

REMARKS BY SENATOR HUBERT H. HUMPHREY

YOUNG & RUBICON INTERNATIONAL, INC.

New York, New York

March 18, 1975

Many of the corporations represented here this evening are multinational in scope.

You are vitally concerned with the health of the world economy as well as with the prospects for economic recovery here at home.

I want to discuss economic issues with you this evening in a kind of smorgasbord fashion. I do so not as an economist but as a member of Congress who has to make decisions every day which affect the lives of millions in this country and abroad.

The oil embargo of 1973, the energy crisis, and the recession have made the American people more aware of economic issues than at any time since the 1930's. But despite the intense public interest in the health and welfare of the American economy, there is little understanding of the nature of economic interrelationships on a global basis.

The price of food in the Midwest may well determine whether there is starvation in South Asia. The supply and price of copper from Africa and bauxite from the Caribbean may well affect industrial production in our country as well as our ability to control inflation. And of course, there is oil -- the life blood of industrialized economies.

It is fair to say that trade and commercial policy have emerged as the Number One issue in international political dialogue. They have increasingly replaced more traditional strategic and military concerns. The diplomats of today and tomorrow must be well-schooled in international economics. Without such a background, our nation will be left behind in the intense competition for markets and resources which has become the real essence of international diplomacy in the 1970's.

We are facing today a series of economic crises which boggle the imagination of the most astute economic and political observers of the world scene:

-- The United States is slipping rapidly into the worst economic decline since the Great Depression. There will be economic recovery because the Congress is determined to enact a package of economic stimuli in the coming weeks. But before this occurs, the American people will have suffered greatly.

-- A new economic, political and military order is rising in the Middle East with the flow of hundreds of billions of dollars in oil revenues to that region. Our government does not know the real effect of this phenomenon other than that it has a great potential for harm to our economy and to world peace.

-- The developing world is sinking deeper and deeper into abysmal poverty and hunger fueled by skyrocketing commodity inflation and the unwillingness of many developed nations to make good faith efforts to contribute adequate resources for their development.

-- The prospects for economic warfare -- embargoes and cartelization -- are on the increase as a result of the failure of the community of nations to develop a standard of economic conduct to which all could adhere.

It is unfortunate that these crises have caused the American people to turn inward and not to understand the nature of global economic interdependence.

Protectionist trade sentiment has increased, and the call mounts daily for short-run solutions without consideration of their long-run impact.

In talks such as these, I usually regale my audience about what government can do. I want to change this format tonight.

It is increasingly clear to me that business must do something, too. In fact, you have a responsibility to join with government in two ways.

First, the government of the United States needs suggestions and advice from the business community about how to deal with many of these international economic issues. This is a duty and responsibility which you should aggressively pursue.

Secondly, the growth of protectionism and, to some extent, isolationism in this nation have resulted from business' failure to understand the human consequences of their activities. You must be more sensitive to the human dimensions of your policies.

-- What are you doing to cope with job training and placement for your workers?

-- What are you doing to convince the American public that your foreign investments and subsidiary plants really do mean new jobs for us in the United States, that they do improve our balance of payments and trade position, that they do improve our relations with other nations?

Many are not convinced that your foreign subsidiaries do all these things, and you'll have to work on me as well to answer some serious questions. You must build your own popular constituency and not expect that the Congress will do what you tell us.

I have more questions for you, so long as we are together in these pleasant surroundings. Here they are:

-- Why do multinational corporations expect tax favors that consumers, workers and small domestic industries do not receive?

-- Why do you need special tax breaks like the Domestic International Sales Corporation (DISC)?

-- Why do you need or deserve special treatment at all?

We have debated these issues to some extent in the Congress. But more debate and discussion are needed. The implications of these tough questions are not just voiced by me. Others in and out of government are asking these questions. And they want good answers.

Our common goal must be the development of an equitable trade and investment policy with a fair shake for both business and labor.

In closing, I want to touch on one additional issue which is of growing importance to you as members of the business community and as Americans. This issue is foreign investment in the United States.

Allow me to give you a few of my thoughts on this matter.

Our nation needs a new policy on foreign investment within its territory to protect its national interests. The present policy is inadequate. It is reflective of the days when the U.S. was the dominant capital exporter in the world and protected by foreign exchange rates which encouraged foreigners to trade with rather than invest in the United States. The devaluation of the dollar and the flow of petrodollars to the Middle East now require a monitoring and control system over foreign investment in the United States.

I believe that we should encourage the investment of foreign capital in the United States. But we also need an investment policy in order to provide guidance as to what sectors of our economy, what geographic regions, what types of securities and what percentage of ownership should be open to foreign investors.

I believe that foreign investments should be registered with an agency of the United States government empowered with oversight function. This function should include the power to issue cease and desist orders.

If those orders are not obeyed, then it should be established that it is the policy of the United States to expropriate, through due process and with just compensation, any firm performing business in a matter considered to be detrimental to the security interests of the country. Cease and desist orders, in my opinion, should be enjoined against those in active compliance with any type of boycott against other nations not condoned by our government.

We have no reason to fear foreign investment. It has played a critical role in the development of our country. But we need to let it be known that this capital is welcome, but only in the framework of our precise guidance. The President and the Congress must join together to develop an investment policy in the coming months.

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Mr Edward Ney -
President

REMARKS BY SENATOR HUBERT H. HUMPHREY

YOUNG & RUBICAM ~~AM~~ INTERNATIONAL, INC.

NEW YORK, NEW YORK

MARCH 18, 1975

MANY OF THE CORPORATIONS REPRESENTED HERE THIS EVENING
ARE MULTINATIONAL IN SCOPE.

L YOU ARE VITALLY CONCERNED WITH THE HEALTH OF THE WORLD
ECONOMY AS WELL AS WITH THE PROSPECTS FOR ECONOMIC RECOVERY
HERE AT HOME.

I WANT TO DISCUSS ECONOMIC ISSUES WITH YOU THIS EVENING
IN A KIND OF SMORGASBORD FASHION L I DO SO NOT AS AN ECONOMIST
BUT AS A MEMBER OF CONGRESS WHO HAS TO MAKE DECISIONS EVERY DAY
WHICH AFFECT THE LIVES OF MILLIONS IN THIS COUNTRY AND ABROAD.

L THE OIL EMBARGO OF 1973, THE ENERGY CRISIS, AND THE *Inflation*
and RECESSION HAVE MADE THE AMERICAN PEOPLE MORE AWARE OF ECONOMIC
ISSUES THAN AT ANY TIME SINCE THE 1930's.

L BUT DESPITE THE INTENSE PUBLIC INTEREST IN THE HEALTH AND
WELFARE OF THE AMERICAN ECONOMY, THERE IS LITTLE UNDERSTANDING
OF THE NATURE OF ECONOMIC INTERRELATIONSHIPS ON A GLOBAL BASIS.

supply + (U.S. consuming Raw materials)
L THE PRICE OF FOOD IN THE MIDWEST MAY WELL DETERMINE WHETHER
THERE IS STARVATION IN SOUTH ASIA. (THE SUPPLY AND PRICE OF
COPPER FROM AFRICA AND BAUXITE FROM THE CARIBBEAN MAY WELL
AFFECT INDUSTRIAL PRODUCTION IN OUR COUNTRY AS WELL AS OUR
ABILITY TO CONTROL INFLATION. AND OF COURSE, THERE IS OIL --
THE LIFE BLOOD OF INDUSTRIALIZED ECONOMIES.

L IT IS FAIR TO SAY THAT TRADE AND COMMERCIAL POLICY HAVE
EMERGED AS THE NUMBER ONE ISSUE IN INTERNATIONAL

DIALOGUE.

Confrontation or Cooperation?
Dictation or Negotiation!

Military Diplomacy no longer the answer

Trade & Commercial policy

THEY HAVE INCREASINGLY REPLACED MORE TRADITIONAL

STRATEGIC AND MILITARY CONCERNS THE DIPLOMATS OF TODAY AND

TOMORROW MUST BE WELL-SCHOOLED IN INTERNATIONAL ECONOMICS.

↳ WITHOUT SUCH A BACKGROUND, OUR NATION WILL BE LEFT BEHIND IN

THE INTENSE COMPETITION FOR MARKETS AND RESOURCES WHICH HAS

BECOME THE REAL ESSENCE OF INTERNATIONAL DIPLOMACY IN THE

1970's.

*(People have to understand
Trade - investment
Economic Policy)*

↳ WE ARE FACING TODAY A SERIES OF ECONOMIC CRISES WHICH

BOGGLE THE IMAGINATION OF THE MOST ASTUTE ECONOMIC AND POLITICAL

OBSERVERS OF THE WORLD SCENE:

also effect of US troubles on the rest of world

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-- THE UNITED STATES IS SLIPPING RAPIDLY INTO THE WORST ECONOMIC DECLINE SINCE THE GREAT DEPRESSION. THERE WILL BE ECONOMIC RECOVERY BECAUSE THE CONGRESS IS DETERMINED TO ENACT A PACKAGE OF ECONOMIC STIMULI IN THE COMING WEEKS. BUT BEFORE THIS OCCURS, THE AMERICAN PEOPLE ^{in economy} WILL HAVE SUFFERED GREATLY.

- *Power of Common mkt. - customer - competition!*
-- A NEW ECONOMIC, POLITICAL AND MILITARY ORDER IS

RISE IN THE MIDDLE EAST WITH THE FLOW OF HUNDREDS OF

BILLIONS OF DOLLARS IN OIL REVENUES TO THAT REGION. OUR GOV-

ERNMENT DOES NOT KNOW THE REAL EFFECT OF THIS PHENOMENON OTHER

^{our fear} THAN THAT IT HAS A GREAT POTENTIAL FOR HARM TO OUR ECONOMY AND

TO WORLD PEACE.

*Soviet union becoming Economic
Power - also customer
energy - minerals - machinery*

L- THE DEVELOPING WORLD IS SINKING DEEPER AND DEEPER INTO
ABYSMAL POVERTY AND HUNGER FUELED BY SKYROCKETING COMMODITY
Oil - Food - Fertilizer
INFLATION AND THE UNWILLINGNESS OF MANY DEVELOPED NATIONS TO
MAKE GOOD FAITH EFFORTS TO CONTRIBUTE ADEQUATE RESOURCES FOR
THEIR DEVELOPMENT.

L-- THE PROSPECTS FOR ECONOMIC WARFARE -- EMBARGOES AND
CARTELIZATION -- ARE ON THE INCREASE AS A RESULT OF THE FAILURE
OF THE COMMUNITY OF NATIONS TO DEVELOP A STANDARD OF ECONOMIC
CONDUCT TO WHICH ALL COULD ADHERE.

*(and we have
contributed - Embargoes
+ agree Products)*

L IT IS UNFORTUNATE THAT THESE CRISES HAVE CAUSED THE
AMERICAN PEOPLE TO TURN INWARD AND NOT TO UNDERSTAND THE NATURE
OF GLOBAL ECONOMIC INTERDEPENDENCE.

*(Congress Poorly
organized - Trade
functioning
etc.)*
& Congress reflects this attitude -
Poorly equipped in for Rel Comm

L PROTECTIONIST TRADE SENTIMENT HAS INCREASED, AND THE CALL MOUNTS DAILY FOR SHORT-RUN SOLUTIONS WITHOUT CONSIDERATION OF THEIR LONG-RUN IMPACT.

L IN TALKS SUCH AS THESE, I USUALLY REGALE MY AUDIENCE ABOUT WHAT GOVERNMENT CAN DO; I WANT TO CHANGE THIS FORMAT TONIGHT.

L IT IS INCREASINGLY CLEAR TO ME THAT BUSINESS MUST DO SOMETHING, TOO. L IN FACT, YOU HAVE A RESPONSIBILITY TO JOIN WITH GOVERNMENT IN TWO WAYS.

L FIRST, THE GOVERNMENT OF THE UNITED STATES NEEDS SUGGESTIONS AND ADVICE FROM THE BUSINESS COMMUNITY ABOUT HOW TO DEAL WITH MANY OF THESE INTERNATIONAL ECONOMIC ISSUES. L THIS IS A DUTY AND RESPONSIBILITY WHICH YOU SHOULD AGGRESSIVELY PURSUE.

SECONDLY, THE GROWTH OF PROTECTIONISM AND, TO SOME EXTENT,

ISOLATIONISM IN THIS NATION HAVE RESULTED FROM BUSINESS' FAILURE

TO UNDERSTAND THE HUMAN CONSEQUENCES OF THEIR ACTIVITIES,

(John Lee - rise of labor movement to the height of industry)

YOU MUST BE MORE SENSITIVE TO THE HUMAN DIMENSIONS OF YOUR
POLICIES.

-- WHAT ARE YOU DOING TO COPE WITH JOB TRAINING AND
PLACEMENT FOR YOUR ^{displaced} WORKERS?

and here is the 6th question

-- WHAT ARE YOU DOING TO CONVINCE THE AMERICAN PUBLIC
THAT YOUR FOREIGN INVESTMENTS AND SUBSIDIARY PLANTS REALLY DO
MEAN NEW JOBS FOR US IN THE UNITED STATES - THAT THEY DO IMPROVE
OUR BALANCE OF PAYMENTS AND TRADE POSITION - THAT THEY DO
IMPROVE OUR RELATIONS WITH OTHER NATIONS?

Multi National Corp effect on the international
economy system is truly Revolutionary

(Lawrence Krause of Brookings Institution)

growing size & volume accelerating
more traditional forms of trade & capital
flows

Raising new policy issues with
which national governments have
never been faced.

Mutual Blessing -

M.N.C. spread management, technology
production, distribution marketing
techniques -

contributes to growing integration
of world economy -

Places stress on international monetary
system and adequacy of
domestic policies

Present institutional ~~system~~ ^{framework} of the
International system is unequipped
to contend with many of the jurisdictional
problems created MNCs - ~~but~~ ^{and} increasing
market power, distribution of technology, threats
to national sovereignty.

L MANY ARE NOT CONVINCED THAT YOUR FOREIGN SUBSIDIARIES DO
ALL THESE THINGS, ~~AND YOU'LL HAVE TO WORK ON ME AS WELL TO~~
~~ANSWER SOME SERIOUS QUESTIONS~~ L YOU MUST BUILD YOUR OWN POPULAR
CONSTITUENCY AND NOT EXPECT THAT THE CONGRESS WILL DO WHAT YOU
TELL US.

901 ^{some} HAVE ~~NO~~ QUESTIONS FOR YOU, SO LONG AS WE ARE TOGETHER
IN THESE PLEASANT SURROUNDINGS L HERE THEY ARE:

L -- WHY DO MULTINATIONAL CORPORATIONS EXPECT TAX FAVORS
THAT CONSUMERS, WORKERS AND SMALL DOMESTIC INDUSTRIES DO NOT
RECEIVE?

L -- WHY DO ^{MMC?} YOU NEED SPECIAL TAX BREAKS LIKE THE DOMESTIC
INTERNATIONAL SALES CORPORATION (DISC)?

MNC's
-- WHY DO ~~YOU~~ NEED OR DESERVE SPECIAL TREATMENT AT ALL?

↳ WE HAVE DEBATED THESE ISSUES TO SOME EXTENT IN THE
CONGRESS, BUT MORE DEBATE AND DISCUSSION ARE NEEDED. ↳ THE
IMPLICATIONS OF THESE TOUGH QUESTIONS ARE NOT JUST VOICED BY

ME ↳ OTHERS IN AND OUT OF GOVERNMENT ARE ASKING THESE QUESTIONS.

AND THEY WANT ~~THE~~ ^{*I need*} ANSWERS. *I think you can give some. I am should.*

↳ OUR COMMON GOAL MUST BE THE DEVELOPMENT OF AN EQUITABLE
TRADE AND INVESTMENT POLICY WITH A FAIR SHAKE FOR BOTH BUSINESS
AND LABOR.

↳ IN CLOSING, I WANT TO TOUCH ON ONE ADDITIONAL ISSUE WHICH
IS OF GROWING IMPORTANCE TO YOU AS MEMBERS OF THE BUSINESS
COMMUNITY AND AS AMERICANS ↳ THIS ISSUE IS FOREIGN INVESTMENT IN
THE UNITED STATES.

ALLOW ME TO GIVE YOU A FEW OF MY THOUGHTS ON THIS MATTER.

I believe

OUR NATION NEEDS A NEW POLICY ON FOREIGN INVESTMENT WITHIN
ITS TERRITORY TO PROTECT ITS NATIONAL INTERESTS. THE PRESENT
POLICY IS INADEQUATE. IT IS REFLECTIVE OF THE DAYS WHEN THE
U.S. WAS THE DOMINANT CAPITAL EXPORTER IN THE WORLD, AND PROTECTED
BY FOREIGN EXCHANGE RATES WHICH ENCOURAGED FOREIGNERS TO TRADE
WITH RATHER THAN INVEST IN THE UNITED STATES. THE DEVALUATION OF
THE DOLLAR AND THE FLOW OF PETRODOLLARS TO THE MIDDLE EAST NOW
REQUIRE A MONITORING AND CONTROL SYSTEM OVER FOREIGN INVESTMENT
IN THE UNITED STATES.

Having said this,

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I BELIEVE THAT WE SHOULD ENCOURAGE THE INVESTMENT OF
FOREIGN CAPITAL IN THE UNITED STATES, BUT WE ~~ALSO~~ NEED AN
INVESTMENT POLICY ^{*designed*} ~~TO~~ TO PROVIDE GUIDANCE AS TO WHAT
SECTORS OF OUR ECONOMY, WHAT GEOGRAPHIC REGIONS, WHAT TYPES
OF SECURITIES AND WHAT PERCENTAGE OF OWNERSHIP SHOULD BE OPEN TO
FOREIGN INVESTORS.

I BELIEVE THAT FOREIGN INVESTMENTS SHOULD BE REGISTERED
WITH AN ^{*appropriate*} AGENCY OF THE UNITED STATES GOVERNMENT EMPOWERED WITH
OVERSIGHT FUNCTION ^{*and*} THIS FUNCTION SHOULD INCLUDE THE POWER TO
ISSUE CEASE AND DESIST ORDERS.

h IF THOSE ORDERS ARE NOT OBEYED, THEN IT SHOULD BE
ESTABLISHED THAT IT IS THE POLICY OF THE UNITED STATES TO
EXPROPRIATE, THROUGH DUE PROCESS AND WITH JUST COMPENSATION.

h ANY FIRM ~~PERFORMING~~ ^{doing} BUSINESS IN A MATTER CONSIDERED TO BE

DETRIMENTAL TO THE SECURITY INTERESTS OF ^{our} THE COUNTRY, CEASE

AND DESIST ORDERS. ^{should be enjoined from} ~~IN MY OPINION, SHOULD BE ENJOINED AGAINST~~

THOSE ^{doing business in U.S.} ~~IN ACTIVE COMPLIANCE WITH~~ ^{actively supporting} ANY TYPE OF BOYCOTT AGAINST

OTHER NATIONS NOT CONDONED BY OUR GOVERNMENT

^{should likewise} ~~therein~~ ^{be enjoined}

WE HAVE NO REASON TO FEAR FOREIGN INVESTMENT, IT HAS
PLAYED A CRITICAL ROLE IN THE DEVELOPMENT OF OUR COUNTRY.

h BUT WE NEED TO LET IT BE KNOWN THAT THIS CAPITAL IS WELCOME,

~~not~~ ONLY IN THE FRAMEWORK OF OUR

^{policies, laws, +} ~~practices~~ ^{practices.}

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THE PRESIDENT AND THE CONGRESS MUST JOIN TOGETHER TO DEVELOP
AN INVESTMENT POLICY IN THE COMING MONTHS.

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