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news from
Senator DANIEL K. INOUYE

topic: SPEECH BY SENATOR DANIEL K. INOUYE BEFORE JAPANESE JUNIOR CHAMBER OF COMMERCE, HILO, HAWAII -- "Major World Events: Their Impact on the Domestic Economy"

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Ordinarily, speakers tend to draw lines between domestic and foreign issues, and one can get the impression they are entirely separate. I would like to suggest that they are all in the same pot and I want to review with you this evening some of the major interrelations facing us in the 96th Congress.

Without question, the dominant domestic issue comes under the umbrella word "inflation". I won't spend much time on inflation per se, since it is a topic deserving of separate consideration and I hope to devote an entire talk to that issue some time in the near future. But the issues I want to cover with you have a direct bearing on inflation and, more generally, the very well-being and prosperity of the nation and our State.

As with any problem, a logical first step toward a solution is to identify some of the underlying causes.

Some forces operating on the economy have direct impact and are well recognized. Adverse weather is one good example. Freezing temperatures in December will result in an estimated loss of some five million boxes of oranges in California and another 600,000 boxes in Texas. Texas also lost some 200,000 boxes of grapefruit and the citrus crop there has been further devastated by more freezing temperatures in January. All this, and winter has officially been here just barely a month. The inevitable result will be higher prices for certain food products this summer. Much as we like to heap blame on sitting administrations, we must accept that Jimmy Carter can't walk on water.

But let us consider now events outside our border where the impact on us is not so apparent. Let us first take Iran. Why, you may ask, are we so concerned about events in that country? Well, Iran provides some ten percent of our oil imports, an even greater portion of the needs of our European allies, 40 percent of Israel's imports, and a significant portion of what Japan brings in annually (18%).

Conceivably, the U.S. should be able to absorb a ten percent decrease. We could tighten our belts slightly. Perhaps we could use a car pool once a week, or stay home on one weekend a month.

But this is only part of the story. Our economy is directly involved with the economies of Europe and Japan. Our fortunes are in the same bank. If that bank collapses, we all collapse. If the mark, the yen or the franc weaken, then so does the dollar. If the economies of Germany or France or Great Britain collapse, can ours be far behind?

So we can't look at Europe's struggles and sit idly by. We must do something, and this means further restraint on our part so that Europe will have a fair share of the available energy supply.

Under the Sinai II agreement negotiated back in 1975, Israel agreed to withdraw from certain areas in the Sinai, including oil fields which she had been exploiting since 1967. The U.S., for its part, agreed with the Israeli government that in the event Israel was unable to obtain oil in the world market sufficient to meet its domestic needs, we would supply them. If called upon to honor our commitment, we will be reimbursed, and Israel's demands are fortunately very modest, but this would be yet another drain on the available supplies and mean additional sacrifices on our part to ensure enough to go around. That is why Secretary Schlesinger said in recent testimony that the events in Iran may lead to gasoline rationing in this country.

And if we have rationing, we must ask ourselves whether that will apply to the fuel used by the airlines. If they are restricted in the amount of fuel they can use, as they were back in 1973 and 1974, then there will be fewer flights, and I hardly need elaborate for you the sort of domino effect this will have on the economy of Hawaii as hotel rooms stand vacant and cutbacks occur in our many tourist-support operations.

Thus, Ayatollah Khomeini may be a relatively unknown religious leader, but he is a man who literally holds in his hands the well-being of our economy. Incidentally, he has already said that he will not sell oil to Israel, and has let it be known that he is not too keen on selling oil to the U.S. either.

Then, we have the Middle East to consider. I gather that many Americans are tired of reading about Begin, Sadat, the Gaza Strip, and the West Bank. As with Vietnam, we want Israel, Egypt, Jordan, and Saudi Arabia to disappear. But they won't disappear. They may be small in size and population, but the same considerations I referred to in connection with Iran apply here. Our economic stability and well-being depends very greatly on their own stability and well-being. I pray therefore that President Carter's efforts to bring together Prime Minister Begin and President Sadat will bear the fruits for which we have searched so long: stability and peace.

There is an aspect of this problem you rarely hear about but it is one in which the Senate will be deeply involved. The United States, to facilitate efforts by Egypt and Israel to reach a lasting and meaningful peace agreement, has expressed a willingness to assist Israel in making up some of the losses associated with returning control of the Sinai to Egypt. In connection with this move, Israel would have to abandon two airbases, relocate its troops and would no longer have access to potential oil supplies. While the extent of our participation is still very much a matter of negotiation, the Israelis have suggested that the so-called "peace package" might amount to some $3 billion. Certain U.S. officials put the figure more in the $2 billion range, but in the final analysis it will be the Congress which determines whether our contribution is $2 billion, $3 billion or some compromise figure, and no one can say for sure what that will be. We do know, however, it is an expensive package. And in a time when the battle cry is austerity, the "peace package" will further eat into the domestic needs of the U.S. and may well affect programs right here in Hawaii. There simply will be less available for social development, certain military needs, and construction.

Let us travel to the Pacific, to the People's Republic of China. Very shortly, Premier Teng Hsiao-ping, the second highest official in the PRC and perhaps in fact the most powerful person in that country, will be setting foot on U.S. soil as a guest of the President of the United States. Monday evening, a special State banquet has been arranged in his honor.

Normalization was long anticipated as a result of visits to China by Presidents Nixon and Ford, and especially after the issuance of the Shanghai Communique back in 1972.

Most of you well recall that the Communique affirmed that there is only one China, and Taiwan is part of that one China.

If this is the case, some of you may ask: "Why all the fuss?" There are many reasons for this fuss, and I can safely predict that there will be much heated debate in the Senate.

Some question whether the President has the authority to terminate a treaty without the involvement and consent of the Senate. I have read with some care a lengthy memorandum Administration experts have prepared in support of the President's position, and I must confess that I am not convinced by it. While it provides a number of examples which it claims are precedent, they generally involve trade and other commercial relations or extradition agreements.

Not one involves anything as solemn or so closely related to the heart of national sovereignty as a mutual defense treaty. Further, the cited terminations either came about because of conflicts with domestic legislation or grew out of disputes between ourselves and the nation at which the action was directed; there was some sort of adversarial relationship. This was certainly not the case with Taiwan. Quite to the contrary, we have long enjoyed friendly and profitable ties with that country. This is an important distinction, and to ignore it is a little like justifying the termination by pointing to the termination of our treaties with Japan just after December 7, 1943.

Ultimately, this is an issue which may have to be decided in the courts, but in the meantime much work will be done in the Senate.

One key issue is how to protect Taiwan's interests. The Administration is proposing to establish a private corporation which would carry out all the functions now performed by our Embassy and Consular Offices, but without the diplomatic privileges and immunities they enjoy. These would be private corporations which would issue visas, assist in export-import banking matters, and generally facilitate our continuing trade relations with Taiwan. However, many have suggested that we grant to the Taiwan representatives in this country the same privileges we granted the Peking government back in 1973. You will recall that in May 1973, Peking sent the Honorable Huang-chen to the United States. He established a Liaison Office and enjoyed diplomatic immunity under legislation enacted specifically for that purpose. This wouldn't exist in the case of a private corporation. The U.S. also sent a man to Peking with all diplomatic rights and privileges. Unofficially, he was referred to as "Ambassador". It is a compelling argument. The Taiwan government would of course like to be accorded this official recognition, and this will be a topic of major debate. I cannot predict the outcome.

Normalization is also cause for a fuss because of our long, close and friendly relations with the Taiwan government. We have become accustomed to trading with the Taiwanese and it has been a mutually profitable undertaking. Taipei has stood by the U.S. in supporting our foreign policy. It is one of the most democratic nations in the Far East and enjoys a per capita income second only to Japan's. It is entirely out of character for the United States to casually dump such a close ally.

The President's action is supported by a majority of the people in the United States, according to the polls, but the reaction in Jakarta, Quezon City, Bangkok, Canberra, Tokyo and Seoul is hard for us to imagine. There people are asking, "If we can abruptly terminate a treaty with a country with whom we have long been on friendly terms and which has done nothing to hurt us, who's next? Are we abandoning Asia? Are we conceding we have no security interests in the Pacific?"

Our recent agreement with the Philippines covering our continued use of our largest foreign military installations -- Subic Bay and Clark Air Force Base -- thus comes at a most opportune moment. Our presence there and our clear determination to remain there reassures our allies in that part of the world that we still have strong security interests in the Pacific. Failure to negotiate such an agreement, coupled with our new policy towards Taiwan and our pullback from South Korea could only have sent the most negative message to our friends and allies in the Pacific, and this could have drastic domestic implications.

As I said at the outset, the nations of the world are mutually dependent; we are linked by a vast web of cultural, commercial and other ties; and if some of those strands are cut or damaged, the whole web suffers.

For many in the world, the United States is seen as a major anchor point for this enormous web. If this perception changes and the U.S. comes to be viewed as weak or unreliable, the inevitable result will be that the weaker countries of the world will attempt to protect their positions by establishing alternative ties with countries which appear to be more willing or better able to protect them.

The importance of this shift becomes clear when you consider that some 85 percent of the materials we consider strategic to our defense, economy and well-being cannot be provided by our allies in Western Europe or by ourselves.

Thus, while we are an anchor point for the web, we are also highly dependent upon it, and signs of weakness on our part can only make it more difficult to obtain the many key materials which we must bring in from abroad.

I could go on for hours. This is a subject that is of great interest to me and one in which I am deeply involved. But this gives you the flavor. The main point is that although some of the events I have described take place far from our shores, they have a direct and important bearing on our well-being. As Chairman of the Senate Appropriations Subcommittee on Foreign Operations, I will be directly involved in a number of key decisions affecting the countries I have described. I hope I make the right decisions and I ask for all the advice and support you can give.