

Congressional Calendar by Barbara Dreyfuss and Susan Kokinda

FOREIGN POLICY

Hearings held on U.S.-European relations

Hearings took place Sept. 22 in the Europe and Middle East Subcommittee of the House Foreign Affairs Committee on relations between the United States and Western Europe. Testifying was Dr. Karl Kaiser, director of the Research Institute for the German Council on Foreign Relations in Bonn. The Council was set up in the Federal Republic of Germany after World War II as a German counterpart to the New York Council on Foreign Relations and Britain's Royal Institute of International Affairs.

Dr. Kaiser declared that there is a difference in the way Europe and the United States view détente. For Europe, détente is "a positive experience," he said, while the U.S. views it from the strategic and global level. The United States has been berating Europe about this, he added.

On the question of East-West trade, Kaiser emphasized that Europe and the U.S. disagree on how to conduct trade policy in general and boycotts in particular. Most Europeans question the usefulness of boycotts, he stressed.

Kaiser said that both Europe and the U.S. agree that the Soviet Union's military actions in Afghanistan "have to be resisted," and they agree the Soviets have intentions "in the Persian Gulf area." They differ, however, on how to respond to the Soviets, the Europeans wanting to use economic and political means, while the U.S. is much more willing to threaten the use of force.

For greater alliance cohesion, Kaiser

proposed that there be established an informal forum for dialogue. He suggested that representatives from the United States, France, Great Britain, Germany and Japan be chosen for this.

The hearing Sept. 22 was the latest in a series of hearings the subcommittee has held to review relations between the U.S. and Western Europe. Earlier hearings included testimony June 25 by former assistant secretary of state for politico-military affairs Leslie Gelb, and former assistant secretary of defense Robert Ellsworth; hearings July 22 with Princeton professor Peter Kennan, and Richard Erb; a Sept. 9 hearing with the former British ambassador to the United States Peter Jay; and a hearing Sept. 15 with George Vest, former assistant secretary of state for European affairs.

Vance and Harriman on Capitol Hill

Former secretary of state Cyrus Vance and former ambassador to the Soviet Union and elder statesman Averell Harriman testified Sept. 23 at hearings of the Africa Subcommittee of the House Foreign Affairs Committee on the question of U.S. aid to Zimbabwe. Subcommittee chairman Stephen Solarz (D-N.Y.) introduced a proposal the same day to increase U.S. aid to Zimbabwe by \$200 million over two years, castigating the Carter administration for not having already increased aid as the U.S. agreed in the Lancaster House agreements.

Cyrus Vance and Averell Harriman testified in support of the increased aid proposal. They stressed the importance of commercial and political relations with Zimbabwe.

Little activity on the aid proposal is expected in the House before the recess, and nothing has yet been proposed in the

Senate. However, subcommittee staff members hope that the Congress will act on the issue during the "lame-duck" session beginning Nov. 12.

Aides to Cong. Solarz state that he is interested in seeing Zimbabwe's majority government succeed. He views Zimbabwe as an important source of mineral trade with the United States. The southern Africa region is Europe's lifeline for key strategic minerals.

Gold standard under review

An amendment added to the IMF appropriations bill passed by the House Sept. 25 and now being considered in the Senate would establish a commission appointed by the President to report within a year on the possibility of a return to a gold standard.

"The time for serious, critical discussion on the feasibility of a return to the gold standard has arrived," declared Cong. Jim Santini (D-Nev.) Sept. 24, announcing that he would hold hearings Oct. 2 on this issue. Titled "The Feasibility of a Return to the Gold Standard," the hearings will feature a panel including economist Arthur Laffer, Robert Solomon of the Brookings Institution, Thomas Wolfe, former director of gold and silver operations at the Treasury Department, and Edward Bernstein, ex-director of research of the IMF.

Santini declared that "gold is a vital strategic metal with myriad industrial applications, for the most part without substitutes. How a return to the gold standard would affect the mining sector and the availability of gold supplies to defense and industry is uncertain. . . . The hearing . . . will initiate congressional dialogue on a major political and economic issue and clarify some of its ambiguities."

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Two pieces of legislation have been introduced earlier this year in the House to make all U.S. Notes redeemable in gold. The bills were put forward by Cong. Phil Crane (R-Ill.) and Cong. Ron Paul (R-Tex.), and referred to the House Banking Committee. Sen. Jesse Helms (R-N.C.) is considering similar legislation in the Senate. No action is expected on these bills until the new session in January.

The IMF appropriations bill is being stalled in the Senate by Senator Jake Garn (R-Nev.) and action is not expected on it until the lame-duck session begins.

Committee moderates Japan resolution

The House Foreign Affairs Committee, on Sept. 30, passed House Concurrent Resolution 363, calling on President Carter to "consider" negotiations with Japan to discuss limited auto imports in the event of an unsuccessful resolution of the Ford Motor/UAW case against Japanese auto firms under section 201 of the International Trade Commission's "anti-dumping" proceedings. The resolution, put forward by Asia and Pacific Subcommittee Chairman Lester Wolfe (D-N.Y.) was a substantially moderated version of a resolution put forward by Michigan Republican Carl Purcell which called on the President to take action against Japanese trade deprecations.

The resolution passed during a series of hearings being conducted jointly by the Asia and Pacific Subcommittee and the International Economic Affairs Committee, chaired by Jonathan Bingham (D-N.Y.) on U.S.-Japan economic relations. The early September part of the hearings aired the grievance of the UAW auto-state Congressmen, and the auto companies against alleged Japanese dumping. On October 1, the joint subcommittees heard from four witnesses, George Washington University Prof.

Amitai Etzioni, American University Prof. Stephen Cohen, consultant Gary Hout and American University Prof. Gary Saxon House, who claimed that the problem was not Japanese dumping practice, but a failure in the U.S. of export and industrial policies. Etzioni stated that "this is not a problem whose origin is in Japan, it is our problem of failing to remain competitive."

The disposition of the Japan trade resolution the day before, and the background of the witnesses pointed to the fact that the hearings were laying the ground for a policy discussion transcending U.S.-Japan relations. Cohen, who served on the Murphy Commission to reorganize the foreign policy powers of the executive branch in the mid-1970s, tipped off the large policy purpose when he stated that the greatest single difference that the U.S. has with Japan and one of the main reasons for U.S. non-competitiveness, is that "we protect yesterday's industries, while Japan promotes tomorrow's industries."

It is clear that certain "export advocates" are going to use the export policy debate to further U.S. acceptance of "sunsetting" certain industries—that is, letting them die. Amitai Etzioni, a special adviser to President Carter who has also pushed the "reindustrialization" debate in the direction of sunseting certain industries, was also on the panel at the hearings.

Findlay proposes sealane force

On Sept. 25 Cong. Paul Findlay (R-Ill.) in a statement on the floor of the House, proposed that the United States, France, Germany, Great Britain and Japan should "move in concert to assure that the straits stay open" referring to the Straits of Hormuz. Congressman Findlay, the ranking Republican of the House Foreign Affairs Subcommittee on Eu-

rope and the Middle East, is a member of the Trilateral Commission, a group of leading corporate, banking and government policymakers.

Last Dec. 20 Findlay introduced a resolution proposing a multilateral force for the Far East-Indian Ocean area, composed of military forces from the countries of the area in conjunction with the United States. On Sept. 11, the Navy wrote to the congressman declaring their support for his proposal. However, they warned that such a force could take away U.S. naval forces from other areas, so they deferred specific recommendations until the nations involved had actually formalized a proposal.

ECONOMIC POLICY

Export Trading Company proposal stalled

The Financial Institutions Subcommittee of the House Banking Committee met Sept. 30 to hear testimony on several bills (H.R. 7310, H.R. 7436, H.R. 7736, H.R. 7364) which would allow banks for the first time to join with corporations to form export trading companies to provide financial and administrative assistance to expedite exporting.

Commerce Secretary Phillip Klutznick testified in support of the proposal, arguing that the trading companies would encourage small businesses to export. Cong. Fernand St. Germain (D-R.I.), chairman of the subcommittee, and the leading House opponent of the proposal, warned Secretary Klutznick that the legislative proposal was "a giant step in the expansion of banking powers. It is a substantive breach in the long-standing policy against the mix of banking and commerce." Aides on the subcommittee

declared that Congressman St. Germain "has always been concerned about the large banks owning corporations. The concern is the concentration of resources in the hands of financial institutions."

A number of small banks are concerned about the proposal, although they recognize the need to expand financing for exports.

The bill passed the Senate unanimously Sept. 3, after defeat of an amendment by Senator William Proxmire (D-Wisc.). It would have required any bank seeking over 20 percent of a trading company to get prior approval from the Federal Reserve bank.

The bill was referred to four House committees, ways and means, banking, foreign relations and judiciary. A version of the bill was passed July 2 by the House Foreign Affairs Committee and is awaiting a ruling to bring it to the floor of the House. Congressman St. Germain, however has sent letters to the Rules Committee and the Speaker demanding that since it is a critical banking question, his committee should review it before it goes on the House floor.

The administration views the proposal as an important part of their economic program and has been lobbying heavily for it. President Carter was planning to personally contact St. Germain to urge him to accept the scheme. Efforts to reach a compromise between Congressman St. Germain and the administration collapsed this week, due to bungling by the administration, according to many banking and Capitol Hill sources.

Although St. Germain plans further hearings before he allows the measure to come up for a vote in his subcommittee, sources warn that because the proposal has already been passed out by the House Foreign Relations Committee there is a slight possibility that it could be brought to the House floor despite St. Germain's opposition. Watch carefully for efforts to sneak the bill onto the floor in the waning hours before the election recess or during a lame-duck session.

RFC plan reviewed in the House

Hearings were held in the General Oversight Subcommittee of the House Government Operations Committee on Sept. 10, 18 and 24, reviewing the prospects for a national development bank. The hearings included testimony from New York City Mayor Edward Koch, Treasury Secretary G. William Miller, Cong. William Moorehead (D-Pa.) and Cong. Jamie Whitten (D-Miss.).

Testimony revolved around two particular proposals for a development bank, one introduced by Cong. Norman Minish (D-N.Y.) and the other by Congressman Whitten. Whitten is chairman of the House Appropriations Committee, which has to okay all spending proposals, and his backing for a bill carries particular weight.

Minish's legislation would establish a National Development Bank, modeled on the Reconstruction Finance Corporation established in 1938. It would have an 11-member board, comprising six presidential appointees, the Secretaries of Agriculture, Treasury, Commerce, and Labor, and the head of the SEC.

The bank would begin with a \$5 billion fund raised through stock purchases, and could then borrow up to \$100 billion by issuing bonds. Direct loans or loan guarantees would go to businesses and state and local governments. The interest charge on the loans would not exceed the cost of the money to the federal government.

The Whitten proposal would only allow \$15 billion to be borrowed by issuing bonds. This money in turn would be earmarked for industrial production and agriculture.

The production-oriented Whitten approach does not appear to be the aim of at least one key proponent of the proposal, Felix Rohatyn of Lazard Frères in-

vestment house. Rohatyn, who has been lobbying extensively for the proposal for some time, would weight the loans toward debt service needs of state and local governments, which would not help spur industrial production nor solve the tax revenue base problem of local governments. It was Rohatyn who, as chairman of the Municipal Assistance Corporation of New York City, managed city funds so that needed heavy industry was further driven out of the city in favor of service industries.

Treasury Secretary Miller, in his testimony, stressed that President Carter, if re-elected, would make the RFC scheme an important part of his economic program. He declared that Carter would launch an Industrial Revitalization Commission to consider the RFC proposals.

Sen. Daniel Moynihan (D-N.Y.) has introduced similar legislation in the Senate. Action is slated for the next session of Congress.

GOVERNMENT POLICY

President stonewalls on Stealth

The House Armed Services Subcommittee on Investigations called David Aaron, assistant to National Security Adviser Zbigniew Brzezinski, to testify on Oct. 1 on charges that he leaked information about the existence of Stealth, a "radar proof" strategic bomber, to the *Washington Post*. President Carter invoked executive privilege in the matter and Aaron did not appear.

Subcommittee chairman Sam Stratton (D-N.Y.) read a letter from presidential counsel Lloyd Cutler stating that executive privilege was being invoked

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because Admiral Elmo Zumwalt's charge that Aaron was the source of the leak was unsubstantiated and "most suspect." Cutler continued, "If an unsubstantiated charge is sufficient to require that the accused staff member appear before any investigating subcommittee, it would abrogate executive privilege."

Subcommittee member Cong. Richard Ichord (D-Mo.), whose experience dealing with executive privilege goes back to his days on the House Internal Security Committee, immediately pointed out that "executive privilege can only be invoked in conversations between, in this case, Mr. Aaron and the President himself. Mr. Cutler does a great injustice to the President with this invocation of executive privilege in that there is an inference that Aaron discussed this matter with the President."

Stratton concurred that the invocation of executive privilege was inappropriate and announced that he will subpoena Mr. Aaron, but that the matter cannot be resolved until after Congress returns.

Labor Department under fire

The Senate Permanent Subcommittee on Investigations met on Sept. 29 and 30 to further examine the Labor Department's handling of the Teamsters Central States Pension Fund. At issue is the subcommittee's contention that the Department of Labor's strategy of pursuing civil litigation against the Teamsters is inadequate and that its failure to pursue criminal litigation is indication of possible incompetence or malfeasance in the Department. These hearings were preceded by August hearings which aired the report of the General Accounting Office critical of the Labor Department and which heard from former members of the Labor Department's Special Investigative Section (SIS), who claimed that they were

blocked from pursuing criminal investigations by their higher-ups. The subcommittee then discovered during mid-September that a 1979 management evaluation of SIS, known as the Kotch-Crino report, had been destroyed by the Labor Department.

Subcommittee chairman Sam Nunn (D-Ga.) opened the hearings on Sept. 29 with expressions of deep concern over the Labor Department's handling of Central States and with Labor's reluctance to cooperate with the subcommittee. Ranking Republican Charles Percy accused the Labor Department of "manifest incompetence, the worst that I have seen in my years in government. Subcommittee counsels, Marty Steinberg and Lavern Duffy led off the witness list with their summary of the subsequently-found Kotch-Crino report, portraying it as extremely critical of the Labor Department. (The report was not released to the public.) Under prodding from Percy, Steinberg and Duffy stated that they were "suggesting obstruction of justice," on the part of the Labor Department as "part of an overall plan of delay in the Central States investigation.

Secretary of Labor Ray Marshall then counterattacked, charging that the subcommittee had made serious, well-publicized allegations against the Labor Department in August to which Labor was only now being given a chance to respond. Marshall then detailed that the crux of the matter was an irrevocable difference of philosophy between Labor and the subcommittee over the best way to protect the fund's assets.

Marshall's Solicitor General Caren Claus explained that under ERISA, the SIS did not have the kind of criminal investigatory powers that the subcommittee was demanding be used. Several repetitions of this point finally penetrated Steinberg's thinking, who then asked if the Labor Department needed to have the powers of ERISA amended and extended. Marshall demurred.

Over ten hours of cross-investiga-

tions of Labor Department officials, including Rocco DeMarco, former Deputy Assistant Secretary of Labor, who had been the brunt of obstruction of justice allegations for his destruction of the Kotch-Crino report, and including Kotch and Crino only served to underscore Marshall's point, that seemingly sinister actions to "prevent" criminal investigations were the result of an alternative Labor Department Strategy.

The Labor Department has been identified as a "Maginot Line" against the kind of witchhunting "Brilab" investigations initiated by the Justice Department and abetted by the Nunn subcommittee. Nunn and his organized crime strike force-trained staff can be expected to continue their attempts to Watergate the Labor Department and to force them into a more Justice Department-like posture against organized labor. A long-shot to look for in 1981 is legislation amending ERISA to give the Labor Department more scope in criminal investigations—scope which this Labor Department at least does not seem to advocate.

Lame duck session assured in November

The Senate recessed for the election period Oct. 1, while the House continued activity until the following day. The Congress will definitely return to work Nov. 12, after the election, for the first "lame duck" Congressional session in over thirty years. The lame duck session is needed to pass the appropriation bills for almost all government agencies for the 1981 fiscal year which began in September. Thirteen appropriations bills remain to be passed by Congress. Before recessing, Congress passed a continuing resolution to keep up funding for government agencies at 1980 levels through Dec. 15.

During the lame duck session, other

measures will be brought up besides the appropriations bills and hearings will take place. One key piece of legislation almost certain to come to the floor of the Senate is a tax cut bill proposed by several leading Democrats including finance chairman Sen. Russell Long (D-La.).

As to other activity, look for:

Hearings in the House Ways and Means Committee Trade Subcommittee on "American trade competitiveness: is there a need for sector industrial policies and the development of high-technology industrial goals." The Subcommittee plans to decide if a national policy to stimulate U.S. exports should be developed.

The subcommittee will also hold hearings on the status of the U.S. steel industry to review a soon-to-be-released study by the General Accounting Office on the steel industry and a report issued in June by the Office of Technology Assessment on the competitiveness of the U.S. steel industry. The OTA report concluded that high-priced imports could be 40 percent of our steel products by 1990. The U.S. steel industry could be revitalized, they declared, if money for research and development is increased 50 percent to \$3 billion over the next ten years; federal support for this should be increased \$600 million a year, the OTA report concluded.

Look for hearings in the House Foreign Affairs Subcommittee on International Security on pending bilateral nuclear energy agreements. Four agreements on nuclear energy cooperation are awaiting review. These include agreements between the U.S. and Indonesia, Peru, Morocco and Canada.

The House Interior Subcommittee on Mines will hold hearings on oil and gas leasing. This subcommittee held one day of hearings in July on two bills, which deal with the way federal lands are leased for oil and gas exploration. Cong. George Miller (D-Calif.) introduced H.R.4373, which would make all oil and gas leasing competitive, and thus give a

major advantage to large companies. The other measure, H.R.6882, is an administration-sponsored bill which includes more competitive bidding for exploration than is now allowed, but maintains noncompetitive bidding. Noncompetitive bidding occurs through a lottery system, and in the words of a subcommittee staff member, "gives smaller companies and wildcatters a chance to explore on government lands. These firms would not be able to compete with large companies in bidding because they cannot do it as cheaply. Obviously this is a very controversial issue."

DRUG POLICY

House narcotics committee closes

On Sept. 23 and 24, the House Select Committee on Narcotics Abuse and Control held what may be their final hearings, on the subject of federal strategy on narcotics for the 1980s.

The committee, chaired by Cong. Lester Wolff (D-N.Y.), will soon release a report which recommends the creation of a permanent House Oversight Committee on narcotics to replace the select committee which has been in existence for four years, and will expire at the end of 1980.

Appearing before the committee this week were the Carter administration's top officials in the field of drug abuse and enforcement: Lee Dogoloff, Associate Director of Drug Policy at the White House, Peter Bensinger, Administrator of the Drug Enforcement Administration, Malthea Falco, Assistant Secretary of State for International Narcotics Matters, William Archey, Acting Commis-

sioner of Customs for the Department of the Treasury, and representatives from the U.S. Coast Guard, the National Institute on Drug Abuse, and the Department of Education.

Speaking for the Committee, Wolff stated, "our Committee strongly believes that the magnitude and severity of drug abuse problems in our nation today requires that efforts to prevent drug abuse and drug trafficking be given the highest national priority."

The hearings, however, failed to bring up the policy decision by the Carter administration to significantly cut back the international operations of the DEA. As of Oct. 1, 1980, the Paris regional office of the DEA is cut back from 27 people to five. This is simply the latest cutback over the last 18 months which included closing the Turkey regional office and the Caracas, Venezuela regional office which coordinated all intelligence on drug trafficking in Latin America.

The seriousness of the closing of the European regional center was inadvertently revealed by Bensinger in his description of the present heroin problem: "Unfortunately, we cannot now get to the heroin source where we need to most: Southwest Asia [Iran, Afghanistan, Pakistan and Turkey]. We have had to move to our second line of defense, the transshipment countries. . . ." Bensinger did *not* point out that those countries are the ones that were covered by the Paris operation.

Observers in Washington suspect that the omission of the DEA cutbacks in the administration witnesses' testimony is more than a simple oversight. On Sept. 25, in a highly unusual move, the Central Intelligence Agency (CIA) briefed the committee in closed executive session on worldwide drug patterns.

Our sources believe that the Carter administration is moving in the direction of removing the DEA from all international intelligence functions on the drug question and replacing them with the CIA or a new agency.