weeks with a view toward considering legislation later this year to address the issue.

Several members—as a matter of fact, I think a majority of us have said something has to be done to rationalize our sanctions policy.

At the outset I want to state what I think this series of hearings should not be about. I do not think they are about whether or not sanctions are ever appropriate to be a tool used in American foreign policy. I believe that even the strongest supporters of sanction reform recognize that sanctions are appropriate in certain circumstances.

Nor is this review a debate about which branch of Government has the power to impose sanctions. Professor Corwin's famous dictum that the Constitution tenders an invitation to struggle to deal with foreign policy holds true to this day, and both the President and the Congress have ample power under the Constitution to deal with sanctions and the two branches often engage in confrontation, though, rather than cooperation in the exercise of these powers.

I think the questions we are going to have to answer are, in the first instance, and I am going to ask you a little bit about this today, Stu, is, what constitutes a sanction? We do not have agreement on even what constitutes a sanction.

Is, for example, the withholding of aid, is that a sanction as opposed to imposing a sanction based upon a legitimately negotiated trade agreement, as opposed to imposing sanctions that do not relate to any existing agreement but are viewed as punitive efforts to change actions and behavior of other countries, I do not think there is any uniform agreement on what constitutes a sanction.

Second, is there any circumstance when it makes sense for us to go it alone? Is there ever a circumstance where a sanction unilaterally imposed by the United States is appropriate?

Third, which kind, which types of sanctions have been the most effective and the most ineffective, and why?

So I think if we are able to explore some of this terrain over the next couple of weeks with informed and knowledgeable witnesses like yourself, it will help inform our debate and dialog as to which approach we should attempt to take.

What I do not believe is likely to happen, Mr. Chairman—I may be wrong—it is not likely we are going to reach a unanimous consensus around here about sanctions, but I think we may find, when this is over, there is one view that is more predominant than another, and at least hopefully we will be able to provide the function this committee under your leadership has begun to exercise in earnest, and that is, serious consideration of serious issues and recommendations to the Senate for its consideration.

I thank you for beginning the process. You have committed to do this and, as always, you are keeping your commitment, and I look forward to hearing from Secretary Eizenstat as well as my colleagues, who have a keen interest in this subject, so thank you.

The CHAIRMAN. Thank you, sir.

Stu, you may proceed if you want to insert the whole address, or statement in the record, we will do that, and whatever you would like to do.

STATEMENT OF HON. STUART E. EIZENSTAT, UNDER SECRETARY OF STATE FOR ECONOMIC, BUSINESS, AND AGRICULTURAL AFFAIRS, DEPARTMENT OF STATE

Mr. EIZENSTAT. Thank you very much, Mr. Chairman. I welcome this opportunity to share with you and members of the committee

the administration's views on the use of economic sanctions as a foreign policy tool. This hearing is a welcome initiative and can make a lasting contribution in developing a consensus in this important area of policy, where frankly both the executive branch and Congress have clear responsibilities.

I want to assure you the administration stands ready to work with you and the committee to seek an agreed approach on sanctions that will advance the full range of American national interest. The very cooperative and productive process we are currently engaged in, Chairman Helms, with your staff on the Serbia Democratization Act in particular is a good example of the kind of dialog that should exist generally between the administration and Congress on sanctions issues. It contains some of the elements of Presidential flexibility that are important to the administration, such as national interest waiver authority that I will discuss in more detail.

Our view on sanctions is clear. Properly designed to be implemented and applied as a part of our coherent strategy, sanctions, including economic sanctions, are a valuable tool for enforcing international norms and protecting our national interest. At the same time, sanctions are a blunt instrument. They are not a panacea, nor are they cost-free. Indeed, used inappropriately, they can actually impede the attainment of our objectives and come at a significant cost to other U.S. policy objectives.

There are, as Senator Biden was suggesting, varying definitions of economic sanctions and as yet no agreed definition. This, indeed, produces widely varying estimates of the number of outstanding sanctions regimes that we have.

For purposes of today's testimony, I will be speaking to the full range of measures that are sometimes placed within the rubric of the term, economic sanctions. Some include, for example, the denial of a normally available benefit, or the right to purchase U.S. goods or services, or to attract U.S. investment.

Obviously, the broad trade embargoes that we have are undisputed examples, and some might also include decisions on whether to offer U.S. support in international financial institutes, or conditions on U.S. aid that are imposed to advance U.S. foreign policy objectives, but the issue on which we should focus, frankly, is not numbers, but rather on how to use this tool of foreign policy most appropriately and most effectively.

We believe that our use of sanctions should be governed by a number of common sense principles, and that any prospective legislation which you, Mr. Chairman, and the committee may consider should be measured against these standards.

First, effectiveness should be our watchword. Used, again, inappropriately, they can actually undercut the effectiveness of our foreign policy objectives, but our emphasis on effectiveness should not lead us to expect instant results, or deter us from acting alone when important U.S. interests are at stake. Indeed, that is why Presidential flexibility is essential.

Second, unilateral economic sanctions should not be a first resort to conduct by a foreign Government which negatively affects our interests. We should first aggressively pursue other available diplomatic options. These can range from symbolic measures like with-

drawing an ambassador, reducing embassy staff, to denying visas to target figures, or entering into security arrangements with neighboring countries.

And, Mr. Chairman, I have put a chart¹ up and handed copies to members of the committee which give a sense of the variety of diplomatic, political, cultural, and economic sanctions which can exist, and the variety which can exist short of economic sanctions, and our notion is to try to use as many of these as possible to change the conduct that we do not like before we turn to economic sanctions, and we should turn to those only after other options have failed or have been judged inadequate or inappropriate.

Third, sanctions are most appropriate when they have broad multilateral support. The history of our use of unilateral sanctions shows that by themselves in the majority of cases they fail to change the conduct of the targeted country or at best are a contributory but probably not decisive factor in securing the changes of behavior we seek.

Multilateral sanctions maximize international pressure on the offending State. It was, for example, Mr. Chairman and members of the committee, multilateral sanctions that helped end apartheid in South Africa, that isolates Saddam Hussein in Iraq, and that brought Serbia to the bargaining table at Dayton.

When considering sanctions legislation, we believe that the Congress could include provisions urging the President to make maximum efforts to develop multilateral cooperation in addressing the concern which the sanctions are intended to address.

Multilateral sanctions also have another advantage, Mr. Chairman. That is, they can minimize the economic disadvantage to U.S. agricultural and business interests of unilateral sanctions. Thus, when Congress considers sanctions legislation, it could again include provisions urging the President to make maximum efforts to develop multilateral cooperation.

Nonetheless, if we are unsuccessful in our diplomatic efforts, as we sometimes will be, if we are also unsuccessful in building a multilateral regime, as, for example, with respect to Iran, and there are important national interests that are at issue, we must be prepared to act unilaterally to maintain its leadership role, the United States must sometimes act, even though other nations fail to do so.

Fourth, when we do act unilaterally, flexibility is absolutely essential if we are to use sanctions effectively. The Congress shares with the executive branch the responsibility for helping shape our foreign policy. In the realm of economic measures Congress has a clear constitutional role to play, and we respect that.

At the same time, the President is responsible for conducting the Nation's foreign policy and for dealing with foreign governments. Thus, sanctions legislation needs to take into account and be respectful of these respective responsibilities.

Sanctions legislation should set forth broad objectives which should allow the flexibility to respond to a constantly changing and evolving situation, and give the President the necessary authority to tailor specific U.S. actions to meet our foreign policy objectives.

¹ Chart referred to is in prepared statement of Under Secretary Eizenstat.

As Secretary Albright has said, there can be no cookie cutter, no one-size-fits-all approach to sanctions.

With these general principles in mind, we suggest that an approach to sanctions reform which we believe will make our sanctions policy more effective and will be productive in achieving improved discipline are the use of sanctions both by the executive branch and by Congress.

We have proposed appropriate and flexible guidelines that the executive branch would be willing to apply to future imposition of sanctions under IEPA as well as discretionary sanctions under future sanctions laws passed by Congress. With your permission, I would like to outline those guidelines.

First, in any sanctions reform legislation, we believe that flexibility, accompanied by a national interest waiver applicable to all future unilateral sanctions legislation is the single most important element. We have found from direct experience that having such national interest waiver authority gives us the leverage to further the objectives of sanctions statutes.

This is shown—and I was personally involved in this—by the enhanced interest we have now gotten from the European Union in human rights and democracy in Cuba as a result of title III of the Libertad Act and its waiver, and by tightened export controls that the EU has employed against Iran as a result of the 9(c) waiver we employed in the Iran-Libya Sanctions Act.

On the other hand, the diplomatic straightjacket which the absence of national interest waiver authority can place the President in was underscored by the Glenn amendment regarding the Indian and Pakistan nuclear tests, where we had absolutely no discretion. We had to immediately apply sanctions with no ability to take other factors into account, and Congress rectified that, realizing the problem, in the Brownback amendment, which we very much appreciated last year.

We agree that Congress should also have a role to play in this waiver decision. Thus, we would suggest that in any sanctions reform legislation that the President would notify Congress of his decision to exercise such a national interest waiver, and that Congress would then have an opportunity to disapprove of the exercise of the waiver using expedited legislative procedures.

A second guideline we would suggest for any legislation is that it is important to prevent excessive procedural complaints from hamstringing the executive branch. We have expressed our willingness to work with Congress on appropriate requirements. In general, Congress is the legislative body, obviously, and it can always override previous legislation in the sanctions area by a simple phrase, “notwithstanding any other provision of law.”

Therefore, Congress should be no more prescriptive of the executive branch than it is willing to be of itself. We cannot accept excessively prescriptive procedural constraints such as advance notice requirements in the Federal Register on the President’s flexibility to impose sanctions.

At the same time, we do acknowledge certain key issues of concern to sanctions reform supporters in the Congress, particularly a rigorous cost-gain analysis before sanctions are imposed, something

that Senator Lugar has suggested, and some sort of sunset provisions for sanctions measures.

The administration agrees that such a cost-gain analysis, Mr. Chairman, should be conducted, though there would be a need for flexibility in deciding how to proceed in a particular case. Sunset clauses, that is, the ending of sanctions automatically, tied to a set time period, we think is not the best way to proceed. Rather, it should be geared to whether the sanctions performance is still appropriate, and how should it be measured.

Many objectives of a particular sanction cannot be achievable within a preordained time period. I know no Member of Congress, for example, would want to give the targets of sanctions the ability to wait the United States out by imposing time-bound sanctions in every instance. We have suggested instead that the President could annual review specific sanctions measures and then he would have to make a finding that the sanctions still had relevance, that they were still effective, in determining whether they should be terminated or not.

If Congress did not approve of the President's decision, again we would support the Congress enacting legislation of disapproval subject to constitutional processes.

Let me turn, Mr. Chairman—you mentioned in your opening statement the issue of sanctions on food, medicine, medical equipment and other human essentials. Many of the bills proposed would impact on the President's ability to impose sanctions on such items. On April 28, the President announced that the administration will generally exclude agricultural commodities and products and medicines and medical equipment from future discretionary sanctions regimes, and will extend the same principle to existing regimes where we have the discretion to do so.

We were particularly gratified, Mr. Chairman, for your own expression of support for these changes. At the time of that announcement, the administration noted that there may be compelling circumstances where this still would not be appropriate. Therefore, the President must be given the flexibility to tailor new sanctions, even those of food and medicine, as appropriate in any particular situation.

We believe that many of the bills pending now in the Senate and House dealing with food and medicine issues should conform to the principles I have just outlined. We do not believe that those narrow bills dealing only with agricultural or medical goods should substitute for or divert attention away from the broader issues of over-all sanctions reform before this committee.

In sum, if our policies are to be effective, we must work together, the administration and Congress, State and local governments, the business community, and NGO's to see that our use of sanctions is appropriate, coherent, and to attract international support. We hope to work with those of you in the Senate and the House who have an interest in this matter to craft an effective Sanctions Reform Act this year, 1999, to make our sanctions policy more credible and more effective.

Thank you again, Mr. Chairman, and I look forward to your questions.

[The prepared statement of Mr. Eizenstat follows:]

PREPARED STATEMENT OF HON. STUART E. EIZENSTAT

Mr. Chairman, I welcome this opportunity to share with you the Administration's views on the use of economic sanctions as a foreign policy tool. This hearing is a welcome initiative and can make a lasting contribution in developing a consensus in this important area of policy where both the Executive Branch and the Congress have clear responsibilities. As a representative of the Executive Branch, I want to assure you that the Administration stands ready to work with you in the days and weeks ahead to seek an agreed approach on sanctions that will advance the full range of American national interests.

The very cooperative and productive process we are currently engaged in with your staff on the Serbia Democratization Act in particular, Mr. Chairman, is a good example of the kind of dialogue that should exist generally between the Administration and the Congress on sanctions issues. It contains some of the elements of Presidential flexibility that are important to the Administration, such as national interest waiver authority.

In this spirit, let me also mention another important area where working in bipartisan way we have been able to advance important U.S. goals. I am pleased to refer to the report which the Department of State is delivering today that was requested by you and this Committee, Mr. Chairman, on implementation of the OECD Anti-Bribery Convention. This Convention was a critical step sought by the U.S. for over two decades. Your leadership and the Senate's swift action to give advice and consent to ratification and to assure passage of U.S. legislation were essential in this achievement. We believe this report will make a contribution to ensuring that implementation of the Convention is vigorous and meets our objectives in advancing international anti-corruption goals we share.

I have testified numerous times on sanctions reform including before the House Ways and Means Committee on October 23, 1997, the House International Relations Committee on June 3, 1998, the Lott Bipartisan Working Group on Economic Sanctions on September 8, 1998, the Senate Agricultural Committee on May 11, a second time before the Ways and Means Committee on May 27, and, most recently, on June 9 before the House Agriculture Committee.

A number of bills involving economic sanctions have also been introduced into both Houses of Congress. These include broad legislation such as the Sanctions Policy Reform Act, S. 757, and its House counterpart, the Enhancement of Trade, Security, and Human Rights through Sanctions Reform Act, H.R. 1244, and the Sanctions Rationalization Act of 1999, S. 927. Others are narrower in scope, addressing food and medicines, targeting specific countries or issues, such as the Export Administration Act.

The Administration has a clear position, Mr. Chairman, on the role of economic sanctions. Properly designed, implemented and applied as a part of a coherent strategy, sanctions—including economic sanctions—are a valuable tool for enforcing international norms and protecting our national interests. At the same time, sanctions are a blunt instrument. They are not a panacea nor are they cost free. Indeed, used inappropriately, they can actually impede the attainment of our objectives and come at a significant cost to other U.S. policy objectives.

We face two fundamental issues in any discussion of this issue. First is to achieve an agreed definition economic sanctions. Second, there is no common measure by which we can assess success.

Some, drawing on broad definitions of sanctions, charge that there has been an explosion in both our individual application of this tool as well as in the number of laws mandating their imposition. The National Association of Manufacturers in 1997, for example, estimated that the U.S. has applied sanctions for foreign policy purposes a total of 115 times since World War I, 104 times since World War II, and according to the count of the President's Export Council, 61 times since 1993. Others, for example in your recent article in Foreign Affairs, Mr. Chairman, use a narrower definition, reject this charge and cite only the comprehensive U.S. embargoes on North Korea, Iran, Iraq, Sudan, Libya, Cuba and, more recently, Yugoslavia as real sanctions. Permit me to say, Mr. Chairman, that the issue on which we should focus is how to use this tool of foreign policy most appropriately and effectively.

With respect to what constitutes a sanction, Mr. Chairman, there is no uniformly applicable legislative definition, but when I speak of a sanction, I have in mind the use of economic tools to address conduct by foreign governments or entities that is harmful to U.S. foreign policy interests. I do not include, for example, trade related retaliation under our trade laws.

During today's testimony, I will speak to the full range of measures that are sometimes placed within the rubric of "economic sanctions." Some include, for example, the denial of a normally available benefit, such as access to the U.S. market

on an NTR basis, or the right to purchase U.S. goods or services or to attract U.S. investment. The broad trade embargoes on Iran, Cuba, North Korea, Libya, Sudan and Yugoslavia are undisputed examples. Some might also include decisions about whether to offer U.S. support in International Financial Institutions or conditions on U.S. aid that are imposed to advance U.S. foreign policy objectives.

Just as there are differences over the definition of what we mean by economic sanctions, neither do we have an agreed standard by which to measure success. Some sanctions measures, such as denial of U.S. Government aid or other positive benefits to countries which violate international norms of behavior, can be relatively non-controversial. As we move toward unilateral restrictions on exports of private sector products, whether agricultural or industrial, widely available from a variety of supplier nations, they become more controversial.

We employ economic measures to pursue a broad variety of goals—national security, non-proliferation, human rights, environment, to combat the scourge of narcotics, to enforce international trade rules are but a few examples. None of these is a simple issue. The costs and gains cannot be measured in dollars and cents on a spreadsheet. Nevertheless, the American people do have a right to expect generally that when we use economic sanctions, the specific sanctions measures will have a significant impact on those targeted, that they can be effectively implemented and enforced, that they will not cause more collateral damage than the wrong they are trying to remedy, and that due consideration is given to the potential adverse impact on other U.S. interests.

One example should suffice. Sections 101 and 102 of the Arms Export Control Act (Glenn Amendment) provide for the mandatory denial of credits, credit guarantees or other financial assistance by USG agencies to any non-nuclear-weapons state testing a nuclear device. Non-proliferation is undeniably a critical and central goal of U.S. foreign policy. In this particular case, however, the application of that sanction to Pakistan would have cut off U.S.-Government guarantees related to grain sales, hurting innocent Pakistani consumers, and harming an already hurting U.S. farm sector. In this particular case, the Congress reacted by exempting USDA guarantees from the application of the Glenn Amendment. The use of economic sanctions almost invariably involves a trade off between interests.

We believe that our use of sanctions should be governed by a number of common sense principles and that any prospective legislation should be measured against these same standards.

First, effectiveness should be our watchword. In fact, used ineffectively, they can even make it more difficult to attain our goals and come at a significant cost to other U.S. policy objectives. At the same time, our emphasis in effectiveness should not lead us to expect instant results or deter us from acting alone when important U.S. interests are at stake. Indeed, this is why Presidential flexibility is essential.

Second, unilateral economic sanctions should not be a first resort to conduct by a foreign government which negatively affects our interests. We should first aggressively pursue other available diplomatic options. These can range from symbolic measures like withdrawing an Ambassador, reducing Embassy staff, to denying visas to target figures, entering into security arrangements with neighboring countries, to military intervention and everything in between. In general, we should turn to sanctions only after other options have failed or have been judged inadequate or inappropriate.

Third, sanctions are most effective when they have broad multilateral support. The history of our use of unilateral sanctions shows that by themselves in the majority of cases they fail to change the conduct of the targeted country or, at best, are a contributory but probably not a decisive factor in securing the changes of behavior or policy that we seek. Multilateral sanctions in contrast maximize international pressure on the offending state. They show unity of international purpose. Because they are multilateral, these sanctions regimes are more difficult to evade or undermine. They minimize the damage to U.S. competitiveness and distribute more equitably the cost of sanctions across countries. It was multilateral sanctions that helped end apartheid in South Africa, that have isolated Saddam Hussein in Iraq, that brought Serbia to the bargaining table in Dayton. When considering sanctions legislation, we believe that the Congress could include provisions urging the President to make maximum efforts to develop multilateral cooperation with other countries having similar interests in addressing the concern which the sanctions are intended to address.

Nonetheless, if we are unsuccessful in building a multilateral regime, and important national interests are at issue, we must be prepared to act unilaterally. To maintain its leadership role, the U.S. must sometimes act even though other nations are not compelled to do so.

Fourth, flexibility of application is absolutely essential if we are to use sanctions effectively. The fundamental principle underlying our approach is one of symmetry between the two branches—Congress, in short, should be no more prescriptive of the Executive Branch than it is of itself.

Our foreign policy is most effective when it reflects cooperation and consultation between the Administration and the Congress. The decision to apply economic sanctions—or to lift or waive potential measures or those already in place—should reflect a relationship of comity between the Executive and Legislative branches. We must respect the particular role that each branch plays in making foreign policy.

The Congress shares with the Executive Branch the responsibility for helping shape our foreign policy. In the realm of economic measures, Congress has a clear role which we respect. At the same time, the President is responsible for conducting the nation's foreign policy and for dealing with foreign governments. Thus, sanctions legislation needs to take into account these respective responsibilities. Sanctions legislation should set forth broad objectives but should allow the flexibility to respond to a constantly changing and evolving situation and give the President the necessary authority to tailor specific U.S. actions to meet our foreign policy objectives. Legislation which seeks to codify and mandate existing sanctions regimes which have been imposed under existing authorities, however well intended and however carefully drafted, cannot anticipate changing situations and thus inevitably limits the President's flexibility and unnecessarily complicates our efforts to deal with the situation which led to the imposition of those sanctions. As Secretary Albright has said, there can be no "cookie-cutter," no "one size fits all" approach to sanctions policy.

In any sanctions reform legislation we support a single national interest waiver standard applicable to all future sanctions legislation.

Our experiences with the Libertad Act (Helms-Burton) and the Iran-Libya Sanctions Act (ILSA) underscore the importance of flexibility to achieving the purposes of those acts.

In the case of Helms-Burton, the exercise of Title III waiver authority led the EU in December, 1996 to enact and restate each six months its Common Position on Cuba, tying concrete improvement of its relations with Cuba to fundamental changes in respect for human rights and fundamental freedoms in Cuba. The EU has spoken out more forcefully in support of democracy and human rights. It has established a special Human Rights Working Group among its Embassies to reach out to dissidents and has condemned the arrest of the dissident working group.

Similarly, the prospect of an amendment to Title IV that would authorize a waiver led the EU to agree to an Understanding to limit investment in illegally expropriated properties worldwide, including in Cuba. Mr. Chairman, when I set out to negotiate this Understanding, I was mindful of your long-held personal goal of strengthening the protection of U.S. property rights abroad, a goal that is shared by the Administration and, I know, by others on this Committee. The pathbreaking Understanding that we reached with the EU on May 18, 1998, will, for the first time, establish multilateral disciplines among major capital exporting countries to inhibit and deter investment in properties that have been expropriated in violation of international law.

These new restrictions will discourage illegal expropriations and chill investment in Cuba, warning investors to keep "hands off." Castro has railed against the Understanding, precisely because he understands its potential impact on Cuba and because he sees that it embodies the principles underlying Helms-Burton.

We recognize that some in the Congress have concerns about European implementation of the Understanding. We believe that the Understanding itself, coupled with a detailed letter from Secretary Albright to you and the recent letter from Sir Leon Brittan to Chairman Gilman, should go a long way towards addressing these concerns. But we are not asking Congress to leave to chance the question whether the Understanding will work. We have in mind an amendment that would authorize waiver of Title IV for countries that are implementing the Understanding but that would require revocation of the waiver if implementation is inadequate. Secretary Albright has committed to you that she would not hesitate to exercise this revocation authority. We want to work with the Congress to craft an amendment to Title IV of the Libertad Act that will implement the United States commitment under the Understanding in a manner that instills confidence in the Congress.

Mr. Chairman, there is no other international instrument that does for U.S. property rights what this Understanding would do. The Administration and the Congress must work together towards an appropriate amendment of Title IV so that our 1998 US—EU Understanding can go into effect. If we do not, we will lose this historic opportunity to hand a defeat to Mr. Castro.

Similarly, the flexibility included in ILSA—the ability to decide whether to impose or waive sanctions—was central to our ability to advance the objectives of that law. In developing ILSA, Congress was motivated by its deep concern about the proliferation of weapons of mass destruction (WMD) and terrorism and expressed its deep concern about Iran. We used the Act's waiver authority to help consolidate the gains that we had made with the EU and Russia on strengthening international cooperation to oppose Iran's dangerous and objectionable behavior. For example, the EU strengthened its already good export controls on dealing with Iran. It helped us avoid a major dispute with allies that would not have served the Act's objectives and would have heavily strained our cooperation with our allies across the board.

With these general principles in mind, we have suggested an approach to sanctions reform that we believe would be productive in achieving improved discipline on the use of sanctions by both the Congress and the Executive Branch.

We have proposed appropriate and flexible guidelines that the Executive Branch would be willing to apply to future imposition of sanctions under IEEPA as well as discretionary sanctions under future sanctions laws passed by Congress.

First, we believe that flexibility accompanied by national interest waiver authority applicable to all future unilateral sanctions legislation is the single most essential element. The President should be authorized to refrain from imposing, or taking any action that would result in the imposition of, any unilateral economic sanction, and be authorized to suspend or terminate the application of such a sanction based on a national interest determination.

We agree that Congress should also have a role to play in this decision. Thus, we have suggested that the President would notify the Congress of his decision to exercise a national interest waiver and that the Congress would have an opportunity to disapprove of the exercise of the waiver using expedited procedures.

Second, it is important to prevent excessive procedural constraints from hamstringing the Executive Branch, for example, advance public notice of sanctions which could allow a target country or entity to rearrange its assets in advance of U.S. action. We have expressed our willingness to work with the Congress on appropriate requirements. We cannot accept excessively prescriptive procedural constraints on the President's flexibility to impose sanctions. In general, Congress—which as a legislative body can always override previous legislation in the sanctions area—should be no more prescriptive of the Executive Branch than it is of itself. At the same time, we acknowledge certain key issues of concern to sanctions reform supporters, particularly including requiring that the Executive Branch conduct (and report to Congress) a rigorous cost/gain analysis before sanctions are imposed, and requiring some sort of sunset provision for sanctions measures.

The Administration agrees that such a cost/gain analysis should be conducted, though there would need to be flexibility in deciding how to proceed in any particular case.

Sunset clauses tied to a set time period rather than a measures of a sanction's performance are not appropriate. Many objectives of particular sanctions may not be achievable within a pre-ordained time period. I know no Member of Congress would want to give the targets of sanctions the ability to wait the United States out by imposing time bound sanctions in every instance. As an alternative, Mr. Chairman, we have suggested instead that the President could annually review our specific sanctions measures and, depending on his review of the continued effectiveness of such measures, determine whether they should terminate. If Congress does not approve of the President's decision, it could enact legislation of disapproval.

Let me turn briefly, Mr. Chairman, to the question of sanctions on food, medicines, medical equipment and other human essentials. Many of the bills proposed would impact on the President's ability to impose sanctions on such items. On April 28 the President announced that the Administration will generally exclude agricultural commodities and products, and medicines and medical equipment from future discretionary unilateral sanctions regimes, and will extend that same principle to existing regimes where we have the discretion to do so. We were particularly gratified, Mr. Chairman, for your own expression of support for these changes.

At the time of that announcement, the Administration noted that there may be compelling circumstances where this would not be appropriate: for example, where the offending regime is using import of foods and medicines as an internal political tool, where a regime or its officials derive unjustified economic benefit from such imports, or where we or our allies are engaged in armed conflict. The President must be given the flexibility to tailor and use sanctions—including sanctions on food and medicine—as appropriate in any particular situation.

We believe that any of the bills dealing with this issue should conform to the principles I have just outlined. We do not believe that those narrower bills should sub-

stitute for or divert attention away from the broader issue of overall sanctions reform.

In sum, if our policies are to be effective, we must work together—Administration, Congress, at the state and local level, as well as the business community, including NGOs—to see that our use of sanctions is appropriate, coherent, and designed to attract international support. We hope to work with those in the Senate and in the House with interest in this matter to craft an effective sanctions reform package in 1999.

U.S. FOREIGN POLICY TOOLS—AN ILLUSTRATIVE MATRIX OF SELECTED OPTIONS

	FRIENDLY	PERSUASIVE	HOSTILE	COERCIVE
DIPLOMATIC (Executive)	<ul style="list-style-type: none"> Embassy: Open/Expand Ambassador: Accredit Visas: Liberalize Landing Rights: Extend/Expand Binational Commissions: Establish/Expand Intl Org: Support Membership/Support Position Intl Conf: Support Spons/particip Communique: Friendly 	<ul style="list-style-type: none"> State Visits: Support Sr Officials Exchange: Support Hostile Neighbors/Opposition: Minimize Contact 	<ul style="list-style-type: none"> Embassy: Reduced Staff Ambassador: Recall for Consults Visas: Restrict to targeted grps Landing Rts: Restrict Binatl Comms: Pare Back Intl Org: Oppose memb/position Intl Confs: Oppose spons/particip Communique: Hostile State Visits: Oppose Sr Officials Exchange: Restrict 	<ul style="list-style-type: none"> Embassy: Close Ambassador: Withdraw Visas: Suspended Landing Rts: Suspend Binatl Comms: Suspend Intl Orgs: Urge Exclusion Intl Confs: Urge Exclusion State Visit: Cancel Sr Officials Exchange: Cancel Hostile Neighb/opposit: Expnd Contact
POLITICAL (Executive & Legislative)	<p>LEGISLATIVE</p> <ul style="list-style-type: none"> Resolutions: Friendly Codels: Increase NBD: Increase Funding Intl Parliamentary Orgs: Support Participation/Position Opposition: Minimize Contact Arms Transactions: Support 	<p>EXECUTIVE</p> <ul style="list-style-type: none"> Proclamation: Friendly State/Local Exchanges: Sister City Agreements, State Offices, Overseas Support 	<p>LEGISLATIVE</p> <ul style="list-style-type: none"> Resolutions: Hostile Codels: Fact-Finding Missions NBD: Restrict Funding Intl Parl Orgs: Oppose Opposition: Increase Contact Arms: Cancel Trans/Boycott 	<p>EXECUTIVE</p> <ul style="list-style-type: none"> Proclamation: Hostile Opposition: Host Visit
CULTURAL (Executive & Legislative)	<ul style="list-style-type: none"> Aggressive Broadcasts: Decrease/Suspend Academic Exchange: Establish/Expand Intl Athletic Events: Support Participation/Support Sponsorship Entertainment/Cultural Tours: Support Participation/Sponsorship 	<ul style="list-style-type: none"> Peace Corps: Expand Public Exchange: Estab/Expand Intl Cult Orgs: Support memb Scientific Coop: Estab/Expand Internet Sites: Expand 	<ul style="list-style-type: none"> Aggressive Broadcasts: Increase Academic Exch: Restrict Intl Athletic Events: Oppose Participation/Sponsorship Entertmnt/Cultural Tours: Oppose Participation/Sponsorship Peace Corps: Restrict Publication Exchange: Restrict Intl Cult Orgs: Oppose memb Scientific Cooperation: Restrict 	<ul style="list-style-type: none"> Academic Exch: Suspend Intl Athletic Events: Urge Exclusion Entrmt/Cultural Tours: Ban from U.S. Entry/Urge Exclusion Peace Corps: Suspend Publication Exchange: Suspend Intl Cultural Orgs: Urge Suspension Scientific Cooperation: Suspend
ECONOMIC (Executive & Legislative)	<ul style="list-style-type: none"> Debt Rescheduling: Permit/Liberalize Terms Pref Tariff Treatment: Expand Reg Trade Agrmts: Permit Particip Trade Credits: Expand 	<ul style="list-style-type: none"> Trade Controls: Liberalize Double Tax Agrmt: Negotiate Tax Treaty: Negotiate IFIs: Support memb/position Financial Controls: Relax 	<ul style="list-style-type: none"> Debt: Tighten Terms Investmt: Restrict Promotion Bus Contacts: Discourage Trade Missions: Pare OPIC/EXIM/IDA: Restrict on 	<ul style="list-style-type: none"> Debt: Suspend Pref Tariff Treatment: Suspend Regional Trade Agrmts: Suspend Participation Trade Credits: Restrict

<p>MILITARY (Executive: Legislative Consultation)</p>	<ul style="list-style-type: none"> Investment: Expand Promotion Bus Contacts: Encourage Trade Missions: Expand OPIC/EXIM/TDA: Open/Expand 		<ul style="list-style-type: none"> Assets: Release Postal Coop: Expand Aid/Tech Assist: Increase 	<ul style="list-style-type: none"> Investment: Ban Business Contacts: Ban Trade Missions: Suspend OPIC/EXIM/TDA: Suspend Trade Controls: Expanded Trade Embargo Double Tax Agr: Suspend Tax Treaty: Suspend IFIs: Urge Exclusion Assets: Freeze Postal Coop: Suspend Aid/Tech Assistance: Suspend G7 Sanctions Group: Activate
<p>MILITARY (Executive: Legislative Consultation)</p>	<ul style="list-style-type: none"> Training (IMET/E-IMET): Increase Officer Exchange: Increase Military Coop (joint exercises/training/tech coop): Increase Port Visits: Increase Confidence-building Measures: Increase 		<ul style="list-style-type: none"> Targeted Basis Trade Controls: Limited (commod/product-based) Trade Restrictions: Limited (commodity/product based) IFIs: Oppose memb/position Financial Controls: Increase Aid/Tech Assistance: Restrict 	<ul style="list-style-type: none"> Training: Suspend Officer Exchange: Suspend Military Cooperation: Suspend Port Visits: Suspend Conf-Bldg Measures: Suspend Peacekeeping: Withdraw Coop w/Neighbors/Opp: Increase Local Maneuvers: Increase Show of Force Act of War

Prepared by: Sanctions Working Group, State Department Advisory Committee on International Economic Policy.
 Keys: IFI= International Financial Institution, OPIC= Overseas Private Investment Corporation, EXIM= Export-Import Bank, TDA= Trade and Development Agency, GSM= General Sales Manager (USDA Export Credits).

The CHAIRMAN. Stu, I want to say again we are going to miss you around this place. You will not be testifying before this committee automatically.

Mr. EIZENSTAT. Any time you ask, you know I will be here.

The CHAIRMAN. Well, thank you, sir. Last night, the Senate voted on Cuban sanctions and I think the proponents of the amendment got something like 35 votes. I am sorry, 43. Well, somewhat less than half. It occurred to me that everybody I heard speaking in favor of that amendment was in a playpen when Batista left Cuba, and out in the boondocks was a guy named Fidel Castro, and the New York Times and Edward R. Murrow and others praised him as almost a savior, and just an intellectual who was going to come and save the Cuban people.

His name was Fidel Castro. Well, Fidel Castro finally came in. He did everything that brutality will cover. First he took all of his political opponents and put them in jail, shot a lot of them, and he created mayhem, and the Cuban people are to this day terrified, and I am surprised he got 43 votes on this thing, because I was not in a playpen when Fidel Castro came around.

Now, why don't we have 6 minutes.

Senator BIDEN. Seven is fine, Mr. Chairman.

The CHAIRMAN. If terrorist States want to use their money to buy American wheat rather than make bombs, that is fine with me, but some of the legislation that has been introduced will make available subsidized goods to terrorist States, and that means that Americans would use their tax dollars to fund cheaper goods going to the very States that our Government labels as terrorists. Now, what is the administration's position on this?

Mr. EIZENSTAT. Mr. Chairman, when the President made his announcement on April 28, we made it very clear as your statement of support confirmed, that we were talking about commercial sales, not subsidized sales. Many of the countries involved, in any event, are under statutory restrictions which precluded such subsidized sales, and our position is that we should not be subsidizing terrorist countries to purchase our products, so we are basing this on the notion of commercial sales.

Now, obviously we are looking at what our competitors are doing as well in terms of their export credits, and we will continue to look at that, but our policy is that sales ought to be in a commercial basis and not subsidizing the target country.

The CHAIRMAN. Well, maybe there are some in the Senate, and I am not one of them if there are some, maybe there are some who have time to do their own econometric studies of the cost of sanctions to the U.S. economy. I am forced to rely on outside sources whom I respect, and the question is, which source can you believe?

Now, depending upon who is doing the talking and the study, the numbers are all over the place. Some say that the cost of sanctions is in the tens of billions of dollars. On the other hand, I have seen reports by the Congressional Budget Office and the Congressional Research Service and the Department of Agriculture saying the cost of sanctions is a tiny percentage of national income. Now, who do you think is right? How much does it cost?

Mr. EIZENSTAT. Well, that is a good question, and again, in part it depends upon how one defines a sanction. The broader definition,

I think the CBO's estimate was a loss of some \$27 billion. We have not done an estimate ourselves for the administration on the cost. The costs are there.

We think again the important thing is not to focus on the precise dollar amount and get into an extended debate about whose statistics are right. We know that there are lost sales both in the agricultural community and in the business community, and we also know that sanctions have merits in many cases, and it is that balance that we need to make, and so I think that rather than try and come up with a specific quantitative figure, we know that there are certainly billions of dollars of lost sales, and that the crucial issue is to work with you and with the committee to try to make our sanctions more effective and more cost-effective.

I think that we also have to remember, Mr. Chairman, that as we go into the 21st century we increasingly do not have a monopoly on any product. One of the things I learned back in the Carter White House when we tried to impose a grain embargo on the Soviet Union for their invasion of Afghanistan was that when you are dealing with a fungible commodity like wheat grain, that there are many other countries, in that instance Argentina, more than willing to fit in, so we have to always make sure that we are balancing the costs and the gains.

We know the costs are there, and rather than try, again, to give you a specific dollar figure, we know there are costs, and we should measure those costs in a specific case against the likely gain of imposing the sanction, and that is the kind of framework that I think we are best and most appropriately engaged in.

The CHAIRMAN. Now, if I ask you a question it will run over, so I will recognize Senator Biden.

Senator BIDEN. I would yield to Senator Sarbanes and then follow Senator Lugar.

Senator SARBANES. I want to thank Senator Biden for his courtesy. I have an engagement to go to, and I did want to put a couple of questions.

First of all, Mr. Chairman, I should observe that, you know, the Deputy Secretary of the Treasury deals with a number of issues that are relevant to the concerns and jurisdiction of this committee, so I think we have a perfectly legitimate basis to bring Mr. Eizenstat back before the committee on future occasions, and I look forward to us doing that.

Mr. EIZENSTAT. It will not take a lot of arm-twisting.

Senator SARBANES. The Congress takes the view toward a particular country in terms of limiting or restraining the U.S. dealings with it. The executive differs. Now, if we provide a national interest waiver, in effect the executive can simply negate the congressional judgment, could he not?

Mr. EIZENSTAT. Well, if you build in, as we are suggesting, into the national interest waiver a requirement for notice and expedited disapproval by the Congress within constitutional processes, then we think that we have got the kind of balance. Congress speaks in the area of foreign policy. It makes a statement of what it thinks should be done. It recognizes that the President in the end has to balance a whole range of interests, impact on our allies, impact on our domestic interests.

Senator SARBANES. Would that congressional disapproval be subject to a veto?

Mr. EIZENSTAT. Yes, we believe it should be.

Senator SARBANES. So you in effect allow the executive, and one third of one body of Congress, to determine the policy, even though a substantial majority in both Houses may, in fact, be in favor of a different policy.

Mr. EIZENSTAT. Yes, that is true, but as you know, there are limits to what Congress can do.

Senator SARBANES. I understand that, but I think the tool you are suggesting falls short for that reason. Let me give you another example.

Mr. EIZENSTAT. If I may say, Senator, if we do not, then you put the President in the position, as we were with the Glenn amendment, where we are completely in a straightjacket. We have no diplomatic movement to try to leverage the action of the target country.

Senator SARBANES. Well, you can make that argument before we pass the measure, and it may be heeded and paid attention to. If not, if the difference in perception on the part of the Congress and the executive is so wide, you would have to come back to the Congress.

In fact, you did that on the Glenn amendment, and the Congress quickly allowed agricultural commodities to move forward.

Mr. EIZENSTAT. Yes, but it then took the Brownback amendment still further for us to make more progress in getting Pakistan and India to make commitments to sign the comprehensive test ban.

Look, we are dealing in an area here of great constitutional—

Senator SARBANES. Of course, that amendment now has lifted the sanctions altogether, so you cannot even impose them.

Mr. EIZENSTAT. No, it did not do that. That is what the Brownback 2 proposal was.

Senator SARBANES. What do you think of that?

Mr. EIZENSTAT. We much prefer to have broadbased national interest waiver authority, rather than having it lifted all at once, because if it is lifted all at once, then we also lose leverage on the other side, and that is again—

Senator SARBANES. I am just trying to develop the continuum. First of all, do you regard the limitation, restriction or the conditioning of foreign aid as a sanction?

Mr. EIZENSTAT. Well, we would like to work with this committee in terms of an actual definition, but obviously the country who is denied what is otherwise being applied feels it is.

Senator SARBANES. So they regard foreign aid as an entitlement, that if conditioned is an intrusion into a relationship that is otherwise normal.

Mr. EIZENSTAT. I do not think anyone views it as an entitlement. We obviously are subject to appropriations, and we make that clear, but there is a certain reliance that has been built up.

Senator SARBANES. Suppose you come to us and ask to give foreign aid to a particular country and we say that we do not want to give foreign aid to that country unless certain conditions are met. Suppose you say, "No, we want these conditions to be subject

to a waiver.” This would allow you to waive the conditions and make the aid available.

Mr. EIZENSTAT. When we have our foreign aid bills we do not suggest putting in waiver provisions in foreign aid. We try to work out with the Congress in the foreign appropriations bills conditions we can live with, and which the Congress can live with.

Senator SARBANES. If you can, you would have a national interest waiver on the aid, as I understand your proposal.

Mr. EIZENSTAT. We have not suggested that in foreign aid bills we put a national waiver.

Senator SARBANES. Would this waiver that you are talking about extend to foreign aid?

Mr. EIZENSTAT. We would like to work with you on those things to which it would extend, but we think that in terms of the traditional appropriation process, that putting into that process national interest waiver authority is not necessary, if we can work out in traditional ways that we normally do conditions that are acceptable on both sides.

Senator SARBANES. You are sliding off of the question, and my time has expired. I will have to pursue this at another time, because I do not think your response really takes that question head-on.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator. Senator Lugar.

Senator LUGAR. Thank you very much, Mr. Chairman.

Secretary Eizenstat, last week a Federal appeals court in Boston affirmed the district court’s ruling that the Massachusetts Burma law was unconstitutional. Can you give us the administration’s view on this case, and that decision?

Mr. EIZENSTAT. We have not been a party to that case, and we have not taken a formal position, but I would like to speak generally to this issue, and I appreciate the opportunity.

We understand the concerns and frustrations that often give rise to State and local sanction measures. A number of governments around the world engage in conduct such as the abuse of human rights in Burma that stirs public indignation and prompts calls for a strong Government response. Our Burma policy seeks improvement in three areas, human rights, democracy, and counter-narcotics, and this country frankly, going back to 1989, has taken a leadership role in trying to implement strong sanctions with respect to Burma.

At the same time, we are concerned about specific measures that States have promulgated to voice their concerns. While the intentions are good, the means can be either ineffective or counter-productive. We have learned that the best way to create positive change is through multilateral coalitions, and it is difficult enough for the U.S. to have impact alone. It is even more difficult for individual States to have an impact.

Other Governments react strongly to State and local sanctions, and this aversion often shifts the focus of conversations with our allies from the target country’s behavior to the foreign Government’s objection to the sanctions. Our trading partner’s objections are even stronger when they think the sanctions are inconsistent with our international obligations.

That is why we think it is important for the Federal Government and State government to cooperate closely on these kinds of issues, and we are working hard toward this end. It is important that we speak with one voice on foreign policy.

Senator LUGAR. Well, I would agree with that, obviously. We have all been talking about the sanctions issue largely in terms of Federal legislation. I think the Burma case is representative of a huge number of sanctions adopted by State and local governments, and they are out there on the books now, even some with regard to apartheid in South Africa that people forgot to repeal.

Now, whether they were college boards or local councils, what-have-you, which illustrates another basic problem in the sanctions area, to what extent is there a constitutional problem here, and maybe this will arise as the Burma case is appealed, as it may be, or if the administration takes a view on this, as to how this coordination is ever going to occur if, in fact, groups of people throughout the United States adopt foreign policy considerations of this sort, notwithstanding anything the Federal Government is doing? Do you have a general view as to how this ought to be pursued, what the administration may do about it?

Mr. EISENSTAT. Yes. We have tried to have, Senator, an outreach effort to State and local governments. We met with the National Governors Association. We have met with individual States to encourage them to understand what our Federal policy is in a particular areas such as Burma, and to make sure that their policies are consistent.

For example, with respect to Burma, we carefully crafted our Federal sanctions so that they would not have an extraterritorial effect, they would impact only U.S. companies, and it is important that other States, if they are going to act, act in ways that are commensurate with that and not contrary to it.

Senator LUGAR. But you would still leave open the though that State and local governments should have the power to go into the economic sanctions business?

Mr. EISENSTAT. Well, again, this is ultimately an issue for the courts to decide. There is certain procurement authority that States have that could be exercised, but again, we think it has to be exercised within the context of the ultimate constitutional responsibility of the executive branch and of the United States to exercise foreign policy.

Senator LUGAR. The Sanctions Policy Reform Act, S. 757, that I and 38 other cosponsors have had in this Congress is well-known to you, and you have worked with us on many of those aspects.

Let me just mention, in your testimony today you have said, we have proposed appropriate and flexible guidelines, and those you have done in your statement. I would just encourage you, or those in the administration who are working on this, to be equally helpful with actually legislative language.

We have talked about this privately and publicly before, but if there is to be some type of consistent cooperation as this is drafted between the administration and Senators, that administration language really is very important so that we do not keep talking around the subject just in terms of guidelines, and we really get down to the nitty gritty of the issue. Can you give us any idea as

to when the language might be forthcoming, or why there has not been any language?

Mr. EISENSTAT. Well, first, you are bringing coals to Newcastle on this issue. We are working very hard on language, and I am hopeful that that will be available in the timeframe that this committee is working on its legislation so that we can provide the most specific guidance possible.

Senator LUGAR. Thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Biden.

Senator BIDEN. Thank you, Mr. Chairman.

Stu, I would like to pursue very briefly in the time I have where Senator Sarbanes left off.

You know this place. You have been around a long time. You are very sophisticated, and you know how the political process up here works. I doubt whether you disagree with what I am about to say.

I think you have zero possibility—let me emphasize, zero possibility—of getting a national interest waiver that is uniform, that applies to all current sanctions, that would essentially give you the ability with one-third plus one in either House to lift sanctions, and because of that I worked very hard on a proposal that is slightly different than what is in the major bills out here.

Senator Dodd, Senator Lugar, and others have major initiatives in this area where there is a way to get around Chadha, and the way to get around Chadha is for you to have an expedited procedure in the Senate whereby your national interest waiver must be voted on to be approved by the Senate and the House. You get your vote.

In my experience here after 27 years, the single most important thing to get is the opportunity to debate the issue in the open, so that the press, so that all the interested parties are able to see it in the cold light of day, and it has a tendency to uncover the lack of substance of the arguments of the opponents or proponents when that occurs.

The admitted problem in that is that there is no way under the House rules, and I do not fully understand the House, and I am not being facetious when I say that, there is no way to get an expedited procedure for such a vote in the House.

But I would suggest that you—I am not looking for an answer now, but you look at that as a potential fallback position, because I will be very, very, very, very surprised if you get legislation out of here that allows for a national interest waiver to be automatically implemented subject to the Congress disapproving, which, as you accurately point out, under Chadha cannot be a single House veto.

It is an institutional argument that I think is of significant consequence. I happen to agree with the substance of what you are attempting to do, because I happen to agree with the policy of this administration, but from a constitutional perspective I think that would be a serious, serious mistake for the U.S. Congress to institutionally yield on that point, and I am not asking you to respond.

In fact I would ask you to refrain from responding because my time is about to be up, but let me go to a specific question. I just want you to consider what I have said.

What I would like to do, though, is ask you the following two quick questions in the time I have left. In my experience here, and I was not quite in the playpen but I was close when things were happening in the hills in Cuba, but in my experience since then, unrelated to Cuba, it is not so much that the American business and American enterprise complains of lost sales. The damage done to them is in lost markets. Once a sale is lost, oftentimes a market is lost.

Let me be very parochial and talk about chickens. It is a big deal in my State, a \$1 billion industry on the Delmarva Peninsula. When sanctions are imposed, or when we are stiffed somehow in, say, the Middle East, what happens, instead of selling Delmarva chickens or Arkansas chickens or southern chickens, there is a lost sale, and that is real.

But then what happens is, the market is replaced. You get new sellers into that market, and then when the sanction is lifted, you are dealing with fighting to get a market back, and that is—so it is the lost market down the road that has the greatest negative impact, in my view.

Which leads me to my question, and that is that one area I think in order to answer the question of the Senator from Indiana about the States, I think as a part-time teacher of constitutional law there is no question the States are prohibited from being engaged in this activity, and in my view the Federal court is correct.

But it is going to rest or fall upon my initial comment to you in my opening statement, and that is, what constitutes a sanction, and is a sanction something that relates to the conduct of foreign policy, and so along that line I am going to submit in writing to you, since my time is out, and I apologize, I must go out to Bethesda, but the Export Control Act, is that a sanction? Some in my business community argue that is a sanction, imposing controls on exports. I do not see it that way. Is our foreign military sales and the way in which they work a withholding of and are they sanctions? Is foreign aid a sanction?

You gave somewhat of an answer to the Senator from Maryland, but with all due respect I think you waffled a little bit, understandably, on the specific question, so as we go through this process you are going to continue to be, because you know more about this issue than anyone in the administration, notwithstanding you are going to be number 2 at Treasury they are going to still keep looking to you here for the resolution of this, and working with us.

And so I respectfully request that you consider (a) some option between the introduction of a broad-based waiver mechanism and the veto; (b) what constitutes a sanction and, (c) whether or not this sunset notion is maybe the only rational way to do this, even though I understand the limitation it places upon you.

So again, I know we are going to have plenty of time to talk about this, and I apologize for using my entire 5 minutes to raise questions you have not had a chance to answer, but I think this is a very important subject, and unless we determine what constitutes a sanction and we determine a way to get around somewhere between no national interest waiver and a national interest waiver that implicates the entire constitutional process, I am not sure we are going to make much progress.

Mr. EIZENSTAT. Senator, if I may, first on your first point, and you talked about you would be surprised. I have always made it a hallmark of my public service never to surprise the Congress. This is one case I hope you will be surprised, because there are frankly many statutes on the books that have national interest waiver authority. The Helms-Burton Act, title 3, sections 9(c) and 4(c) of the Iran-Libya Sanctions Act. As I mentioned to Chairman Helms, we worked very closely on the Serbian—

Senator BIDEN. If I may interrupt you, that is true. That is because Congress decided in that particular instance it made sense.

What you are talking about and what we are talking about is rationalizing the policy for all sanctions legislation.

Mr. EIZENSTAT. But these waivers have been used very effectively by us to leverage conduct by the target country in each of the instances. In Senator Helms' legislation we were able to get the European Union to take a much higher view on human rights than they otherwise would have—

Senator BIDEN. There is no question about that.

Mr. EIZENSTAT [continuing]. Without an expedited procedure. We are suggesting an expedited procedure. And second, with respect to the definition, you are quite right, if I had a definition in my pocket I would have given it to you, and to Senator Sarbanes. We do not.

I would say that in S. 575 that Senator Lugar has worked very hard on a definition. We are not at this point prepared to endorse it line for line, but it is a good faith effort to begin that effort, and we are not suggesting that every withholding of a benefit, or, as you would call it, an entitlement is necessarily a sanction, but I believe we can come up with an agreed definition of what a sanction is.

Senator BIDEN. I agree, and I am saying it is necessary to do that. That is my point.

Mr. EIZENSTAT. I will also say with respect to States, and you mentioned, as Senator Lugar did, you know, in dealing with the Burma situation there is no question but that there was a complication in our ability to get the European Union to cooperate because their focus was on, instead, dealing with the State action, so this is an area, again, where there is a lot of need for dialog.

The last point, this whole issue, as we have seen from your question, from Senator Sarbanes' and from the chairman's and from Senator Lugar's, is an area where there is overlapping constitutional authority. That is what our Founding Fathers wanted. That is the genius of our whole Constitution, and therefore we each have to be respectful of the prerogatives of the other branch.

I am not sitting here in any way saying to you, you have no right to pass sanctions. That would be ludicrous. That would be inconsistent.

At the same time, the President as Commander-in-Chief at the end of the day has to implement that foreign policy. He has to make the balances between competing interests, foreign and domestic, and if he does not have the ability, we call it national interest waiver authority to make those kinds of adjustments, then you put the President, any President in a diplomatic straightjacket, which no Congress would want to do.

Last point.

Senator BIDEN. Some Presidents we would. Let's get that straight. Let's not kid each other. The answer is yes, some Presidents.

Mr. EIZENSTAT. But constitutionally that would then in effect I think violate the whole concept of mutual respect for the respective responsibilities, and that is what I am urging in your drafting the legislation, to be respectful of each other's constitutional responsibilities.

Senator BIDEN. I am way beyond my time. The struggle is, who gets to impose the sanctions, not the conduct of foreign policy generally. That is the struggle, I respectfully suggest here, but that is another issue.

The CHAIRMAN. Senator Hagel.

Senator HAGEL. Mr. Chairman, Thank you. I wish to add my thanks, Mr. Chairman, to your willingness to spend some time on this issue.

I believe—and the general issue of sanctions is one of the most important issues that we will deal with over the next few years, and not just because it deals with the immediacy of cost and cost benefit, and whether we sell our ag products or our medicines, and how that relates to foreign policy, but in a world—and, Mr. Secretary, you said it exactly right—that is in fact interconnected in every way, there is no such thing that I am aware of today, and I believe you alluded to this in your testimony, where one product is now a captive of the American system, meaning, of course, as you said it, that we no longer have a unique monopoly on products as we once did.

The world has changed in a way that we are all still trying to process, and the rate of that change is almost incalculable as you know so well every day. If that is the case, or if it is halfway the case, and I believe it is the case, then we are going to have to adjust our policies to these new challenges.

The question that Senator Sarbanes asked of you about cost-benefit analysis, which is part of the Lugar bill, as you know, is a relevant one for many reasons, but what we do not see in a good amount of this analysis, and Senator Biden is starting to get into it, Mr. Secretary, is what I call the layers of loss here.

Obviously, we can measure some loss in the immediate cost, or loss of sales, but the next layers down, which concern me quite honestly more than anything else on the sanctions issue. For example, not only the market share, as Senator Biden mentioned, but then you take the next layer.

We then become known as a Nation or an industry that is no longer a reliable supplier of whatever the product is, and representing a farm State, you mentioned the grain embargo. We still have not recovered from that action. Those markets cannot trust us.

Then there is another layer of jobs, and then there may be the most important layer that we lose, which brings me back to my original point, and that is the unintended consequences of what we are doing here, which apply directly to R&D.

One of the main reasons that we are the No. 1 nation, the leader in the world, is because of our immense continuation of investment into research and development, and now we are not only dealing with sanctions policy, which is appropriate, but we, as you know,

this Congress is looking at reauthorizing the Export Administration Act, tightening down—I hope we do not, but certainly the momentum is moving in a way that we are going to further tighten down our computer sales, our satellite sales and other dynamics, moving them out of commerce, putting them on munitions lists, and the consequences that this is going to have long-term for this country I believe are incalculable. I am surely not wise enough to sort that out.

Now, with that said, and I think you and I know where I come from rather directly on this issue, let me ask you a couple of just general questions here, Mr. Secretary. The two main focuses that you put into your testimony as to where you think the priorities are for any new sanctions policies that we would not only entertain and develop and maybe pass up here, one surely had to be flexibility, giving the President flexibility that he would need, and I agree with that, and of course effectiveness.

One of the points that you made as you talked a little bit about food and medicine was that there might be, and I paraphrase this, Mr. Secretary, there might be an occasion where you could see a continuation of sanctions on food as a result of a unilateral sanction. Could you give me an example of where you think that might still be important, and why?

Mr. EIZENSTAT. Yes, sir; first of all, in the President's April statement, which again we very much appreciate Chairman Helms supporting, the President made it clear he wants to shift the presumption, and the presumption ought to be that with respect to humanitarian products, food, medicine, that they would not be subject to sanction or embargo even with respect to rogue States, and the reason for that is that first, that does not hurt the regime. Often, it hurts average people.

Second, it gives the regime the opportunity to try to make a point at our expense that we are trying to hurt the average citizen in their country, and so it often is counterproductive.

And third, that it denies our farmers the opportunity to sell to a country where our competitors are selling without any constraint.

Now, at the same time, while this shifts the presumption, there still needs to be a case-by-case, or at least a country-by-country determination. We are in the process now, and in the final stages of drafting our regulations dealing with this kind of country-by-country issue, and I will give you specific examples of when it might still be in our national interest not to sell food, although again the strong presumption should be that you should be able to sell food.

For example, if we were selling to a country with which we were in armed conflict, I mean, we were in actual armed conflict, suppose we were 3 weeks ago with Kosovo, I do not think anybody would suggest that in the midst of bombing Belgrade we would start shipping food to Belgrade.

On the other hand, as the President said recently, now that we have a peace accord there, even though we have grave problems with Mr. Milosevic and we are working with the chairman on appropriate Serbian sanctions legislation, there may be some reason for humanitarian sales of food.

A second example would be if we have an instance of a regime that is monetizing the food. It is taking it, instead of giving it to

its citizens, and just selling it on the market and putting the money in its pocket.

A third example is if we were to sell it to an entity that was part of the coercive mechanisms of the State.

So those are all examples of why we do want to have in general the opportunity of selling, and it was a major step forward to say we are going to generally remove food and medicine from sanctions, but at the same time there are instances, as I have just indicated, when one would want to be careful about the food situation, and keep some degree of control. We hope it will be light, it will be efficient. We have reached out to farm groups to make sure that the licensing procedures will not be bureaucratic, and we believe that the regulations which will come out shortly will be one that the agricultural community is very pleased with.

Senator HAGEL. Thank you. Mr. Chairman, thank you.

The CHAIRMAN. Senator Grams.

Senator GRAMS. Thank you very much, Mr. Chairman. I think this is a very important hearing we are holding, and most of the questions have already been asked, so I am not going to reask those, but I think it is very good that this committee, and the fact that you are here, Mr. Secretary, to talk about this, and the administration's involvement, that we do need to have some revisions on how we impose sanctions or embargoes on whatever commodity or product it might be, and against whatever country, or for whatever reason.

And sometimes it's been done probably with little thought of why it was being imposed. It might have been a good political vote at home sometimes, but in reality it has caused a lot of problems for many workers, many parts of our economy, et cetera, and I think the Lugar sanctions, taking into account some of the consequences of these sanctions or embargoes, is very important, and also the Ashcroft-Hagel bill, looking at what you just talked about, looking at food and medicine and other commodities, so this is going to be a tough issue to look at, but it is something that is very important.

Like I said, most of the questions have already been asked. I would just ask one question, and that is dealing with sunseting of some of these and where the administration stands. We have had sanctions and embargoes on some countries for as long as 40 years, nearly.

Is there a place where sunseting should be—not necessarily that the sanction would be removed at, say, a certain period of time, but at least to force the Congress and the administration to come back and address it and update it, and see if the situation has changed, or maybe the embargo or sanction should be modified or raised, but I think sunseting would put that pressure for review on both Congress and the administration.

Mr. EIZENSTAT. Thank you, Senator Grams. That is a very important issue. Let me say first in general that if our unilateral sanctions are proven over time to be ineffective, then rather than a show of strength for the United States, it can often be interpreted as a sign of weakness.

At the same time, we think that one should not put a precise timetable on the effectiveness of the sanction, and that there are sometimes overwhelming national interests that, for example with

Iran, or with Cuba, where even though one would have difficulty showing effectiveness in the traditional sense, there may be other reasons. But in general effectiveness ought to be the litmus test.

Now, sunset is a way of dealing with the issue of effectiveness, and what we were suggesting is that in drafting legislation, rather than saying that every sanction shall terminate within 1 year or 2 years or 3 years if it is in position, better to direct the President, and we are willing to be so directed, to say that each year he has to give an annual review and submit to the Congress a statement of why an outstanding sanction remains effective and important to the national interest.

And you could then have the opportunity, perhaps again under an expedited procedure of overruling that, if you wish, but it would at least put the President and, indeed, the Congress on notice that each year you are going to take a look at this and you are going to try to review it.

Senator GRAMS. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Ashcroft.

Senator ASHCROFT. Mr. Chairman, I want to thank you very much for holding these hearings. You are well aware of my interest in sanctions and sanction reform, and you even allowed me to hold another hearing, and I express my appreciation to you.

In the interest of the time I would like to submit a statement for the record and then just ask a question or two.

The CHAIRMAN. Certainly, without objection.

[The prepared statement of Senator Ashcroft follows:]

PREPARED STATEMENT OF SENATOR JOHN ASHCROFT

Mr. Chairman, thank you for holding this hearing on the role of sanctions in U.S. national security policy. I have been active in one particular area of sanctions reform, and my record in seeking to limit the use of embargos against food and medicine is well known. You were kind enough to allow me to hold a hearing in May specifically on U.S. sanctions policy on exports of food and medicine.

While agricultural products and medicine should not be used in our sanctions policy, except in the most dire circumstances, sanctions generally play an important role in U.S. foreign policy. Without the use of targeted sanctions, there is often little middle ground in our diplomacy between the option of using military force and the option of doing nothing to advance our national interest.

The outcry against sanctions has been deafening in the past year. As the Chairman of this Committee recently pointed out in an article in *Foreign Affairs*, however, statistics regarding a "sanctions epidemic" are overblown. Critics of sanctions have said they are not effective, but I would challenge those critics to ask Slobodan Milosevic or Saddam Hussein how effective sanctions have been.

This Committee recently completed its review of Richard Holbrooke to be the U.S. Representative to the United Nations. Mr. Holbrooke notes repeatedly in his book "To End a War" how sanctions on Yugoslavia were essential to push Mr. Milosevic toward peace negotiations on Bosnia. What we need to emphasize in the case of Yugoslavia is that effective sanctions saved American lives. Our forces are now deployed in the Balkans, and whether we agree with their presence there or not, sanctions helped advance American policy without constantly resorting to the use of military force.

With regard to Iraq, the Administration has acquiesced as sanctions against that country have been weakened, but the sanctions regime against Iraq—at least until recently—has been very effective in restraining Saddam's repressive government.

As the cases of Yugoslavia and Iraq demonstrate, sanctions are effective when used prudently and should be maintained as a useful and necessary tool of U.S. foreign policy. Sanctions reform is needed in several critical areas, however, particularly with regard to unilateral U.S. embargoes on the export of our agricultural products.

A unilateral embargo against the sale of U.S. agricultural products is bad farm policy and bad foreign policy. I have spoken often of the commitment made by Con-

gress three years ago in the Freedom to Farm Bill. In the face of declining government financial support, we promised to create ascending opportunity for our farmers by removing domestic and foreign barriers to U.S. farm exports.

In fulfilling this pledge, we must confront foreign trade barriers to U.S. agricultural products aggressively, but also remove unilateral export embargoes that punish U.S. agriculture. Some foreign barriers amount to speed bumps on the road to free trade, but a U.S. unilateral export embargo is a brick wall our farmers cannot overcome. Unilateral embargoes on our agricultural products create an environment of descending opportunity where U.S. agriculture cannot compete effectively in the international arena.

Mr. Chairman, I appreciate your work on U.S. sanctions policy. I certainly agree with you that sanctions are a useful and necessary tool to advance our national interests, particularly in containing those countries which threaten U.S. national security. Sanctions should be applied in a prudent manner, however, and punishing our own farmers and workers through ineffective sanctions is irresponsible foreign policy.

Thank you again for holding this hearing.

Senator ASHCROFT. I want to followup on a question that Senator Hagel asked, and he asked about your suggestion of when it would be that maybe food would be appropriate, and you said that when a country is monetizing the food, and I guess I have not been around long enough to understand how this would work, but it seems to me that a country could either sell food for more than it paid to us for the food for a profit, at which time we ought to ask ourselves what in the world are we doing selling food below the market price.

I do not know of a single farmer in my State that wants to sell food to a rogue nation below the market price. I do not really see that selling, monetizing food is a way to get rich.

The other way that they might monetize it is to sell it for exactly what they paid for it, which you would assume would be the world price, but would they be involved in the transactional costs, so it would actually cost them and occupy their government in transacting food. As a matter of fact, if we can get these people to spend enough of their time and resources just passing food through the system at no profit, they will probably be less of a problem to us.

The last option, it seems to me, in terms of price would be that they sell the food to monetize it for less than they gave us for it, and if we can just pump them enough food at that rate so they sell it for less than we gave it to them, we will win that war in a hurry. We will drive them into bankruptcy.

I guess I am just not seeing this clearly. It seems that the three options, they either sell it for more than they paid, which we ought to have our head examined for not having sold it at the market price to begin with. If they sell it for an equal amount, that is a slow death. If they sell it for less than they paid us for it, that is a fast death.

And the last two options hurt the country rather than help the country, and it seems to me that to lift the sanctions would be actually to press our advantage rather than to impose the sanctions, which would be to keep them from injuring themselves by selling at a loss or by selling at transactional costs, which would impair their other objectives.

Can you comment on that?

Mr. EIZENSTAT. Sure. First, I think your point is absolutely well-taken. When I was talking about monetization, I was using that as

an argument not to sell at subsidized levels. If it is a commercial sale, you are absolutely right.

Another example, however, of when one would want to be careful about the food situation is if you had evidence that the rulers, instead of allowing the food to come to their people, were diverting it for their own use.

Senator ASHCROFT. What do you mean by that? If we are selling hundreds of millions of tons, and they take their capital and they eat a lot of rice, or do they just store it, and if they immobilize their capital by storing vast sums of food, it seems to me there are fewer weapons they can buy, and fewer things they could do with their resources to destabilize their circumstance or otherwise oppress individuals.

Mr. EIZENSTAT. Well, first of all you are pushing on a very open door. I mean, that is why we did our policy in April, is so that we would begin to sell. I was asked the question, are there any instances when you would still not want to do so, and for example, there is some evidence that food is used as an internal political weapon in Iraq, in terms of who gets the food, in terms of keeping it away from the Kurds, for example. That would be something we would be concerned about, if it were used to strengthen a regime, if there were under the table payments.

Senator ASHCROFT. I would like to know exactly how that would work. I mean, if we would send them a lot of food that they would keep away from the Kurds, it would mean that they would immobilize a lot of the capital.

If just keeping it away from the Kurds meant that they stored the food, I think that is an interesting sort of thing, that they want to immobilize the resources of their culture so that maybe hungry people can salivate over this warehouse, but that would probably be against their long-term interests, to take their capital, especially hard currency necessary to buy food in a world marketplace, and to do that, to warehouse food sort of in spite—I mean, I would like to know how that works.

Mr. EIZENSTAT. Saddam Hussein is not logical, and it is not a question of warehousing food, but if he used the food for those elements of society which he thought would be beneficial to him, and kept it away from those he thought might not, then that is an example.

I think we are in complete agreement on our general policy, and we very much believe that food in general should not be a weapon. I am only saying there may be instances where we are in armed conflict, for example, where you have this kind of diversion, where you just want to be careful. That is all.

Senator ASHCROFT. Even the idea that he has less than enough food for everyone so that he favors his—or the limited few, it seems to me that would be an argument in favor of increasing our exports so that he either immobilized his capital by warehousing the food he was going to deprive people of that he had in his possession, which would be a bad decision by him, or if he had the food and he had to start feeding people he would otherwise have discriminated against—I think as these things actually are applied, that sometimes it is easy to say, well, giving these people food would be very counterproductive, but if they are buying food with their hard

currency instead of buying weapons, that is not counterproductive in many respects for me, and so I am glad you are working in this direction.

Mr. EIZENSTAT. Absolutely, and that was the whole thesis of the President's April 28 announcement to exempt food and humanitarian goods from sanctions. I am only suggesting that there may be some limited instance where even that you might want to take a look at.

An example. If we were bombing Belgrade, we would not necessarily be wanting to sell Milosevic food at the same time.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. Thank you, Mr. Chairman. Just apropos of Senator Ashcroft's commentary, as members of the Agriculture Committee know, and the chairman has served as chairman of that committee for a long time, we routinely hear testimony from the European Community in which, to the tune of \$50 or \$70 billion a year, they are harming all of the countries of Europe by subsidization, gross subsidization of farmers in Europe.

Now, from an economic standpoint, this is irrational. The Senator makes a good point. This is \$50 to \$70 billion the Europeans could not spend on their defense budgets, to keep track of their NATO obligations, for example, and so we would encourage them, as opposed to subsidizing agriculture to that tune, to in fact improve their aircraft so they can work with us.

Senator ASHCROFT. I would say amen to that.

Senator LUGAR. But they have chosen the other path. We have the problem with even the Russian aid of this year, of trying to trace meticulously where it went, and what the distribution would be, simply because there was the possibility that it might hit a Russian port and go no further, then off to another port, to the enrichment, perhaps, of the Russian Government per se, but we are still—there are certain officials in the Government who deposit the money outside the country, which has also been a routine function.

This is of some sympathy with Mr. Eizenstat. There just are endless permutations of the problem, which comes about because agriculture, of all things in the world, is by far the most subsidized, the most protected, the most anti any type of fair or free trade situation, and that confounds us yet again and again as we try to make these policies.

Mr. EIZENSTAT. I would just say, as you know, I was Ambassador to the European Union with the consent of this committee some years ago, and I testified many times before your Agriculture Committee, and I would say to you that the agriculture budget of the European Union is literally 50 percent of their entire budget.

Imagine, 50 percent of their entire budget, \$50 billion, and the feeble effort that they made a few weeks ago in their so-called Agenda 2000 to try to reduce those was, while a step forward, certainly inadequate, and one of the real goals we have in the new WTO round is to eliminate those export subsidies and reduce the eternal subsidies.

They put us at continued competitive disadvantage, and it will be very difficult for them to enlarge, to include Poland and other countries in Central Europe, if they keep the current agricultural

policy, the common agricultural policy in place without substantial change.

The CHAIRMAN. Thank you very much. Now, we will have another round of questioning, and I would like to ask you a couple more.

Stu, the whole sanctions debate it seems to me always comes down to one philosophical and ethical question, or at least it should, and that is, when a country is a State sponsor of terrorism, or a country that exports illegal drugs, or a country that commits genocide against its own people, should this change our relationship with that country even if every other country in the world turns its head as if nothing is happening?

This is what we are talking about in a number of instances, Stu, and I do not want to emphasize my own feelings about things, but to my mind moral leadership is what made me proud to be an American in the first place, and that is the way I feel about it as I go to other countries, that at least we are moral people. De Tocqueville talked about that.

Now, of course, others disagree wholeheartedly, arguing that unilateral sanctions are futile, feel-good gestures.

Would you comment on this?

Mr. EIZENSTAT. One of the great things about this country—and I have had the privilege that you helped give me of serving abroad, representing our country, and you get a different perspective on the United States and how critically important our leadership, political and military, is to the rest of the world, and how much we are depended upon for that.

There obviously are times when we will have attempted to use diplomatic efforts and they will not have succeeded, and we will try to get a multilateral sanctions regime together, which will be more effective if we could do it, and we will not have been able to do it, and then we are faced with a tough decision.

Iran is a good example. We tried, Secretary Christopher before Secretary Albright tried and tried and tried to get such a regime together and we were not able to, and in the end we felt we had to act unilaterally because our own interests were so much at stake.

What we are simply saying is not in any way that we should not act unilaterally at times. We have acted unilaterally with the Sudan. We have acted unilaterally with Burma. We have acted unilaterally with Iran.

Rather, that when we do act unilaterally we ought to make sure that we have weighed the costs and the gains, we have made sure that we looked before we leaped, we have made sure that we are making a statement that has some impact, and it is not going to so disadvantage us in other respects that outweighs the benefit.

And that by definition, Mr. Chairman, is not something that you can put a blueprint over. It has to be done on a case-by-case basis, and that is where we think that the flexibility that the executive branch needs and the legislative branch needs comes into play.

The CHAIRMAN. I agree with you. Just so we do not depart from the moral base in our decision. If we violate that, to hell with us, you know.

Now, if we sanction for dumping, and we do, and a lot of people urge that we do more of it than we do, why do we not sanction for murder?

Now, I hear in the debate a lot of my friends who say that it is abhorrent to cutoff foreign aid to a country that shovels cocaine into our streets. Now, I do not see anything wrong with cutting off aid to any country that ships cocaine into this country, and you know whom I am taking about. Then they say it is just good business to sanction countries that dump too many avocados or something in our market, so the basis of their judgment escapes me.

Do you have that feeling once in a while?

Mr. EIZENSTAT. This is where the confusion occurs, and I am sorry Senator Sarbanes had to leave, because I would like to come back to this issue. We do not believe that sanctions reform legislation should apply, for example, to general trade legislation, our 301 legislation, and I would say Senator Lugar's legislation does not attempt to apply it there, and most others do not as well, nor to the environmental area. For example, the shrimp-turtle issue we do not think it should apply in those situations. We are talking about its use for foreign policy purposes.

Now, with respect to drugs and cocaine, as you know, there is a certification process that has to be made, but here again the Congress—and this is the genius of the Constitution. The Congress has spoken on this issue. It has said we think countries which dump, or do not do an adequate job of policing their narcotics are real problems, and we have concerns about foreign aid to those countries, but we are going to give the President certain flexibility to make certifications.

So the more you can build in that kind of comity between the branches, that kind of symmetry and accommodation, the more you really reinforce what our Founding Fathers intended, which is that there be a sharing of responsibility in this area.

I think it is important that we do not mix trade sanctions with that that would be a more traditional foreign policy sanction against an Iraq or a Cuba or an Iran.

The CHAIRMAN. Very well. I have one more.

Senator HAGEL. I really only have one question, Mr. Chairman. Thank you, Mr. Chairman.

Mr. Secretary, I am sorry that Senator Lugar is not here, because I wanted to followup on a point he made regarding the European Union. We may be making more progress than we realized last week. Mr. Chairman, I was invited to have lunch with the Ambassador to the United States from the European Union nations, and at that lunch where I spoke they served steak.

They assured me it was Nebraska beef. I am not sure if it was, but I did take note and took some heart out of the fact that their diet now is, at least while they are here in the United States, is much consumed with American beef, so I wanted to pass that on to you and let you know that your leadership has taken hold, even though—

Mr. EIZENSTAT. I am told President Chirac came here and the first place he went to was a steakhouse, but this actually points up a very serious issue, and it is serious for any person concerned with the health of our American agricultural sector, and that is I believe

the biggest systemic problem we have in the agricultural trade area and, if I may say so, in the trade area in general, is this whole issue of so-called food safety, the hormone issue, and what we call biotech, or genetically modified products.

Now, I would say in both of your States in 5 years 100 percent of the commodities made in North Carolina and Nebraska will either have some genetic modification, which is nothing more than an advance on a hybridization which has been going on for 100 years, or it will be combined with other commodities that are GMO products.

If we have a barrier, as we are beginning to face in the European Union, to all genetically modified products, then we are going to confront an enormous problem to our foreign exports that will be intolerable, and what we have said to the European Union is, look, we test these. The FDA tests them, the USDA tests them. We are not asking you to take these on faith, but for goodness sakes develop a science-based, objective, transparent process.

We find now on every GMO agricultural product we have to go, if I can put it this way, through hell to get these approved. They are politicized on every product, BT corn, soybeans. Develop a transparent scientific-based product.

Now, with respect to beef, what we have said is, Secretary Glickman and Charlene Barshefsky, our Ambassador, have proposed a labeling process so consumers will know they are getting USDA-grade meat, so you have got a right to know, and the consumer is being told.

That is the way we ought to resolve these issues, but we really are facing a very serious confrontation, and it has enormous potential impacts on our agricultural sector.

Senator HAGEL. You are exactly right, and that wraps around this entire issue, the larger issue of trade, and all of the effects and dynamics of it, and sanctions, quite frankly, is a dynamic of it.

But here is my question, and maybe you mentioned it and I missed it here this morning. The President's April 28 speech and decision to move forward on a new track on medicine and medical supplies and food, when will those implementation regs be presented?

Mr. EIZENSTAT. We are in the very, very final stages. We are making all the policy decisions. I think frankly those decisions will be made very shortly and the regs will be out very soon, and I underscore very.

Senator HAGEL. Weeks. Days.

Mr. EIZENSTAT. Weeks.

Senator HAGEL. Thank you. Mr. Chairman, Thank you.

The CHAIRMAN. Thank you, Senator.

Let me just say on a personal note, it is interesting to me to hear the dialogue between you and Chuck Hagel. He has not been in the Senate as long as I have, but he certainly made his mark, and I consider him one of the most competent Senators we have around, and to hear the two of you talk is very interesting to me.

Well, time has gotten away from us, and I would ask without objection the record will remain open for 3 days for any questions Senators may wish to submit in writing for Secretary Eizenstat.

Mr. EIZENSTAT. May I make one final point?

The CHAIRMAN. Please do.

Mr. EIZENSTAT. I want to thank you, Mr. Chairman, for your leadership in getting the OECD antibribery convention through last year. We just delivered a report today to the committee which shows real implementation by the OECD countries.

There are now about 60 percent of all exports covered by the some 15 countries that have ratified. We believe by the end of the year another five or six countries will have done so, and this will be a tremendous step forward in leveling the playing field for our corporations. It would not have happened without your leadership, and we are most appreciative of it.

We hope on the OAS convention as well we can work with you on that, too.

The CHAIRMAN. Well, you are the one who deserves the credit, I just brought up the idea, and I thank you, sir.

Now, let me say this for the record, and for your information. I am going to request a very distinct and clear clarification on how fertilizer exports are viewed in order to ensure that no overly broad or unnecessary restrictions are imposed on the manufacturers of fertilizer, and I hope you will keep your mind on that, even though you will not be there.

Mr. EIZENSTAT. As you know, Treasury has the OFAC sanctions responsibility, and I am hopeful that the State Department will be good enough to let me continue to work on this issue.

But on fertilizer, we made it very clear in our April 28 statement that inputs like fertilizers and pesticides would not be covered by the President's statement because of the dual use concerns that you and I have talked about.

The CHAIRMAN. But there is a lot of nervousness out there, and it is coming to my office, and I want them to feel as comfortable as possible that we are doing what is essential but not doing anything that is not necessary that may possibly hurt them.

In any event, Stu, and I am going to be informal about it, thank you for coming this morning. As always, you have been great.

There being no further business to come before the committee, we stand in recess.

[Whereupon, at 12:45 p.m., the committee adjourned, to reconvene a 3:30 p.m., July 21, 1999.]

Additional Questions Submitted Subsequent to the Hearing

RESPONSES OF UNDER SECRETARY STUART EIZENSTAT TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR CHUCK HAGEL

Question. Has the U.S. restriction on the importation of raw Sudanese gum arabic led to a reduction in Sudan's global sales of this product?

Answer. No. Sudanese trade statistics indicate that, on the contrary, Sudan has increased its gum arabic exports by approximately 1,000 metric tons per year—mainly to France and other American trade competitors—since the U.S. trade embargo was imposed. French imports of gum arabic from Sudan, for example, jumped from 5,556 tons in 1997 to 10,701 tons in 1998. U.S. import data for January and February of 1999 show that France has replaced Sudan as the leading exporter of gum arabic to the U.S. with a record 51% share of the U.S. import market, up from 28% for the same period in 1998.

Question. Who would be most harmed by retaining this unilateral economic sanction? The government of Sudan or American gum arabic refiners and American companies that use refined gum arabic?

Answer. Economically, the Sudanese regime has not been adversely affected at all by the U.S. ban on the import of Sudanese gum arabic. In fact, Sudan is exporting more gum arabic than ever before. American gum arabic refiners, on the other hand, may soon be forced to shut down, and American companies that use refined gum arabic could wind up paying higher prices to overseas competitors who are acquiring a monopoly on this necessary substance.

Global Trade Information Services statistics show that France, for example, has roughly doubled its Sudanese gum arabic imports during this period, while at the same time almost doubling its exports of processed gum arabic to the U.S. Further trade statistics indicate that for 1997–98, U.S. imports from Sudan decreased by 1,000 metric tons (from 3,500 to 2,500), while imports from France increased by 900 metric tons (from 4,400 to 5,300). The apparent economic effect of the U.S. ban, has thus been to shift processing of this unique substance to America's trade competitors.

Importers Service Corporation (ISC), the main American gum arabic processing company, claims that they will have to shut down within a year absent some relief from the economic embargo. Frutarom, Inc. (formerly Frutarom Meer), has already begun to lay off employees at its New Jersey plant. Within a year, then, overseas competitors may have driven U.S. processors out of business, and may have acquired a monopoly on this unique and—to date—irreplaceable substance.

Politically, U.S. comprehensive sanctions on Sudan have isolated the Sudanese regime, which is reknowned for atrocities it continues to commit during its civil war, its support for terrorism, destabilizing its neighbors, and human rights abuses including slavery.

RESPONSES OF UNDER SECRETARY STUART EIZENSTAT TO ADDITIONAL QUESTIONS
SUBMITTED BY SENATOR JESSE HELMS

Question. Mr. Secretary, as I mentioned at the July 1 Foreign Relations Committee hearing on The Role of Sanctions in U.S. National Security Policy, I wish to ensure a careful review of certain substances that could be affected by the lifting of sanctions in the President's announcement. While I in no way seek overly broad or unnecessary restrictions of fertilizer products, I am concerned that three substances—diammonium phosphate (or "DAP"), anhydrous ammonia, and calcium cyanamide—might be useful for making biological and/or chemical weapons. Is it correct that "DAP" has utility in certain biological weapons cocktails? Do the other two chemicals have utility for the manufacture of chemical warfare agents?

Answer. DAP could possibly be used as a nutrient for microorganism growth; anhydrous ammonia has no direct chemical or biological weapons (CBW) applications, but is necessary to manufacture some chemical weapons (CW) precursors (key ingredients used in turn to produce chemical agent); and calcium cyanamide could conceivably be used as a precursor for the CW agent hydrogen cyanide.

All three of these chemicals have numerous legitimate commercial uses. For example, all three are widely used to produce fertilizer and pesticides; DAP is used for flameproofing wood and textiles and purifying sugar; anhydrous ammonia is used in refrigeration and the chemical and pharmaceutical industries; and calcium cyanamide is used in the herbicide, steel, and iron industries. Anhydrous ammonia is currently, by volume, the fifth largest chemical produced in the United States.

Question. Given the nature of these substances, and the nature of the terrorist list states in question, do you believe that a rigorous end-use monitoring/export control regime could be fashioned to ensure, with high confidence, that these chemicals are not diverted to CW or BW purposes?

Answer. Because these chemicals are widely available from foreign sources, constructing a monitoring regime that could provide high confidence that these substances were not being diverted to CBW programs would be extremely difficult. Even if such a monitoring regime was possible, the U.S. does not have the diplomatic relations with many of the terrorist list countries that would be required to install and operate such a regime, or even to perform end-user checks such as pre-license checks and post shipment verifications.

Question. Would you be concerned with the possibility that the export of these substances by the United States to terrorist list countries could provide key ingredients for use in the development of chemical or biological weapons?

Answer. As these chemicals are not contained on either the Australia Group (AG) control lists or the Chemical Weapons Convention Schedules, they are not recognized multilaterally to be "key" ingredients in CBW manufacture.

However, there are a large number of dual-use chemicals not on the AG lists or the CWC Schedules that do have a potential of being used in a CBW program. The United States and many other AG countries control such substances through catch-all controls, which require exporters to obtain an export license if they know or have been informed that the export in question will be used in a CBW program. On the one hand, catch-all controls would apply literally to all chemicals; on the other hand, because they only are relevant to those transactions we have reason to believe could contribute to CBW programs, they do not impose any significant burden on legitimate trade.

Naturally, we would be concerned about the possibility that exports of these substances could be used in CBW programs. But it would be illegal for such items to be exported from the U.S. for CBW purposes. Also, we must recognize the wide availability from many foreign sources and the myriad legitimate uses, of these chemicals.

Question. If it were discovered that chemicals supplied by the United States to these nations had been used for CW or BW purposes, what would the impact be upon U.S. efforts to secure multilateral cooperation in combating the proliferation of CW and BW?

Answer. Naturally it would not be legal for a U.S. exporter to knowingly supply these substances to a foreign CBW program. We would deal with any such activity accordingly. Obviously, our objective is to prevent any inadvertent or illegal transfer to such programs.

THE ROLE OF SANCTIONS IN U.S. NATIONAL SECURITY POLICY—PART 2

WEDNESDAY, JULY 21, 1999

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 3:33 p.m. in room SD-419, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms, Lugar, Hagel, Grams, Ashcroft, Dodd.

The CHAIRMAN. The committee will come to order. This is a treat for me. This is one time I know everybody on the panel, I know how to pronounce his name. And Joe Biden's train isn't here yet.

I think the fact that Joe goes home every night to his family and goes to some trouble, that speaks well of him, and I am proud of him, but I appreciate all four of you being here to participate in the second in a series of Foreign Relations Committee hearings regarding the use of sanctions as a tool in U.S. foreign policy.

Secretary Albright visited with me, and we talked about this, and it is a very effective thing for the Government to engage in. As all of you know, on July 1 the committee held the first hearing with Under Secretary of State Stuart Eizenstat to hear the administration's views on this important issue.

Today's hearing is meant as an opportunity for Senators who have authored a variety of very different sanctions reform bills to present their ideas to and before our committee. Now, most of the bills which have been introduced this year are aimed at reforming the process of both authorizing and imposing sanctions. They run the gamut from lifting sanctions in most cases to selectively regulating the President's ability to impose sanctions.

In addition to that, some of the bills establish procedures for congressional consideration of sanctions in the future, dictating timelines for consideration in committee, and on the Senate floor.

The goal of these hearings is to see whether there may be room for consensus within the administration and this committee on the sanctions issue itself. Now, this is a hearing to hear your views, gentlemen, on the sanctions issue, so I will not take up any more time presenting my views, as they are well-known.

The various questions that we are here to discuss are important, and a record will be made of them, of course, as we speak, and I firmly believe that if we are all willing to work together in good faith, there can be room for compromise and consensus and, indeed, I am hopeful that we can achieve a meeting of the minds and agree

among ourselves and with the administration on a consensus reform package within the coming weeks.

We usually start on the right, as you see it and my left, so Senator Lugar, we will hear from you, the former chairman of this committee and the distinguished chairman of the Senate Agriculture Committee, Senator Lugar.

[The prepared statement of Senator Helms follows:]

PREPARED STATEMENT OF SENATOR JESSE HELMS

I certainly appreciate all four of you being here today to participate in this, the second in a series of Foreign Relations Committee hearings regarding the use of sanctions as a tool in U.S. foreign policy.

As you all know, on July 1, the Committee held its first hearing with Under Secretary of State Stuart Eizenstat to hear the Administration's views on this important issue. Today's hearing is meant as an opportunity for the Senators who have authored a variety of very different sanctions reform bills to present *their* ideas before the Committee.

Most of the bills which have been introduced this year are aimed at "reforming" the process of both authorizing and imposing sanctions. They run the gamut from lifting sanctions in most cases, to selectively regulating the President's ability to impose sanctions. In addition, some of the bills establish procedures for Congressional consideration of sanctions in the future, dictating time-lines for consideration in committee and on the Senate floor.

The goal of these hearings is to see whether there may be room for consensus within the Administration and this Committee on the sanctions issue.

This is a hearing to hear *your* views on the sanctions issue, so I will not take up too much time presenting my own views, which are well known to most Senators. But at the outset, let me make a few very brief points: I do not believe that there is a sanctions epidemic in the U.S. today (a fact I sought to document empirically in a recent essay for *Foreign Affairs* magazine). However, I also know that there is a farm crisis in America, and that while sanctions are by no means the cause of that crisis, we have a responsibility to do everything in our power to help our struggling farmers increase exports. If there is any possible way to increase farm exports, *without doing damage to our moral and national security interests in the process*, I am more than willing to try.

Moreover, I believe it may be worth considering whether or not we should take some steps to rationalize the way the United States government considers the use of economic sanctions; to ensure that policy makers have all the facts in front of them about costs and benefits when they make decisions; and to ensure that we regularly review the effectiveness of our various sanctions policies.

These are the questions we are here to discuss this afternoon. I firmly believe that if we are all willing to work together in good faith, there can be room for compromise and consensus. Indeed, I am hopeful that we can achieve a meeting of the minds, and agree among ourselves and with the Administration on a consensus reform package within the coming weeks.

With that said, there appear to be three main questions that deserve attention today, and which I hope our witnesses will address for us this afternoon:

1. Should Congress consider an overall sanctions reform bill, or should we stick to the narrower issue of allowing some increased food and medicine exports, as represented in the Ashcroft and other bills?
2. Should the President be given a blanket waiver, to use anytime he wishes in the national interest, to avoid imposing sanctions? And
3. Should Congress and the Executive Branch be required to meet a series of binding guidelines prior to legislating or imposing new sanctions?

These appear to be the main differences between your bills. In addition, some of the proposed bills make concessions to sanctions based on national security (bowing to restrictions, for example, on the munitions list items); others do not. I hope that we can discuss those differences today as well.

I have told Members I intend to trespass as little as possible on their busy schedules, so without further ado, I turn to my esteemed colleague, Senator Biden.

**STATEMENT OF HON. RICHARD G. LUGAR, UNITED STATES
SENATE**

Senator LUGAR. Thank you very much, Mr. Chairman. We appreciate your arranging these hearings to discuss sanctions reform before the Foreign Relations Committee. Each of the bills stems from shared concerns that our approach to unilateral sanctions needs adjustment. This view is shared on both sides of the aisle by Members of differing political persuasions.

We have been seeking sanctions reform for some time. I introduced the sanctions policy reform bill in November 1997. That was subsequently debated as an amendment to the agricultural appropriations bill last July. I was pleased by the close vote on our amendment, and an analysis following the vote suggested if we had debated it as a freestanding measure rather than as an amendment to an appropriations bill we might have achieved majority support.

But in any event, this year I have been joined by 29 original cosponsors in introducing S. 757, the Sanctions Policy Reform Act, that now enjoys bipartisan support of 39 cosponsors. I am gratified that seven members of this committee are cosponsors, and parenthetically I would note that 10 members of the Agriculture Committee are cosponsors in good part because of enthusiasm of the farm community about foreign trade and exports.

I believe that the debate on sanctions has advanced beyond the question of the need for reform. Clearly, there seems to be a consensus our policy needs refinement. Since this is where I believe the debate stands, I would like to use my time here to briefly summarize for the record what my bill, S. 757, intends to do and what it does not do.

First of all, S. 757 addresses the need for comprehensive reform of our sanctions policy. It is a nonissue specific bill. It embraces all proposed new unilateral economic sanctions, although it cites the principle that agriculture and medicine should be exempt from future sanctions.

Our bill requires certain steps that we believe will improve the way we consider and evaluate new sanctions. These include procedural, informational, and reporting requirements in both the Congress and the executive branch. If new sanctions are imposed it requires periodic evaluation and reporting on how well they are achieving our foreign policy goals, and the costs and the benefits of these new sanctions.

I should add that any sanction reform involving only agricultural exports or humanitarian assistance, which I support in principle, should not be a substitute or a surrogate for comprehensive reform. Second, S. 757 does not prevent a debate on any proposed new unilateral economic sanction in Congress. It can stimulate more discussion than now exists on Presidential proposals to impose new sanctions. The bill merely lays out a more careful and deliberate process so that debate can proceed with more timely and better information about proposed new sanctions.

Third, the bill does not prevent a vote in the Congress on any new unilateral sanctions. S. 757 would require the Congress have the best information on any proposed sanction before acting on it.

This information would include the likely costs and effects of new sanctions on the United States economy and on the target economy, the possible collateral effects on allies and friends as well as other countries, what other policy options had been explored, why the particular sanction was chosen over other sanctions or policies, the expected international support for the proposed sanctions, and the prospects that the proposed sanctions will achieve the foreign policy objectives that prompted the sanctions in the first place.

Fourth, S. 757 is not an antisansctions bill. I believe that all 39 cosponsors agree that unilateral economic sanctions should and must remain a tool of American foreign policy, and that there are occasions where there is little choice but to employ sanctions to accomplish an important national interest or cherished national value, such as human rights, nonproliferation, terrorism, narcotics and others. Our belief, however, is that this tool should be employed judiciously, and only when there is reasonable expectation it will advance our interest, express our values, or achieve the objectives over which it was proposed.

Fifth, the bill seeks to achieve parallel disciplines or requirements in the Congress and the executive branch. It will not surprise colleagues to learn that representatives from the administration believe the bill would impose a tougher set of standards and requirements on them than it does on the Congress, and I am certain there are Members of Congress who feel the bill does precisely the opposite.

The bill imposes specified disciplines in both branches, because unilateral sanctions are the responsibility of Congress and the President. Our bill represents our best thinking on how to do this. It also seeks more transparency in proposing new, unilateral economic sanctions while preserving the flexibility of the President to weigh the disciplines if doing so is in the national interest.

Sixth, the disciplines and requirements of S. 757 pertain only to new unilateral economic sanctions proposed by the Congress or the President.

Our bill is prospective only. It does not affect existing sanctions. My own view is that we should review the effectiveness of existing sanctions, both. We felt it was wiser to address future sanctions alone in this bill. The sole exception is a provision that grants the President national security interest waiver authority on the Nuclear Proliferation Prevention Act, the so-called Glenn amendment, which automatically imposes U.S. sanctions on any country which detonates a nuclear device.

There is widespread opinion in this body that a waiver authority is acceptable and necessary. The Congress has acted on several occasions to modify the Glenn amendment, and Senator Brownback of our committee has taken a leading role in this effort.

Seventh, our bill includes a flexible sunset provision that would mandate determination of any new sanction after 2 years. It contains provisions that would require periodic reports on the effectiveness of new sanctions and their costs and effects after implementation so an informed judgment could be made on whether to continue, revise, or repeal.

As the bill now reads, there is a provision which sets a 2-year time limit on new sanctions, but the Congress or the President could authorize their extension.

Eighth, while our bill is intended to achieve comprehensive reform, it is limited to unilateral sanctions, unilateral sanctions which are economic, and which are new, and which are intended to achieve a foreign policy objective. It excludes those trade remedies or other trade sanctions imposed because of market access restrictions, unfair trade practices, and violations of U.S. commercial or trade laws. Existing statutes are designed to deal with these issues.

I should also add, our bill does not address the complex set of issues relating to State and local sanctions intended to achieve a foreign policy goal.

Ninth, our bill pays special attention to American agriculture and agricultural exports. Our bill argues that food and medicine should not be used as a tool of foreign policy and that if they are included in any new sanctions the legislation must include a detailed explanation for doing so.

It authorizes assistance to American farmers and ranchers whose exports are especially vulnerable to retaliation or foreign substitution. American agriculture is heavily dependent on exports. The production from 1 of every 3 acres we plant must be exported. Our bill simply states that, prior to the imposition of new sanctions, we should know what the likely impact will be on U.S. agriculture. It authorizes compensation to offset lost exports through expanded export assistance permitted under current statute and agreements.

Tenth, and finally, our bill lays out a detailed set of guidelines or prescriptions which can be useful as a template for shaping our policy toward sanctions.

Section 5 of the bill provides a sensible checklist of principles on how sanctions could be more effective in the conduct of American foreign policy.

Mr. Chairman, I have worked carefully with the private sector, the administration, with our colleagues in the House and Senate, especially representatives of the agriculture community. I have benefited from the hearings in the Agriculture Committee and last year before Senator Hagel's subcommittee in this committee. S. 757 represents our best thinking on how to improve the effectiveness of U.S. economic sanctions. We have been open to suggestions from all parties on ways to improve the bill, and we welcome those contributions.

I understand the administration has developed some suggestions. They have suggested we consider a Presidential national interest waiver authority on all future unilateral economic sanctions. They have also urged us to rethink the so-called sunset provision and substitute language calling for an annual review with an option to continue or terminate. I am open to these suggestions. I have not yet seen from the administration the promised language.

Finally, let me conclude by saying our sanctions policy must be part of a coherent and coordinated foreign policy that is coupled with diplomacy and consistent with our international obligations and national interest. When we seek to influence other countries

whose behavior we find disagreeable or threatening, we should ponder how best to do that.

In my judgment, economic sanctions are not always the best answer, but if they are, they should be debated and structured in a way that they do as little harm to ourselves and our friends and our allies as possible. This is the essence of S. 757, the Sanctions Policy Reform Act.

I ask for the support of the committee in furthering this legislation, and I thank you, Mr. Chairman, for the opportunity to testify. [A news release from Senator Lugar follows:]

[News Release—July 21, 1999]

LUGAR CALLS FOR MORE THOUGHTFUL SANCTIONS POLICY

U.S. Senator Dick Lugar told the Senate Foreign Relations Committee today that "if unilateral economic sanctions are the answer, they should be debated and structured in a way that they do as little harm to ourselves and our friends and allies as possible."

Lugar is the sponsor of The Sanctions Policy Reform Act of 1999 (S. 757), which has been cosponsored by 38 other Senators. The bill would require advanced impact studies on sanctions, review of a sanction to make certain it has the desired effect and a sanction to sunset after two years unless Congress and the President reauthorize it.

"Our sanctions policy must be part of a coherent and coordinated foreign policy that is coupled with diplomacy and consistent with our international obligations and national interests. When we seek to influence other countries whose behavior we find disagreeable or threatening, we should ponder how best to do that. In my judgment, unilateral economic sanctions are not always the best answer," Lugar said.

"I believe we can make our foreign policy more effective by improving our procedures and the timeliness and quality of information about new sanctions. We should know the costs and benefits of new sanctions in advance of a Congressional vote or Presidential decision. If sanctions are imposed, we should have periodic assessments of their effectiveness and success. We should terminate sanctions when they are no longer effective," Lugar said.

Lugar testified today that his bill:

- Addresses the need for comprehensive reform of U.S. sanctions policy;
- Does not prevent a debate on any proposed new unilateral economic sanction;
- Does not prevent a congressional vote on a new unilateral economic sanction;
- Is not anti-sanctions. It is an effort to have a more thoughtful sanctions policy;
- Requires the Congress and executive branch to follow the sanctioning process;
- Is prospective, pertaining only to sanctions considered in the future;
- Has a flexible sunset provisions;
- Addresses only unilateral economic sanctions;
- Pays special attention to the problems of American agricultural exports; and
- Establishes clear guidelines for shaping sanctions policy.

In May, the Senate Agriculture, Nutrition and Forestry Committee approved Lugar's Agriculture Trade Freedom Act (S. 566). The bill would exempt the commercial sales of agricultural commodities, livestock and value-added products from U.S. imposed unilateral sanctions. This would be subject to review by the President who could override an exemption for foreign policy or national security reasons. The bill applies to current and future sanctions.

The CHAIRMAN. Senator Lugar, thank you very much, an excellent statement. Senator Dodd.

STATEMENT OF HON. CHRISTOPHER J. DODD, UNITED STATES SENATE

Senator DODD. Thank you very much, Mr. Chairman. I appreciate as well the opportunity for Senators Lugar and Hagel and Ashcroft and myself to present to you some ideas here on how we might improve, and I think Senator Lugar said it well, to improve our sanctions policy.

I think too often this issue has been defined as those who want to do away with sanctions altogether or those who want to continue them as is, sort of a status quo, and I think the outline that Senator Lugar has given you is one that I would wholeheartedly endorse.

I have a couple of suggestions I would make. I have also read the legislation that Senator Ashcroft and Senator Hagel have, and I think what you are going to hear—Mr. Chairman, I am always hesitant to tell you what you are going to hear from any witness, let alone four Senators, but it is not the competing ideas but complementary ideas is how I see it, and I am a sponsor, in fact, of all of these other bills that you are going to hear about today, so I appreciate again the opportunity for us to get a chance to sort of air some of these ideas and how we might work together.

Senator Lugar, for example, Mr. Chairman, as you well know, has long worked hard to define legislative guidelines and procedures for both the legislative and executive branches to follow in the imposition of future sanctions, and you have heard him just lay that out.

He has also undertaken the difficult task of defining what we mean by unilateral sanctions, and that is an issue that has been needed for a long, long time, and I commend him for it.

Let me add that without Senator Lugar's leadership on this subject for many years, on sanctions over the last years, we would not be where we are today, discussing pending legislation and contemplating a committee markup on this matter in the not-too-distant future.

Senators Hagel and Ashcroft have also worked, Mr. Chairman, as you know, to come up together with language provisions to address the problem of sanctions on the sale of food and medicine. I am very supportive of Senator Hagel's and Senator Ashcroft's efforts, and I am an original cosponsor of their legislation as well.

Members of the committee, I know we are well aware of my particular interest and concern with respect to the use of food and medicine as a foreign policy weapon against other countries. I believe, Mr. Chairman, it is inconsistent with American values and ideals, damages our international moral authority, and unnecessarily harms American farm families who already suffer from one of the worst domestic farm economies in a decade or more.

I have introduced three separate sanctions-related bills, Mr. Chairman, S. 926, the Cuban Food and Medicine Security Act, S. 927, the Sanctions Rationalization Act, and S. 1161, the Economic Sanctions Reform Act of 1999. The focus of these legislative initiatives has been to provide streamlined guidelines for both the executive and legislative branches to follow in considering the imposition of future sanctions, as well as to provide critical waiver authority to the President to guarantee that sufficient flexibility is preserved in the context of legislatively mandated sanctions, both current and prospective.

I have also introduced legislation to stop once and for all the policy of prohibiting the sale of food and medicine to the Cuban people, legislation which currently has 24 cosponsors. The House companion bill has 146, Mr. Chairman.

I will touch briefly later in my remarks on what I see as the necessary ingredients for crafting a comprehensive sanctions reform legislative proposal, drawing on the bills that are before us today. I would hope that this committee would be able to undertake such an effort in the very near future. Today is the first step in attempting to do so.

I would like to digress if I can for a moment to try and provide some historical perspective, Mr. Chairman, on how we have gotten to where we are today with respect to U.S. sanctions policy, and why there is a growing sense of urgency to take a hard look at current practice in this area.

Eighty years ago, Mr. Chairman, President Woodrow Wilson, formally added economic sanctions to America's foreign policy arsenal for the very first time in our Nation's history, saying that with sanctions as a weapon, and I quote him, "there will be no need for force," end of quote.

In the intervening decades, Mr. Chairman, we have taken a greater liking to sanctions than President Woodrow Wilson could have ever imagined. I doubt very much that he would approve the way in which we employ that tool today, nor the results accomplished by these sanctions.

When President Wilson described his idea of sanctions as a diplomatic tool, he was trying to convince the Senate of his day to ratify the American membership in the League of Nations. The sanctions he envisioned were broad, multinational efforts designed to effect specific results under limited circumstances. He also intended sanctions to serve as one component of a multistage escalation of diplomatic pressure, rather than a complete response.

Our method of imposing sanctions today bears almost no resemblance to Woodrow Wilson's original concept. Sanctions have become the first response to actions which are objectionable to the United States, very often. They are also a response in and of themselves, rather than part of a coherent escalation of pressure.

In addition, Mr. Chairman, the vast majority of American sanctions are not the multilateral efforts President Wilson envisioned. Rather, in most cases they are unilateral efforts which anger our allies, damage our global standing, and hurt our own businesses and people and, lest we excuse the drawbacks of unilateral sanctions with the arguments that the benefits of American foreign policy outweighs the harm, let me be very clear, there are very rarely such benefits.

That is why pressure for meaningful sanctions reform has intensified over the last year or so. U.S. interests have been sacrificed, yet there have been no visible offsetting successes, namely, altering the offending behavior of policies of the sanctioned countries.

We in this body I think often think of sanctions as costless actions, since they require no governmental appropriations. As business leaders and workers across the country, however, the perception is simply erroneous. In 1998, the United States had sanctions of one sort or another in place against 26 different nations, including China and India, the two most populous nations in the world. Those sanctions covered well over half of the world's entire population, cutting American firms off from billions of potential customers.

According to a highly respected Washington-based think tank, the Institute for International Economics, the economic sanctions currently in effect cost American businesses \$20 billion annually in lost export sales, and cost America's workers 200,000 high wage jobs.

Those figures, however, Mr. Chairman, only tell part of the story. The cost of business does not end when the sanctions are repealed. Rather, the absence of American companies allows foreign competitors to make inroads, leaving American concerns defenseless in a battle against well-entrenched foreign competition, as well as lingering popular resentment toward our Nation when the barriers are finally lifted.

Now, we all know that for every economic study like the one I have just cited, Mr. Chairman, that finds the cost of sanctions to be significant, critics will cite other studies that have been done to find the contrary. I believe that the best way to gauge who is right on this question, of course, is to listen to the level of public criticism that is being leveled against our sanctions policy currently.

By that measure, Mr. Chairman, I would say that the American public is on the side of those economists who have found the costs too high. Nearly 700 large and small U.S. business associations and farm groups across this Nation of ours have joined together as a coalition called the U.S.A. Engage, in order to promote sanctions reform legislation along the lines of the legislative proposals that you have before you today.

Were there not real economic harm, Mr. Chairman, being done by our policies in Washington, we all know that such an effort would not have been mounted by people who have a lot of other important things to do, other than form associations.

I am not arguing, Mr. Chairman, that certain sanctions are not legitimate foreign policy tools, nor that, if used appropriately, they can be useful. There are certainly occasions when Congress can, should, and must, in my view, consider sanctions-related legislation, or the President ought to do so by Executive order. For example, I strongly support existing sanctions against Iraq and Yugoslavia.

However, I would make the point Senator Lugar has made, that Congress in particular is ill-equipped to legislatively alone micro-manage our foreign policy on a day-to-day basis, yet too often the sanctions legislation we enact in this body tries to do just that.

In the final analysis, the power to negotiate with foreign governments and leaders rests almost exclusively with the executive branch. Anything which detracts from the President's ability to negotiate, including legislatively mandated sanctions with no waiver authority, or little or not waiver authority, damages his or her ability to exact concessions and come to an agreement which best serves U.S. national interest.

Sanctions in my view, Mr. Chairman, will always warrant a place at times, perhaps a prominent place, in our foreign policy arsenal. Working with our allies, they can have the power that Woodrow Wilson described shortly after witnessing the horrors of World War I. At the same time, Mr. Chairman, we must not be so infatuated with sanctions that we forget that we have other options at

our disposal, some of which have been around for more than 2 centuries, namely, good old-fashioned diplomacy.

Let me turn now to describe very quickly in a conceptual way what I see as the most important components that must be part of a consensus bill. First, we should codify the recently articulated administration policy foreswearing the use of food and medicine as a foreign policy weapon, as Senator Hagel and Ashcroft have proposed, and you will hear from them shortly on that. This policy has been too harmful to everyone concerned and, as I said earlier, has eroded our moral standing internationally.

Second, we should draw from Senator Lugar's legislation with respect to the guidelines he has crafted to govern the imposition of future sanctions by both Congress and the executive branch, and I would hope that we could work to simplify these guidelines somewhat so that they are easily understood and therefore more likely to be adhered to.

Third, we must ensure that the President has available sufficient flexibility to allow him or her to conduct U.S. foreign policy effectively while also ensuring that the Congress remains a partner in developing and supporting these policies by proposed waiver authority that Senator Lugar has referenced already, together with expedited congressional procedures so that Congress can play a role.

Fourth, multilateralized sanctions should always in my view, be a preferred option whenever the imposition of sanctions is under consideration. Multilateral imposed sanctions have a far better likelihood of succeeding than those that are unilaterally imposed, but I would never suggest that we ought to eliminate unilaterally imposed sanctions, Mr. Chairman.

Fifth, there must be some process for periodic review of the sanctions that are imposed by both branches, and for terminating those sanctions when they no longer serve our interests, either sunset provisions such as those contained in Senator Lugar's bill, or some form of generic authority to permit the President to terminate them in such instances I think is necessary.

Sixth and finally, we must have a common understanding about what we mean when we talk about economic sanctions. I know this is of particular interest to Senator Biden and Senator Sarbanes. I would urge the committee to take a look at the definition of sanctions described in my bill S. 1161. It is fairly simple and straightforward, but encapsulates a workable definition of economic sanctions.

It states in part that sanctions is, and I quote, "any measure taken by the United States that is designed to advance U.S. foreign policy or national security interests that constrains economic activities and U.S. Government programs and benefits that would otherwise be available."

Mr. Chairman, if we can craft comprehensive sanctions reform legislation which incorporates the components that I have mentioned and others you will hear about today, I think we will enable the U.S. Government, both the executive and the legislative branches, to be more precise in the choice of sanctions, more realistic with respect to what is achievable, better informed of the potential costs to the U.S. economy and the American people, and far

more sensitive to the potential impact on innocent populations and on relations with other Governments.

In conclusion, Mr. Chairman, with economic sanctions fast becoming the very core of U.S. foreign policy, I believe that a more thoughtful and comprehensive approach to them is desperately needed before we do serious harm to our national interest, and I look forward to working with you and other members of this committee and interested Senators to advance that goal.

I thank you, Mr. Chairman.

The CHAIRMAN. Senator Dodd, thank you very much. Senator Hagel.

STATEMENT OF HON. CHUCK HAGEL, UNITED STATES SENATE

Senator HAGEL. Thank you, Mr. Chairman. I appreciate you very much holding this hearing on sanctions reform, and thank you for giving me an opportunity to share some of my thoughts on sanctions.

First, let me state and echo what our colleagues, Senators Lugar and Dodd, have already said. We need to retain sanctions as a foreign policy tool. Sanctions can be effective when they are multilateral and carefully targeted, but much too often they are used not as a policy tool but as a policy substitute.

Senator Ashcroft and I have recently combined our two related food and medicine sanctions relief bills. Both of us will be discussing the new combined bill rather than our previous separate bills, but before discussing our food and medicine sanctions relief bill, Mr. Chairman, I would like to address the broader issue of sanctions reform.

In my opinion, there are three necessary elements to broad-based sanctions reform. They are reforming the sanctions process, adding Presidential flexibility, and exempting food and medicine. Each of these elements are contained in the bills being discussed here today.

We have heard rather deliberately from Senators Lugar and Dodd about those bills. The first and most important element of any sanctions effort is broad-based reform of the process, or for imposing unilateral economic sanctions. This element is best represented by S. 757, the Sanctions Policy Reform Act, introduced by Senator Lugar, which I believe everyone at this table is a cosponsor of, and which Senator Lugar has very deliberately defined.

Those of us who have been active in sanctions reform are open to ideas and suggestions. Senator Lugar's bill has undergone a series of refinements over the last year, as he has described. My food and medicine bill, the original bill that I had introduced, was also refined through discussions with Senator Ashcroft and others.

The important thing for any genuine sanctions reform effort is to set up a process both in Congress and in the executive branch which ensures a thoughtful and deliberate system for imposing unilateral sanctions. The second component of sanctions reform is the need for greater flexibility in the President's authority to waive mandatory sanctions.

Sanctions are often put in place with the best of intentions. Once they are in place, they are often difficult to get rid of, however, and inhibit the President's ability to deal with the real foreign policy

dynamics of the moment. We saw this very clearly with the imposition last year of mandatory sanctions placed on India and Pakistan due to the Glenn amendment, which contained no Presidential waiver authority.

Congress then had to act. We had to come back and act in order to grant special temporary waiver authority, but not before real damage had been done to our policy objectives and economic interests in the region. When the waiver authority is provided too often, it can only be used in prescribed circumstances, or only to prevent damage to our national security interest.

A general national interest waiver makes more sense. The bill that best meets this need is S. 927, Senator Dodd's Sanctions Rationalization Act of 1999, which he has described. This legislation would give the President the authority to waive sanctions that are found to be ineffective or counterproductive to America's foreign policy objectives, but it also recognizes the appropriate role of Congress and guarantees quick congressional review and disapproval of any misuse of this Presidential waiver authority.

I believe strongly that Presidential flexibility is critically important to any sanctions reform, and this leads me, Mr. Chairman, to the third element of sanctions, reform legislation, on which Senator Ashcroft and I have taken a lead. This is the Food and Medicine for the World Act. Members of the committee should have a copy of the Dear Colleague that we sent out yesterday seeking additional original cosponsors.

We also have provided a summary of the bill. The Ashcroft-Hagel bill merges provisions contained in our earlier separate bills to exempt food and medicine from unilateral economic sanctions. Three other Foreign Relations Committee members are original cosponsors so far of this bill, Senators Dodd, Brownback, and Grams.

Senator Ashcroft will go into more detail on the specific provisions of our new legislation. Simply stated, however, the bill would remove food and medicine from both existing and new unilateral sanctions. However, it does recognize that there may be rare circumstances where export controls may be necessary.

It would permit the President to block food and medicine exports in times of war, if it is a dual use item controlled by the Commerce Department, or if the product could be used in the manufacture of chemical or biological weapons. The bill recognizes that there could be reasons to restrict food and medicine exports in other circumstances. It provides expedited procedures that guarantee a swift up or down vote on any sanction the President may recommend.

And finally, the bill would continue to restrict loan guarantees for sales to governments on the terrorism list. It recognizes that there is a difference between market rate cash sales and sales guaranteed in some way by the U.S. taxpayer.

Ultimately, this bill establishes a basic principle—food and medicine are the most fundamental of human needs and should not be included in unilateral sanctions.

Mr. Chairman, as you recognize, and as every member of this committee surely does, the rate of change in today's world is unprecedented. Trade, and particularly trade in food and medicine, is the common denominator that ties together the nations of the

world, the peoples of the world. American exports of food and medicine acts to build bridges around the world. It strengthens ties between peoples and demonstrates the innate goodness and humanitarianism of the American people.

Additionally, we need to send a strong message to our customers and competitors around the world. Our agricultural products are going to be consistent, and our producers consistent and reliable suppliers of quality and plentiful agricultural products.

In passing the Freedom to Farm bill in 1996, for example, Congress promised to help open up new markets, and premier American agriculture as a reliable supplier to the world. Congress also committed to sanctions and trade reform as part of Freedom to Farm, but USDA reports that the value of agriculture exports this year will drop to \$49 billion. This is a reduction, a reduction from \$60 billion just 3 years ago. American agriculture is already suffering from depressed prices and reduced global markets, making sanctions reform even more important.

Once foreign agriculture markets are lost, for whatever reason, it can take decades, if ever, to restore them. We recall in 1973 the U.S. banned soybean exports to Japan. What did that accomplish? Well, it turned Brazil into a significant soybean producer, and America has never fully recovered its soybean market share in Japan.

Another example is the Soviet grain embargo of 1979, which cost the U.S. \$2.3 billion in lost farm exports in USDA compensation to farmers. Argentina stepped in to claim that market, and the former Soviet States have been very timid buyers of U.S. farm products ever since.

But this is not just about doing what is right for the American farmer and rancher. This legislation also makes good humanitarian and foreign policy sense. Our bill will say to the hungry and oppressed of the world that the United States will not make their suffering worse by restricting access to food and medicine.

It will also make it harder for an oppressive government to blame the United States for the humanitarian plight of its own people. In today's world, unilateral trade sanctions primarily isolate those who impose them.

This leads me back to my initial comments. We need to have fundamental reform in our sanctions process, not just carve out food and medicine. I strongly support the broad scope of legislation that is being presented here today.

Mr. Chairman, I thank you again for launching the committee's comprehensive look at U.S. sanctions policy. We have a diversity of views on this committee on the use and the effectiveness of unilateral sanctions. We all respect that. However, I hope that we can come together, and I know that is your objective, as you stated at the opening, to make the use of sanctions when they are necessary and appropriate more effective, more flexible, and in the vital interests of America's foreign and trade policies.

Mr. Chairman, thank you.

The CHAIRMAN. Senator, a very fine statement. That is the piece de resistance, I believe it is called.

Senator Ashcroft.

**STATEMENT OF HON. JOHN ASHCROFT, UNITED STATES
SENATE**

Senator ASHCROFT. I will not deliver my statement in French.

But thank you, Mr. Chairman, for holding this hearing on sanctions, and particularly I want to thank Senators Lugar and Hagel and Dodd for their thoughtful approach and their contribution to the discussion in this area. I, too, have a proposal that we have worked together on, and now that proposal is joint among us, but it would be inappropriate for me to suggest that this was my proposal in the sense that the real thoughtful consideration of it had been exclusively mine or even predominantly mine. I am grateful for the opportunity to work in the context of the thoughtful discussion provoked by these, my colleagues.

Since we are here today to discuss various sanctions bills, let me begin by putting the issue of sanctions in what I consider to be a broader context from my own perspective. I do believe that sanctions play a very important role in our national policy. Without the use of targeted sanctions, there is often little middle ground in U.S. diplomacy between doing nothing and military force.

Sanctions should be maintained as an important tool to advance our U.S. national interest. They should not be the exclusive or only tool. As everyone here knows, I am advocating sanctions reform with regard to unilateral U.S. embargoes on agriculture and medicine. Such reform along the lines that Senators Hagel, Dodd, and I are proposing in that narrow area of medicine and food would make use of other targeted sanctions even more effective.

Initially, we had separate bills on agricultural sanctions reform, but we pulled together the best parts, I believe, of the different proposals and formulated a new bill that addresses multiple concerns raised in last year's debate on last year's agricultural sanctions reform, and I would like to summarize briefly what our bill does, and then I would like to show how our approach to end unilateral embargoes on food and medicine is good foreign policy and good farm policy.

The general framework of the bill is what I call a handshake approach to sanctions reform for food, fiber, and medicine. This bill would not tie the hands of the executive, but it would require the President to shake hands with Congress before embargoing agriculture and medicine.

Let me be clear about this. This bill would not restrict or alter the President's current ability to impose broad sanctions, nor does it preclude sanctions on food and medicine. Rather, the bill says the President may include food and medicine in a sanctions regime, but he must first obtain congressional consent.

Under the bill, Congress would review the President's request to sanction agriculture and medicine through an expedited procedure, and if it was in the interests of the United States to sanction food and medicine, Congress could approve the President's request.

We added a special provision in the legislation with regard to countries already sanctioned. For the seven countries under broad sanction regimes, we want to afford the President and Congress sometime to review sanctions on the food and medicine on a country-by-country basis in this arena. Therefore, the bill would not take effect until 180 days after it is signed by the President.

This would give both branches of Government enough time to review current policy and act jointly if they decide that the current sanctions against food and medicine should be maintained in any one of these circumstances.

There are certain instances, though, that I believe the President should have the authority to sanction food and medicine even without congressional approval. A declaration of war is one such circumstance, and the legislation maintains the President's authority to cutoff all food and medicine sales immediately without congressional consideration.

The bill has a few additional provisions that were not addressed in previous agriculture sanctions reform proposals. First of all, the bill specifically excludes all dual use items and products that could be used to develop chemical or biological weapons. There are not many agricultural or medical products that have military applications, but the bill provides safeguards to ensure that our national security is not harmed.

Let me make it clear that this genuinely a bill that supports the policy of putting products which will eliminate suffering and hunger into the hands of those that need it the most. It is not about providing dual use items to tyrants for military use or acts of terrorism.

Second, we have made sure that no tax money would be used to subsidize exports to any terrorists. We specifically exclude any kind of agricultural credits or guarantees for the governments that are sponsors of international terrorism. However, we do allow credit guarantees to be extended to the private sector and nongovernmental organizations.

This targeted approach helps us show support for the very people who need to be strengthened in these countries, the oppressed populations, and by specifically excluding terrorist governments we send a message that the United States in no way will assist or endorse the activities of those nations which threaten our interests.

Now that Senator Hagel and I have explained the bill in conjunction with these other discussions, I would like to explain why this proposal is not only good foreign policy but is also good farm policy. First of all, ending unilateral embargoes against sales of U.S. food and medicine is good foreign policy. As the leader of the free world, America must maintain adequate tools to advance security and promote civil liberty abroad.

The last thing I want to do is to send a message to a State sponsor of terrorism that the United States is legitimizing its regime. As I mentioned at the beginning of my testimony, sanctions are necessary foreign policy tools against governments which threaten our interests.

Richard Holbrooke, who was recently before this committee seeking confirmation as the U.S. Representative to the United Nations, has explained in his book, "To End a War," how sanctions on Yugoslavia were essential to push Slobodan Milosevic toward peace negotiations on Bosnia. Regardless of whether we agree with U.S. deployment in the Balkans, effective sanctions saved many lives, and they helped advance American policy without resorting only to the use of military force.

We must have tools available to punish our enemies who would threaten our interests and our allies. Quite frankly, the outcry against sanctions has been deafening in the past year, and as you pointed out in an article in *Foreign Affairs*, Mr. Chairman, statistics regarding a sanctions epidemic are overblown.

Clearly, the United States should maintain this critical foreign policy tool of targeted and effective sanctions to promote our security. That being said, ending embargoes against food and medicine is another element of good foreign policy.

Sanctions are more effective when they are targeted at economic sectors which have the potential to enrich governments that threaten our interests. That is why the President's decision last year to waive provision of the Iran-Libya Sanctions Act designed to impede development of the energy sectors in those countries was so harmful.

Targeted sanctions are needed to deprive hostile regimes of the resources they could use to threaten the United States. Allowing foreign governments to use their hard currency to purchase food and medicine means they will have less foreign currency to purchase weapons and dual use items. We need to ensure that our sanctions policy has the effect of reducing not increasing foreign countries' available resources for terrorist activities.

We also need to ensure that the unilateral embargoes we do impose punish, not benefit foreign tyrants. For example, one of the little-known aspects of the Soviet grain embargo concerns how much money the Soviets saved as a direct result of the U.S. "punishing them" with an embargo.

At a recent Foreign Relations Committee hearing, Robert Kohlmeyer, of World Perspectives, testified that the Soviets were able to cancel 17 million tons of high-priced purchases from U.S. farmers and replace them with purchases from other countries at lower prices. Kohlmeyer, at the time of the embargo, estimated that our anti-Soviet embargo saved the Soviets about \$250 million, not exactly the intended result.

Throughout our history, America has been a Nation that promotes freedom worldwide. We should continue to talk truthfully about political oppression in other countries. We should do so, though, without purposefully denying people who suffer under such regimes the food and medicine they need to survive.

How can we ever expect to topple a regime by starving those who are oppressed by it? Our foreign policy interests should be to strengthen, not weaken those who could resist an oppressive regime. We need to stop using food as a weapon against the innocent. Instead, we should use targeted sanctions as a weapon against the guilty.

It would be a terrible disaster, in my judgment, to think that a foreign dictator could explain starving those over whom he rules and whom he oppresses, saying that I cannot give you food, the Americans will not sell it to me, and then allow him to spend his currency to provide the kind of technology or weaponry which could be threatening to the interests of the United States or freedom in general.

The second issue I would like to raise today is this. Ending unilateral embargoes against the sale of U.S. food is good farm policy.

Just last week, the American Farm Bureau and all State Farm Bureaus across the Nation released an AgRecovery Action Plan, and they requested \$14 billion in emergency funding. Now, this is serious, and it is a request I do not take lightly.

I have given serious consideration to why a farm crisis has occurred, and what is in the forefront of my mind are the reasons for which the U.S. Government is responsible. Congress has promised to open foreign markets for farmers. While the Farm Bureau's AgRecovery Action Plan asks for immediate financial assistance, it also asks Congress to put an end to unilateral embargoes on agriculture.

USDA estimated there has been a \$1.2 billion annual decline in the U.S. economy during the mid-1990's. This translates into the loss of many, many jobs, and a lost job for a farmer is not just the loss of income, it can mean the loss of the farm, and the traditions of an agricultural culture that have influenced this country.

Maintaining a steady and fairly consistent supply of food is also important domestically. It is said by some that these agricultural embargoes do not have a significant negative impact on the U.S. Well, I disagree that the kind of impact I just described is not significant. Also, certain sectors are hurt even more.

The National Association of Wheat Growers estimated that sanctions have shut U.S. wheat farmers out of 10 percent of the world wheat market, and the Washington Wheat Commission projects that if sanctions were lifted this year, our wheat farmers could export an additional 4.1 million metric tons of wheat, a value of almost half a billion dollars to the U.S. American agricultural community.

America's soybean farmers could capture a substantial part of the soybean market in sanctioned countries, for example, an estimated 90 percent of the demand for soybean meal in North Korea, and 60 percent of the demand for soybeans in North Africa. Soybean farmers' income could rise by an estimated \$100 to \$147 million annually, according to the American Soybean Association.

The Missouri Farm Bureau just finished a tour of the entire State, seeking the input of Missourians on the farm economy. Their report, delivered to me this week, had a clear message. Missourians want to halt unilateral food embargoes.

A transition in our policy I believe would not only be good farm policy, ending unilateral embargoes, but I believe it would be good foreign policy, advancing our commitment to freedom values around the world.

Mr. Chairman, I thank you for your tolerance in allowing me to complete these remarks, and for your holding of this hearing, and I would just express as I close, my hope that we will find an opportunity to mark up this kind of legislation before the end of this month, so that when we go home to spend some time with our constituents in August, that we will be able to indicate to them that not only have we held a significant series of hearings, but that we have acted on this legislation to move it toward enactment on the floor of the U.S. Senate.

I thank you.

[A news release from Senator Ashcroft follows:]

[For Immediate Release—Wednesday, July 21, 1999]

ASHCROFT SEEKS HELP FOR FARMERS THROUGH REMOVAL OF TRADE SANCTIONS

SENATOR TELLS COMMITTEE ABOUT FARMERS' NEED FOR OPPORTUNITIES

WASHINGTON—The U.S. must open up further export opportunities for farmers facing dire economic conditions by removing agriculture trade sanctions, U.S. Senator John Ashcroft said today. Ashcroft, a member of the Senate Foreign Relations Committee, testified before the Committee concerning a bipartisan proposal to help farmers sell more farm goods abroad.

Ashcroft said: "Farmers in Missouri and across America are experiencing a financial crisis that will require emergency assistance from Congress. While multiple factors may have contributed to this situation, a significant cause is unilateral agricultural embargoes. These trade sanctions have led to an estimated \$1.2 billion annual decline in the U.S. economy, and a loss of 7,600 jobs—2,600 jobs in the farm sector alone. A lost job for a farmer is not just the loss of income. It can mean the loss of a farm, a homestead, and all the traditions of farm culture that could have been passed on to the next generation. With Missouri ranking number two in the nation in its number of farms, I will seek to halt the financial erosion of farms caused by embargoes on our farm products.

"Farmers and ranchers tell me repeatedly that they want more of our help abroad, and less of our interference at home. We must tear down U.S. export embargoes that block our food and fiber from being sold to other nations. Removing barricades to agriculture exports will create increased opportunities for our farm families in the 21st Century."

Senators Ashcroft, Chuck Hagel (R-NE), Max Baucus (D-MT), and Christopher Dodd (D-CT) are proposing a measure that would prevent food and medicine from being used in trade sanctions unless Congress approves a request from the President. During wartime, the President may cut off all food and medicine sales immediately without Congressional consideration.

"Sanctions are necessary foreign policy tools against governments which threaten our interests and instill fear in the hearts of those around the world. But our foreign policy interests should strengthen, not weaken, the people who are in most need of our food and medicine. We need to stop using food as a weapon against the innocent. Instead, we should use targeted sanctions as a weapon against the guilty," Ashcroft said.

The agricultural industry is the largest job sector in Missouri and a backbone of the state's economy. The 102,000 Missouri farms ranked the state second nationally in 1997 in the number of farms. These farms produced and sold more than \$5.56 billion worth of agricultural products in 1997, including nearly \$1.55 billion in sales overseas. Missouri is the second leading state in beef cows, second in hay production, fifth in pork and turkeys, and sixth in soybeans and rice.

The CHAIRMAN. Thank you. We are going to have a vote shortly. I do not know when it is, but I suggest—since we are all members of this committee, and you are certainly four distinguished members, and I appreciate your participating—maybe I ought to ask one question, and in this case I am going to ask it to Senator Lugar, and we could just interrupt each other and you can ask a question, and all of us can participate. We want to add to the thinking. And this guy is taking it down, and I hope you can understand my southern accent.

Now, Senator Lugar, the bill you have introduced is a prescriptive one, I believe, and includes a somewhat complex set of requirements for both the legislative and executive branches prior to legislating or imposing sanctions. Now, other bills contain more hortatory language about guidelines for sanctions.

My question to you, sir, is, do you believe it is vital that there be mandatory prior procedures for the imposition of legislation on sanctions?

Senator LUGAR. Yes, Mr. Chairman, I think there should be. These prescriptions, as you have described them, and they are meant really to try to take the argument out of the hortatory lan-

guage situation down to the concrete, and are the result, really, of many changes over the course of many months as industries have come in, or people involved in the State Department or human rights, or Stu Eizenstat or others who contribute to this argument so that the law can be as precise as possible.

And having said it should be precise, that means that people can change precise words, and it is not simply left out in the air, and that is my intent, but I hope we can have a set of procedures.

I appreciate the comments that my colleagues made today that there are probably several issues here, procedural ones, then specific items, food and medicine were mentioned as important, and agriculture I have talked about a lot, but that is a part of the trend.

And then the whole idea of the checks and balances, what should be the Presidential waiver authority, what is logical, given the fact the President must conduct foreign policy, but what are our obligations in the Congress and the check and balance, so that is a very important part, as my colleagues have pointed out, that I would agree with.

The CHAIRMAN. Do any of you want to comment on his comment?

Senator DODD. Just, Mr. Chairman, I think Senator Lugar has said it well, and as I tried to make reference, it has become so easy in a sense I think we have lurched toward the sanctions solution. It is one that is hard to resist.

I mean, something happens some place and we are all offended by it, and one of our colleagues puts together a bill and offers an amendment, and says, do you think we ought to say something to that dictator X, or Y, or situation C, and we are not debating the sanction at that point. We are then discussing—the vote looks like you did not want to respond to that dreadful action, or that bad person, so we end up with a body of support that sort of disregards the effects of what we are doing.

I think the fact that we have, as I mentioned, I think half the world, 29 nations that are today subjected to sanctions by the United States, is an indication of how too easily we have kind of arrived at that solution, and so what Senator Lugar has suggested I think makes some sense, because it causes all of us to say, look, I do not disagree. We want to do something about that situation, but let us now think it through.

It is not going to take long, but let us go through the process here so that when we take that action it will not only be good politics for domestic consumption, but that it will have the desired impact, that it will hopefully have the potential of reversing the action or involving others to support it, so it slows it down a bit.

It is not going to be very appealing for drawing that quick amendment out of the pocket on the floor when something happens at 9 last night and you want to respond to it the following morning on the floor of the Senate, but I think we will end up with a far more deliberative process, and what everyone has said here, we want to make sanctions work better.

The CHAIRMAN. Senator Hagel, how about you?

Senator HAGEL. No, thank you.

The CHAIRMAN. Senator Ashcroft.

Senator ASHCROFT. Mr. Chairman, I appreciate the thoughtful comments made by my colleagues, and I would just ask if the committee would please receive a couple of letters regarding the food and medicine sanctions proposal we have made. There are 36 national agricultural organizations.

The CHAIRMAN. Certainly, without objection, they will be included in the record.

[The information referred to follows:]

MISSOURI FARM BUREAU FEDERATION,
P.O. BOX 658, JEFFERSON CITY, MO,
June 17, 1999.

The Honorable JOHN ASHCROFT,
United States Senate,
Washington, DC 20510

DEAR SENATOR ASHCROFT: Missouri Farm Bureau, the state's largest general farm organization, strongly supports the Ashcroft-Hagel-Baucus-Kerrey amendment that provides US agricultural producers with much-needed protection from unilateral trade sanctions. Furthermore, I commend the sponsors of the amendment for recognizing the damage inflicted upon our nation's farmers when food is used as a weapon.

This amendment is especially important given the current weakness of the US farm economy. Ill-conceived trade policy that prevents US agricultural exports not only has financial ramifications for our farmers but also provides new market opportunities for our competitors.

This amendment exempts agriculture from unilateral trade sanctions, yet recognizes there may be instances where such drastic action is warranted. When a situation arises where the President feels it is necessary to include agriculture, the amendment provides a procedure to obtain this authority.

Unilateral trade sanctions have proven to be a tool best to avoid. I commend your efforts and urge other Senators to support this important amendment.

Sincerely,

CHARLES E. KRUSE, *President.*

JUNE 17, 1999.

The Honorable JOHN ASHCROFT,
United States Senate,
Washington, DC 20510.

DEAR SENATOR ASHCROFT: We are pleased that you and other supporters of sanctions reform are preparing to offer an amendment to the State Department Reauthorization bill on Friday.

The amendment, "Food and Medicine for the World," would exempt agricultural and medical products from unilateral sanctions unless the President submits a report to Congress asking that the sanctions include agriculture and Congress approves his request by joint resolution. If a sanction is imposed on agricultural exports following joint resolution approval, it would sunset in two years unless the process is repeated at that time.

We strongly support this amendment and believe it would result in true sanctions reform for U.S. farmers and ranchers. As you know, unilateral sanctions inflict the most damage on U.S. producers. They often result in no change in the target country as these nations simply source their agricultural purchases from our competitors. The end result is that our producers are branded unreliable suppliers and lose access to important markets for decades to come. This amendment would begin to restore the U.S. reputation as a reliable supplier of agricultural products.

Access to export markets is more important than ever given the decline in projected exports for 1999 and depressed commodity prices worldwide. We endorse your efforts to keep our export markets open.

American Farm Bureau Federation, American Soybean Association, Archers Daniel Midland Company, Cargill, Central Soya Company, Inc., Cerestar USA, ConAgra, Inc., Continental Grain Company, Corn Refiners Association, Farmland Industries, Inc., Florida Phosphate Council, Independent Community Bankers of America, North American Millers' Association, National Association of

Animal Breeders, National Association of Wheat Growers, National Barley Growers Association, National Cattlemen's Beef Association, National Chicken Council, National Council of Farmer Cooperatives, National Corn Growers Association, National Grain Trade Council, National Grange, National Grain Sorghum Producers, National Oilseed Processors Association, National Pork Producers Council, National Renderers Association, Pet Food Institute, Sunkist, USA Rice Federation, United Egg Association, United Egg Producers, U.S. Rice Producers Association, and U.S. Wheat Associates. Inc.

Senator GRAMS. I did not have any questions, Mr. Chairman. I just wanted to thank all the Senators for being here and outlining their bills, and I think as has been mentioned here sanctions have not been a weapon of last resort but a weapon of first resort, and each of their testimonies, I think they have covered most of our concerns and outlined I think a lot of good points that we need to consider, and I want to thank them for their testimony.

I think I am cosponsor of all the bills, and so I look forward to working with you on all of this, and I look forward to working with the chairman, and I hope we can mark this up, and I look forward to working with you on that.

So I just wanted to be here to add my support and thank you for your testimony.

Senator DODD. Mr. Chairman, I personally want to thank Senator Grams. He has been helpful on a number of these efforts we have had on the sanctions front, and while he is not sitting on this side of the table today, he deserves to, and he has been a lead Member on this issue.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. I would only add, Mr. Chairman, that sometimes it may be that our country will want to take an action that is self-sacrificial. This is not inconceivable. We have done that many times.

But I think it probably is important to assess at the beginning the cost to Americans of a foreign policy activity in terms of their jobs, their income, or various other things that may be involved, as well as to our allies and our friends while we are busy trying to figure the cost to the target, and frequently we calculate that, or presume to do that, not oblivious of the cost to ourselves, but perhaps not with the balance sheet in mind.

So this is not entirely a bookkeeping procedure, but in a way there is some accounting, because in the real world we try to adopt policies in the Congress that help Americans and on balance at least we try to do that deliberately. We do not always succeed, but we start out that way, and I think we should do that with the sanctions bill.

The CHAIRMAN. Senator Hagel, any further comment?

Senator HAGEL. I would only add, Mr. Chairman, that in a world that is growing closer and closer together, all 6 billion people on the face of this Earth who are now connected, not just economically but in so many ways, is going to force us as a Nation, as a great power in the world, to reassess our policies to make those policies relevant to the challenges of this next great century.

I think sanctions are certainly part of that review, and it is relevant, it is correct, and all great powers deal with these things through the course of history, and as the world gives us tremendous opportunity to do even more good than this country has done

in the last century, then this issue is going to be very important as we move into the next century, so thank you for your attention, Mr. Chairman.

The CHAIRMAN. Thank you, sir. Do you have any further comment?

Senator ASHCROFT. Mr. Chairman, it is very kind of you to continue to allow me to think of new things to say.

I am sure if we keep coming back I will think of something.

I would like to just say, we are facing a very serious crisis in American agriculture, and I think our farmers have a right to ask us to provide them with the opportunity to market their goods unless it is against the interests of this country, and this is not a trivial matter. We watched hog prices go to 8 cents a pound this last year in the Midwest, and the best economists in my State regarding agriculture say that other farm products are going to see similar devaluations.

I think in that setting we have to do what we can, And I look back at this U.S. Congress which several years ago enacted what was called the freedom to farm, and we have emphasized the word farm, but we have not emphasized the word freedom. I think we need the freedom to market goods unless there are very serious reasons not to that can be agreed upon by the Congress and the President.

We have not really responded by providing freedom to market, and we have not responded by providing freedom from regulations, which we promised farmers in that enactment, which was, I think, the right thing to do toward our agricultural community, we should be diligent to pursue the freedom for farmers to market, and we should be diligent to do it in a timeframe that suggests to them we are sensitive to their plight, that we are understanding of the fact.

We are just not viewing the potential of some farm distress, but there is a genuine crisis there that animates me, and that is one of the reasons that I am eager to do what we can do as early as we can to mark this bill up and bring it to the floor.

The CHAIRMAN. I have asked the staff to be ready to accept any further comments you may want to add on the grounds, John, that I have never made a speech in my life, beginning with the first one, that when driving home I failed to think, why didn't I say so-and-so, so we will give you a chance to say so in writing, and it will be made a part of the record.

Let me just say this. I sometimes do not know how to say nice things, but today the four of you have made me proud to be on the same committee with you. Thank you for coming. Thank you for your testimony.

If there be no further business to come before the committee, we stand in recess.

[Whereupon, at 4:32 p.m., the committee adjourned.]

