Congressional Closeup by Carl Osgood

China-U.S. trade debated in House

On July 22, the House failed to overturn President Clinton's decision to renew China's normal trade relations status (formerly called Most Favored Nation status) with the United States. The vote of 264-166 against the resolution indicated that opponents of positive U.S. relations with China have not gained any ground compared to last year's vote, despite intensified targetting of President Clinton and his China policy based on dubious press revelations about alleged national security threats emanating from China.

Opponents of normal trade relations laced their arguments with Cold War-style rhetoric. Typical was Rules Committee Chairman Gerald Solomon (R-N.Y.), who said that the day before, "we learned that China has just added six new ICBMs," to the "13 that were already aimed here." He also boosted the allegations that the Chinese government tried to influence the outcome of the 1996 Presidential election with illegal campaign contributions to the Democratic Party, allegations which so far have proven to be without substance. Some Democrats in this grouping, including Minority Leader Richard Gephardt (D-Mo.), decried the U.S. trade deficit with China and focussed on human rights issues.

Supporters of normal trade relations warned against isolating China. Ways and Means Committee Chairman Bill Archer (R-Tex.) said that "revoking NTR, normal trade relations, this year could trigger more currency devaluations in the region, further compounding the steep drop in demand for U.S. exports that has already occurred."

Robert Matsui (D-Calif.) praised China's positive actions. He said that China has already accepted economic damage by maintaining the value of its currency (important to help stabilize Asian economies), and, it is "encouraging a peaceful solution in the differences among South Asian countries and certainly in the Korean peninsula."

Cal Dooley (D-Calif.) said improvement is needed from China in human rights, trade policy, and weapons proliferation areas. But, he said, "where many of us disagree is: Is a policy that isolates the U.S. from China going to be more effective in achieving these improvements than one of constructive engagement?" He said, "This policy of constructive engagement is clearly in the interest of the working men and women of this country"

Fight intensifies over budget surplus

On July 22, the House Republican leadership announced its plans for allocating the budget surplus projected by the Congressional Budget Office a week earlier. Budget Committee Chairman John Kasich (R-Ohio) said that the anticipated surplus is so large, "We can set aside a very large amount, the most in modern history, to save Social Security, and then we can also give the American people a big tax cut."

The plan would set aside $300 billion for Social Security in the next five years, and cut taxes by $167 billion, about $66 billion more than in the House version of the budget resolution. Speaker Newt Gingrich (R-Ga.) justified this plan in ideological terms, saying that "liberals oppose tax cuts because they want to spend the surplus on government programs."

On the same day, Democrats charged that any GOP tax cuts would be paid for by the Social Security trust fund. Senate Minority Leader Tom Daschle (D-S.D.) told reporters that if the Social Security trust fund were removed from the CBO's budget figures, "we actually still have a $137 billion deficit." He concluded that the only way the GOP can pay for a tax cut is by using Social Security. And, he said, "we oppose any resolution that would use Social Security trust funds for that purpose." A day earlier, Senate Majority Leader Trent Lott (R-Miss.) said that "there's no way we should use Social Security to pay for tax cuts," though he otherwise supports tax cuts "as high as we can responsibly go."

GOP health care reform passes House

On July 24, the House passed the GOP proposal on health care reform. The bill, as described by Education and the Workforce Committee Chairman Bill Goodling (R-Pa.), would provide guaranteed access to emergency medical care, confidentiality between doctors and patients, and full access to information about health plans. Goodling claimed that the GOP plan makes sure "that patients get the care they deserve in a timely manner before harm can occur," and expands "availability and affordability" of health insurance for Americans who currently have no health insurance.

Also included are provisions establishing medical savings accounts; "Association Health Plans," in which small employers can band together to buy health insurance; and "HealthMarts," which, in the words of Commerce Committee Chairman Thomas Bliley (R-Va.), "give consumers the freedom to choose health coverage from a broad menu of options."

Democrats and a handful of Republicans took exception to the claims of the GOP leadership. Greg Ganske

(R-Iowa), a physician and co-sponsor along with John Dingell (D-Mich.) of the alternative bill, said the GOP bill "does not remove ERISA [Employment Retirement Income Security Act] preemption for state causes of action." In other words, the bill protects health maintenance organizations (HMOs) from lawsuits. "If we vote for the GOP bill," Ganske said, "we are going to be codifying, giving HMOs legal immunity." Dingell argued that the Democratic alternative "holds health plans accountable when they have denied health care and when their decision kills or injures somebody."

Bill Clay (D-Mo.) called the GOP bill "a cynical effort promoted by the Republican leadership to convince the public that they are doing something about the abuse of HMOs." He said that the GOP bill would preempt patient protections passed into law in more than 40 states.

The Democratic alternative was defeated 212-217, and the final vote on the GOP bill was 216-210. In a statement after the vote, President Clinton said that the bill "leaves out millions of Americans; it leaves out critical patient protections; and it adds in 'poison pill' provisions which undermine the possibility of passing a strong bipartisan patients' bill of rights this year."

Derivatives regulation wrangle continues

On July 24, the House Banking Committee held the second of two hearings on the Commodities Futures Trading Commission's (CFTC) proposal to examine the regulation of the over-the-counter (OTC) derivatives markets. At this hearing, the committee heard from the regulators, who are engaged in a tug of war with deregulation advocates.

Committee chairman Jim Leach (R-Iowa) said in his opening remarks that "this is one of the most unusual circumstances" that he had ever faced as a member of Congress, in that "what we have is an institutional disorderly situation coupled with the potential of market disorder, in one of the most extraordinary areas of commerce the world has ever known." Leach was referring to the disagreement between, on the one side, the CFTC, and, on the other, the Treasury, the Federal Reserve Board, and the Securities and Exchange Commission over the CFTC's May 7 proposal to examine tightening regulation over the OTC derivatives market. Leach has been calling for a non-legislative remedy to this impasse, but is sponsoring a bill that would put a moratorium on further CFTC regulatory action until all four agencies come to an agreement on the CFTC's jurisdiction under the Commodities Exchange Act.

Witnesses included Treasury Undersecretary for Domestic Finance John D. Hawke; Federal Reserve Board Chairman Alan Greenspan; Richard Lindsey, director of market regulation for the SEC; and Brooksley Born, CFTC chairman. Hawke, Greenspan, and Lindsey all expressed concerns that the CFTC's proposal creates uncertainties about the legal status of OTC derivatives, echoing representatives of the banking industry who testified earlier.

However, Born warned that, in the five years since the CFTC adopted its current rules, "the structure of the OTC derivatives market has changed significantly, creating a potential divergence between the commission's regulations and the realities of the marketplace." She also referred to "allegations of serious abuses" by OTC derivatives dealers that have resulted in losses by their clients, including such cases as Procter and Gamble, Gibson Greeting Cards, Orange County, California, and the State of Wisconsin Investment Board.

Slocombe: U.S. prepared to act alone in Kosova

U.S. Defense Undersecretary Walter Slocombe told the House International Relations Committee on July 23 that "there's no question that we maintain that we have the right to act unilaterally" to stop the Serbian genocide in Kosova. For the moment, however, this is a statement of formal principle. "We haven't ruled it [unilateral intervention] out. But," he said, "there's a distinction between whether the U.S. believes it has the legal authority to act alone, and whether it would in fact in a concrete situation actually do so."

Ranking member Lee Hamilton (D-Ind.) asked Slocombe if the 1992 U.S. "Christmas warning" to Serbian dictator Slobodan Milosevic, not to use violence against the Kosova civilian population, is still valid. Slocombe said that the United States "has not ruled out or ruled in any action, and that applies to the action contemplated by the Christmas warning as much as to anything else."

Addressing the issue of a legal basis for potential U.S. action, Hamilton said he understood that both France and Germany believe a mandate is needed from the UN Security Council before any military action can be taken in Kosova. However, he indicated that he thought a UN mandate was unlikely because both Russia and China would veto any such resolution. Slocombe replied that, because NATO military action would depend on the situation on the ground, he "would not approach it from the beginning by assuming that the Russians or the Chinese would veto action."