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Box Number	16236		SYST	TEMATIC
DOC Doc Type NO	Document Description	No of Pages	Doc Date Res	strictions
1 PAPER	TPSC DRAFT RE: CONVERSION OF THE U.SISRAEL FREE TRADE AREA AGREEMENTTO THE HARMONIIZED SYSTEM NOMENCLATURE, P.1, PARTIAL	1	8/14/1987	B5 open KB 12/8/00

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

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B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

WITHDRAWAL SHEET

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Collection Name DRIGGS, MICHAEL: FILES

Withdrawer

DLB 11/30/2022

File Folder

TPSC (TRADE POLICY STAFF COMMITTEE) 1987 CHRON

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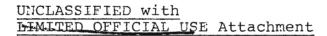
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EXECUTIVE OFFICE OF THE PRESIDENT WASHINGTON 20506



August 3, 1987

TO : Members of the Trade Policy Staff Committee

FROM : Donald M. Phillips, Chairman

SUBJECT: Pilot Barter Program

Attached is TPSC Draft Document 87-118, Rev. 1, concerning the Pilot Barter Program (Section 1129 of the Food Security Act of 1985). The paper has been revised taking into account suggestions of members.

Please phone your clearance to Carolyn Frank (395-7210) by close-of-business, Tuesday, August 4. Substantive questions or comments should be phoned to Glenn Whiteman (447-4274).

Attachment

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TRADE POLICY STAFF COMMITTEE

DRAFT Document 87-118, Rev. 1

SUBJECT:

Pilot Barter Program (Section 1129 of the Food Security Act of 1985)

SUBMITTED BY:

Department of Agriculture

DATE: August 3, 1987

Dept. of State 3/3 | 2012

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3/3/2020

TPSC PAPER ON THE PILOT BARTER PROGRAM

ISSUE: Section 1129 of the Food Security Act of 1985 requires the Secretary of Agriculture to carry out two pilot barter programs for strategic or other materials for which national stockpile or reserve goals established by law are unmet. These barter agreements must be completed no later than September 30, 1987.

RECOMMENDATION: That the Commodity Credit Corporation (CCC) seek to conclude barter arrangements with two countries for crude oil valued at approximately \$ 8 million each. The CCC should initially approach Mexico and Venezuela. CCC shall seek terms in accordance with Administration policy regarding barter arrangements (i.e. an agreement that would prove more effective and efficient than open market transactions). In no case would a barter exchange be concluded at less than competitive world market prices for the exchanged commodities. The Department of Energy (DOE) would assist CCC in contracting for crude oil, with the intention that all crude oil acquired would be transferred to the Strategic Petroleum Reserve (SPR).

DISCUSSION: The barter arrangement is proposed as follows:

Countries: Initially, Mexico and Venezuela. Additional proposals for other potential barter target countries may be proposed, as necessary, on a country by country basis.

Acquired Commodity: Crude oil meeting specifications of the SPR.

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-2-

Exchanged Commodities: Countries will be offered CCC-owned commodities. Priority will be given to wheat, corn and sorghum as larger surpluses of grains are in CCC inventory. Dairy products are a low priority as current CCC dairy inventories are limited.

Price: Commodities will be exchanged at not less than competitive world market prices, either through a formula, spot price or exchange ratio.

Value: The barter agreement with each country will be a value of commodities worth approximately \$8 million. This is the approximate value of a 300 to 400 thousand barrel tanker (at approximately \$20 per barrel) that can be used in the Gulf of Mexico for crude oil shipments. Barter arrangements with countries other than Mexico and Venezuela would require a larger value of approximately \$12 to 20 million to reflect larger tankers used in shipping crude oil longer distances. Transportation costs on bartering crude oil from other countries would also be higher, reducing the negotiating flexibility on the price of agriculture commodities.

Terms: Commodities will be valued at no less than world market prices, free-on-board basis, at ports of export in the exporting country. A transaction account will be established

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to reconcile the exact value of the commodities shipped by each party under an agreement.

Buyer: The barter agreements will be contractual commitments between the Commodity Credit Corporation and the Governments of Mexico and Venezuela or other eligible buyers in the target countries.

Shipping: CCC will be responsible for domestic movement of the agricultural commodities to an f.o.b. position. U.S. Gulf ports are probable shipping points, with rail shipment to the Mexican border also being possible. DOE will arrange and bear the costs of shipping the oil from the delivery point in the target country to placement in the SPR. DOE normally purchases crude oil at destination and bears the costs of freight and handling. DOE will ensure compliance with the Cargo Preference Act for the crude oil. The agricultural commodities will not be subject to cargo preference if exchanged at equivalent world market prices.

Costs: Costs to CCC on the agricultural commodity side of the barter will be no greater than the net costs of an Export Enhancement Program (EEP) reflecting that prices similar to EEP will be

the minimum price negotiated. CCC gains a cost savings in storage of the crude oil verses grain storage, carrying and handling costs of approximately \$130,000 per year for every \$1 million of barter exchange. For a \$16 million total barter value and the 4 years storage of crude oil before CCC reimbursement, the total storage savings to CCC is \$8.3 million. A non-quantifiable cost benefit to the USG of a successful barter exchange as envisioned is that the U.S. will be exchanging a perishable asset which is extremely costly to store and which is likely to decline in value (wheat) for a commodity with precisely the opposite characteristics i.e., nonperishable, relatively low storage cost, and likely to appreciate in value. Finally, a successful barter arrangement will allow the USG to acquire petroleum with no increase in budget outlay since, "payment" will be made in CCC commodities which are already in inventory.

Additionality: The EC is rapidly increasing its shipments of wheat to Central and South America. It is estimated that the U.S. has already lost 500,000 metric tons of U.S. market share in the region. It is difficult to estimate whether a barter transaction would provide additionality without knowing what agricultural commodities Venezuela or Mexico might be interested in taking in a barter exchange.

BACKGROUND:

The TPSC reaffirms the Administration's skepticism about the economic utility of barter arrangements and reaffirms its support for the Administration's barter guidelines. This proposal is offered only because of the legal requirement to do so. The Food Security Act states that the program shall be carried out through agreements with at least two countries. The strategic or other materials are to be acquired in exchange for agricultural commodities. Priority is to be given to (1) materials that involve less risk of loss through deterioration, (2) have lower storage costs than the agricultural commodity, and (3) can be supplied by nations which have food and currency reserve shortages.

The proposed Annual Materials Plan for the National Defense Stockpile (NDS) recommends the acquisition of one strategic material, germanium. Major exporters of germanium are Belgium, Luxembourg and West Germany, none of which meet the target country criteria of Section 1129 of the Food Security Act. Based on the restrictive acquisition plan of the NDS, the USDA feels that the acquisition of crude oil through barter is the only feasible option for the U.S. to fulfill the legislative requirement for barter under the Food Security Act.

-6-

Both Mexico and Venezuela are experiencing food shortages. Mexico and Venezuela may have currency exchange reserves, but are targeted because they currently have balance of payment difficulties. Mexico has recently rescheduled debt. As no currency reserves are required by the targeted country to acquire the agricultural commodities, we expect that a barter transaction would represent a net increase in U.S. exports with minimal impact on other agricultural exporters.

DOE also has a mandate to seek to minimize costs to the SPR in acquiring oil. Higher transportation costs for crude oil from other destinations, i.e. Nigeria, Middle East or Indonesia, would have to be off-set by lower costs for the agricultural commodities. Hence, the countries targeted at this time represent the best opportunity to fulfill the DOE mandate, to keep the agricultural commodities at world market prices, and to generally to fulfill the legal requirement at the least cost to the U.S. Government.

The impact of a barter arrangement on domestic commodity prices will be minimal or nonexistent due to the small size of the transactions. USDA will strive to conclude a barter arrangement that has potential for additionality and that would not displace other commercial sales.

For further information contact Glenn D. Whiteman, Deputy Assistant Administrator, Export Credits, FAS, telephone 447-4274.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

EXECUTIVE OFFICE OF THE PRESIDENT WASHINGTON 20506



UNCLASSIFIED with LIMITED OFFICIAL USE Attachment

August 3, 1987

TO : Members of the Trade Policy Staff Committee

FROM : Donald M. Phillips, Chairman

SUBJECT: GSP Emergency Petition

Attached is TPSC Draft Document 87-121 concerning a GSP emergency petition on molybdenum ore, concentrates and oxides.

Please phone your clearance to Jeanne Harrington (395-7210) by close-of-business, Wednesday, August 5. Substantive questions or comments should be phoned to Fred Davidson (395-7210).

Attachment

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TRADE POLICY STAFF COMMITTEE

DRAFT Document 87-121

SUBJECT:

GSP Emergency Petition: Molybdenum Ore, Concentrates and Oxides

SUBMITTED BY:

Office of the United States
Trade Representative

DATE: August 3, 1987

in Mr

3/3/2020

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GSP EMERGENCY FETITION: MOLYBDENUM ORE, CONCENTRATES AND OXIDES

ISSUE

Cyprus Minerals' Company has petitioned for initiation of an emergency review to consider removing Chile from GSP benefits for both molybdenum oxide (TSUS 601.40) and molybdenum ores and concentrates (TSUS 601.33). This request followed the TPSC decision to accept Cyprus Minerals' petition on these two molybdenum products for the 1987 annual review. A decision needs to be made whether an emergency review of Chile's GSP eligibility on these two molybdenum products should be initiated.

RECOMMENDATION

An emergency review of Chile's GSP eligibility on molybdenum oxide (TSUS 601.40) and molybdenum ores and concentrates (TSUS 601.33) should be initiated.

PRIVATE SECTOR ADVISE

Cyprus Minerals' Company has petitioned for initiation of an emergency review to consider removing Chile's GSP eligibility on these two molybdenum products.

DISCUSSION

Cyprus Minerals' Company has petitioned for initiation of an emergency review to consider removing Chile from GSP benefits for both molybdenum oxide (TSUS 601.40) and molybdenum ores and concentrates (TSUS 601.33). This request followed the TPSC decision (TPSC Document #87-115) to accept Cyprus Minerals' petition on these two molybdenum products for the 1987 annual review.

According to Cyprus, they are likely to suffer serious harm if they are required to wait for the review to run its normal course, with results implemented on July 1, 1988. They state that the viability of one of their major facilities is being analyzed on a week-to-week basis and that our decision could make a difference between retaining in operation and closure.

According to the request for expedited review, an exponential increase in imports of these two molybdenum products from Chile has occurred in recent months. In 1986 imports of molybdenum oxide from Chile totalled 1,996,574; during the first three months of 1987 the total equalled 1,952,635. In April 1987 imports of molybdenum oxide from Chile doubled to 3,922,000, and increased to 5,361,000 in May.

In addition, the domestic molybdenum industry is severely depressed and prices have been plummeting over recent years. Prices currently average \$2.52-\$2.60 per pound. Primary molybdenum producers are

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particularly hurt by severly depressed prices, since they cannot rely upon relatively healthy copper prices to support molybdenum losses.

Letters to Ambassador Yeutter were received from Senator Evans (of Washington), Senator McClure (of Idaho), Senators McCain (of Arizona), Senator Domenici (of New Mexico) and a number of Members of Congress urging that an emergency review be initiated.

Having reviewed the materials provided by Cyprus, the GSP Sub-committee believes that there is adequate justification for expedited review.

If the TPSC agrees that an expedited review is necessary, USTR will ask the USITC to provide advice by October 1 as to the impact of the probable economic effect on U.S. industries producing like or directly competitive articles. The GSP Subcommittee would then review the USITC advice and make a recommendation to the TPSC by mid-October.

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OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE EXECUTIVE OFFICE OF THE PRESIDENT WASHINGTON

20506

August 11, 1987

TO : UR Coordinators

FROM : Don Phillips \(\textstyle \)

SUBJECT: Uruguay Round Data and Analytical Needs

Attached is TPSC Document 87-106, which has now been formally approved by the TPSC. An earlier version of this document was circulated to you on June 25. The changes in the paper are relatively minor; the most significant changes are:

- -- At the request of Labor, appropriate references were made to the desirability of looking at the production and/or employment effects of trade concessions as well as the trade effects.
- -- At the request of Treasury, it has been made clear that the TPSC and the TPSC Subcommittee on Economic Analysis will examine the plans of the individual UR Subcommittees concerning value estimation, or "scorekeeping" -- with the aim of ensuring an appropriate degree of consistency.

The paper sets dates of August 1 and earlier for the completion of various work projects (these are summarized in my June 25 memo to the TPSC -- also attached). Clearly, these dates will not be met. However, I urge you to make every effort to complete these assignments by the end of August. If this is not possible, please let me know.

Attachments

cc: TPSC Members

TRADE POLICY STAFF COMMITTEE

ACTION RECORD

DATE:

August 3, 1987

DOCUMENT:

87-106

SUBJECT:

Uruguay Round Data and Analytical Needs

SUBMITTED BY:

Office of the United States

Trade Representative

ATTENDANCE: TELEPHONE CLEARANCE:

Agency

USTR

Donald Phillips, Chairman

Agriculture Joe O'Mara; JoAnn Hallquist

Commerce

Michael Farren; Marjory Searing

CEA

Defense

Energy

IDCA

Interior

Justice

Labor

Jorge Perez-Lopez

NSC

OMB

State

Ann Hollick; Manuel Barrera

Transportation

Treasury

William Barreda; Nancy Lee

USITC

COMMITTEE DECISION: COMMENT:

Paper approved.

Frank

The purpose of this paper is to provide a broad framework for the comprehensive program of data collection and analysis that the Administration will need to undertake if we are to conduct UR negotiations in an effective manner. This framework, and the actual implementation of the program, should be governed by the following objectives:

- 1. To identify, and set in motion the development of, information needed for UR negotiations;
- 2. To avoid duplication and unnecessary effort within and among agencies;
- 3. To put the information needed in as convenient and "usable" a form as possible and to ensure its dissemination and/or availability to all agencies or staff actively involved in the negotiations;
- 4. To improve interagency cooperation and to maximize the use of resources on a government-wide basis.

The paper deals with the informational needs of the UR negotiations in terms of three basic areas of work: barriers to trade; analytical work and other data needs; and private sector advice. A separate paper dealing with the information "system" that must be set up to deal with the informational and data needs of the UR will be submitted to the TPSC in the near future.

BARRIERS TO TRADE: TARIFFS

While tariffs will clearly not be the focal point of these negotiations, they are still likely to be a significant, and data-intensive, element in the UR. Information on tariffs will also be needed to support specific bilateral negotiations on nontariff measures.

Data and analytical needs with respect to tariffs can be subdivided into three parts: (1) development and/or maintenance of a tariff and trade data base; (2) development and evaluation of U.S. tariff requests; and (3) development and evaluation of U.S. tariff offers.

With respect to the tariff and trade data base, the problem is essentially two-fold: maintaining and improving the data base developed by GATT in the course of the HS negotiations and persuading other countries, especially the advanced developing countries, to develop and provide similar information. Automated HS tariff data is available, albeit in need of update and, possibly, some changes in file structure, for the United States, EC, Japan, Canada and Switzerland; in addition, automated trade data (which has not yet been converted to HS) developed through

the GATT Tariff Study is available for Australia, New Zealand, Austria, Finland, Hungary, Norway and Sweden. It is hoped that this data will soon be converted to an HS basis for several of these countries; eventually, all of them will convert to an HS basis. Outside of this group of countries, the situation is very unsatisfactory. At best, only hard copy versions of tariff schedules are available from other GATT CPs and the accuracy and/or completeness of these are doubtful. GATT schedules are generally reliable but for most of the LDCs, these cover only a relatively small proportion of the entire tariff schedule.

To meet U.S. informational needs, the TPSC Subcommittee on Tariffs should develop, and submit to the TPSC, a comprehensive data development and management plan by August 1. A member of the Subcommittee should be charged with the implementation and oversight of this plan. In formulating this plan, the Subcommittee should be guided by the following:

- -- In terms of assigning USG resources, the highest priority, at least in the initial phase of the negotiations, should be assigned to the development of a comprehensive U.S. request list. Inputs to this list will come primarily from the private sector advisory committees and informal channels of private sector advice.
- -- The USG should work through the GATT, and make use of the GATT Secretariat, to the maximum extent possible to secure updating/submission of automated data bases for other key participants in the UR. The use of USG resources to compile, and automate, a trade and tariff data base should be avoided.
- -- The USG should make a major effort, both through GATT fora and through bilateral approaches, to persuade a target group of LDCs (e.g., Korea, the ASEAN countries, Mexico, Argentina, Brazil, Chile and India) to provide automated tariff and trade bases to the GATT comparable to that already made available by developed countries. The generous assistance of the GATT Secretariat should be offered to these countries to help them in this endeavor.

The data plan developed by the TPSC Subcommittee on Tariffs should cover the following elements:

- 1. A plan and timetable for the development of a comprehensive request list, including:
- a. Manipulation of foreign country tariff and trade bases and U.S. export data to identify possible items of interest.
- b. Polling of the ISACs and other private sector advisory groups for possible requests. This will require the development of a questionnaire and a systematic approach to obtaining advice from the private sector advisory committees.

The plan should also consider other effective ways of obtaining input to the list -- e.g., U.S. Embassies, public hearings, DOC regional offices, <u>Federal Register</u> requests for information.

- c. A plan for compiling, and a format for, a centralized, computerized inventory of U.S. tariff requests. Required entries on this format might include: estimated value of the tariff concession sought (in terms of increased exports and, if appropriate, impact on production and/or employment); NTMs or other country practices possibly affecting the value of the concessions; preferential tariff treatment granted; other major supplying countries and other countries expressing interest in the request; recent import (or export) data; the source(s) of the request.
- d. A system for, or approach to, evaluation and prioritization of specific tariff requests.
- 2. A comparable plan for the management, and evaluation, of "incoming" requests and for shaping them into a U.S. offer list. Arrangements for the incorporation of ITC and private sector advice into this process are of particular importance. The plan must also provide for adequate "tracking" of foreign country interest in particular U.S. tariff items.
- 3. A plan for ensuring that adequate internal efforts are undertaken (primarily by ITC and Census) to update and (as appropriate) amend the existing HS data base for U.S. imports and exports; for integrating NTM information into this data base (e.g., a mechanism needs to be devised for flagging the existence of NTMs -- both in the data base and the request/offer inventories described above); for encouraging other GATT participants in the HS data base system to update and (as appropriate) revise their submissions; and for encouraging other GATT participants in the Tariff Study exercise to convert to HS as soon as possible.
- 4. A strategy, involving both GATT and bilateral approaches, for persuading key developing country members of the GATT to prepare, and submit to the GATT Secretariat, an automated trade and tariff base.
- 5. Working with the TPSC Subcommittee on Information Systems (chaired by Goldberg) to develop a plan for putting these data bases and the request/offer inventories into the TPSC Trade Net System and for making these information sources readily available to other USG agencies actively involved in the tariff negotiations and to USTR/Geneva.

BARRIERS TO TRADE: NONTARIFF MEASURES

NTMs in the broadest sense may be construed (as categorized in the Section 303 report) to include: quantitative restrictions (other than licensing), import licensing, customs barriers,

unjustifiable or overly restrictive standards, government procurement practices favoring national suppliers, export subsidies, lack of intellectual property protection, countertrade and "non-commercial" state-trading, barriers to trade in services, and investment barriers. In this broad sense, NTMs are clearly the real substance of this round of trade negotiations. Nearly all of the UR negotiating groups have as their chief raison d'etre the elimination or mitigation of one or another of these NTMs. In most of the groups, "rule-making" -- the improvement, or establishment, of GATT discipline -- is seen as the primary means of achieving this However, in the Negotiating Groups for NTMs; Tropical Products; and, in a sense, the Surveillance (Standstill/Rollback) Body, the trading of specific concessions is likely to be the major vehicle for negotiations. This request/offer approach may conceivably also emerge as a significant component of the negotiations in certain other groups -- e.g., natural resources, services. Regardless of the mode of negotiation, extensive knowledge of the specific NTMs practiced by other countries are important, if not essential, to a successful negotiating effort in all groups.

There are many sources of information on NTMs both internal (e.g., Section 303 report, FTAMS, inventories on services and investment barriers) and international (e.g., GATT QR and NTM inventories). But these sources are typically not organized in a coherent fashion, are incomplete, out of date, and/or are not in a form useful to the U.S. negotiating team.

The key questions facing the TPSC are: What sort of central information base should we set up and how much basic direction should we give to the informational work program of the individual subcommittees dealing with UR topics -- recognizing the specialized nature of the data and analytical needs of many units, the overlapping responsibilities of several of them, and the need to inject a large measure of transparency and general availability of information into UR preparations.

To handle these competing interests, a centralized, computerized inventory of NTMs of interest to the United States should be developed. The steps in the development of this system would be:

- 1. An exhaustive review of all available sources to identify those NTMs of interest to the United States. As is described in more detail below, the judgment as to whether a barrier is of interest to the United States would be the responsibility of the seven subcommittees charged with the development of the components of the inventory. In some cases (e.g., investment), a comprehensive inventory of virtually all existing barriers may be sought. In other cases, a more targeted approach (e.g., QRs) might be employed.
- 2. For each NTM so identified, a computer file would be set up. The format for these files would contain certain standard

elements. However, it would also provide for the inputting of additional, non-standard elements as the various Subcommittees deemed appropriate. The elements of the standard format are listed below; the system would be manipulable according to each of these elements — i.e., you could get a printout of all NTMs for a particular country; all trade barriers of a particular type for all countries (or one or a group of countries); all barriers affecting a particular sector, etc. By manipulating the elements of the standard format, the inventory, or certain portions of it, could be displayed in various ways to suit the convenience of the user.

- a. Country. (A listing of NTMs for the United States will also be included.)
- b. Type of trade barrier. (Paralleling the 303 report, the ten categories would be: QRs -- including "gray area" measures, licensing, customs barriers, standards, government procurement, subsidies, intellectual property rights, state trading, services and investment.)
- c. Brief description. We should consider using standard abbreviations in this category and, possibly, alpha numeric codes.
 - d. UR Negotiating Group(s) interested.
- e. Sector. (Nomenclature should be compatible with the ISACs and other private sector advisory committees.)
- ${\rm f.} \quad {\rm Tariff\ classification\ number(s),\ wherever\ available}$ or applicable.
- g. Control number. This number would be used to call up or reference the individual file.
- This computerized inventory would serve much the same purpose, and roughly resemble, the NTM inventory sheets prepared by Commerce during the Tokyo Round. In view of the diverse nature of the barriers we are dealing with, and the different ways in which they will be handled during the negotiations, the work of compiling the inventory can best be carried out by subdividing it to several different TPSC Subcommittees: effect, several separate "subinventories" will need to be undertaken each with its own timetable for completion; a different TPSC Subcommittee would be charged with the development of these Although each of these "subinventories" would inventories. contain the information specified in the standard format, they might also contain additional information -- depending on the judgment of the Subcommittee. A member of each of these Subcommittees should be designated as the control officer responsible for the development and maintenance of these inventories, subject,

of course, to the general direction and oversight of the Subcommittee chairman.

These separate "subinventories" would be as follows:

- a. Quantitative Restrictions (including licensing and customs barriers). The TPSC Subcommittee on Quantitative Restrictions would be charged with the development of this inventory.
- b. <u>Standards</u>.

 <u>Government Procurement</u> (TPSC Task Force on MTN Codes and Arrangements).
 - c. Subsidies.
 - d. State Trading.
 - e. <u>Intellectual Property</u>.
 - f. Service.
 - g. <u>Investment</u>.

A plan should be developed, through the appropriate Subcommittees for each of these components of the inventory. It should include a description of the information to be inputted and a timetable for the development of these inventories. These plans should be submitted to the TPSC for approval by August 1. The actual implementation of the plans may follow different timetables, however. For example, work has already begun on an investment inventory; in the case of intellectual property, it may be appropriate to wait until the ITC report is submitted to begin actual compilation of an inventory.

It should be noted that some of the "subinventories" cited above will be relevant to the work of more than one UR negotiating group; for example, the QR inventory will provide a basic information source for not only the NTM Negotiating Group but also Tropical Products, Agriculture, Natural Resources, and some of the MTN Codes. Thus, there will have to be close collaboration between TPSC Subcommittees in some cases although the primary responsibility for the development of the inventories will be with Subcommittees as cited above.

- 4. Besides the information encompassed by the standard format, additional elements which the Subcommittees should consider in devising their format include:
- a. Tracking. Countries interested in the NTM or which have made requests concerning the NTM.
 - b. Legal basis/GATT justification.

- c. Estimated impact on U.S. trade (and, if appropriate, on U.S. production and/or employment) of the NTMs removal; with respect to U.S. barriers, ITC advice should be referenced. U.S. organizations or industries interested or affected.
 - d. Sources of additional information on the NTM.
- e. Status of negotiations (bilateral or multilateral) on the NTM.
 - f. Relevant trade, production, and/or other data.
 - g. Length of time the NTM has been in place.
- 5. Each of the Subcommittee plans should include appropriate arrangements for soliciting and inputting private sector advice and for obtaining the views/verification of U.S. Embassies.

ANALYTICAL WORK AND RELATED DATA NEEDS

Analytical work undertaken for the UR should be seen as having one of three functions:

- 1. To "keep score," or estimate the value, of particular concessions sought or obtained.
- 2. To estimate the potential macro-economic impact of certain major initiatives underway in the UR (e.g., liberalization of international trade in services) -- or, alternatively, to estimate the costs of the status quo. This can be seen as a kind of broad score-keeping, or justification, exercise. It is important that a serious effort be made to estimate these impacts, despite the formidable technical obstacles to such analysis. The Administration may be subject to severe criticism if it cannot demonstrate that such analyses were conducted.
- 3. To provide intellectual "ammunition" to bolster support for Administration objectives in the UR.

The task of value estimation, or "keeping score" of specific concessions, is best left to the individual TPSC Subcommittees directly involved in the UR negotiations. However, in submitting their data management plans to the TPSC, each Subcommittee should explain how they intend to approach this exercise. These approaches will be examined by both the TPSC and the TPSC Subcommittee on Economic Analysis to ensure an acceptable degree of consistency. In the case of tariffs, methodologies for value estimation are well-established and generally accepted; even though they are imperfect, they are probably adequate for the task at hand. With respect to NTMs, each Subcommittee should consider the most appropriate means of measuring the value likely to result from the removal or easing of barriers; given the

complexity of such a judgment, the lack of information in many cases and the fact that precise estimates are unnecessary and likely to be unreliable, it may be that the basket approach used in the Section 303 exercise is the most reasonable approach to such evaluation. (In that report, an attempt was made to place the estimated impact of the restriction on U.S. exports in one of the following categories: less than \$5million; \$5-10 million, \$10-25 million; \$25-100 million; \$100-500 million, over \$500 million.)

With respect to the other two functions, we need to recognize that there is an enormous amount of day-to-day work that will need to be done by the TPSC Subcommittees and teams that will be driven by the vagaries of the negotiations and for which no overall direction is appropriate.

Instead, we need to focus our attention on major projects that we should, or might, pursue which will involve an input of resources far beyond the scope or capabilities of the UR teams and Subcommittees. In doing so, we need to think not only in terms of research and analysis that should be done by the Administration but also of the work that might be more effectively done outside — either by the ITC, by international organizations, by think tanks, universities, etc. (perhaps under contract or perhaps initiated by Administration suggestion). In particular, it is important that the UR Subcommittees thoroughly explore the possibilities afforded by the ITC. A series of meetings is being arranged to enable USTR Leads and others to explore these possibilities informally with ITC staff.

One area where there will clearly be a need for a major research/analysis project going well beyond the traditional compilation and analysis of trade barriers is agriculture. Here we are committed to a comprehensive negotiation dealing directly with domestic agricultural policies. We will need extensive information on these policies as well as a great deal of analytical work concerning their quantification. Although a great deal of work has already been done in this area, it is crucial to the success of the UR effort that USDA make a major commitment of resources to pursue this work. Consequently, working with Suzanne Early and through the TPSC Subcommittee on Agriculture, USDA is requested to develop a comprehensive plan for undertaking the analytical and research work necessary to support our UR This plan should include identification of negotiating efforts. work that might usefully be done by outside organizations. plan should be submitted to the TPSC by August 1.

Examples of other areas where projects might be undertaken:

1. A long-term project to improve and to systematically arrange production and employment data in service industries as well as export, import, and investment data should be considered.

- 2. State trading. A comprehensive look at the role of state-owned or controlled entities in world trade along with an analysis of the nature of their trading practices might be undertaken.
- 3. Investment. Thinkpieces on the benefits of more open investment flows both to the United States and other countries, especially the LDCs, (perhaps undertaken by outside organizations) might be useful.

The above list is illustrative. Each TPSC Subcommittee should consider major analytical research projects that would contribute to their negotiating efforts and submit their suggestions for projects to Dave Walters by July 15, 1987. With the various UR Leads and the TPSC Subcommittee on Economic Analysis, Dave will develop an initial research program (including ITC and other work -- within or outside the Administration -- that we might seek to initiate) for submission to the TPSC by August 15. Basic data needs from Commerce and other agencies should be spelled out in each element of this research program.

PRIVATE SECTOR ADVICE

Barry Goldberg's shop has already begun work on an on-line system for tracking private sector advice on the UR, which is now being discussed by the TPSC Subcommittee on Information Systems. We need to consider how the ISAC advice now being compiled by Commerce can be incorporated into the USTR system and what arrangements can be made to make the USTR system readily available to Commerce and other agencies. In devising the format for this system, efforts must be made to synchronize it with the inventories being compiled by the various Subcommittees and with their plans for obtaining private sector advice.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE EXECUTIVE OFFICE OF THE PRESIDENT

EXECUTIVE OFFICE OF THE PRESIDEN WASHINGTON 20506

June 25, 1987

TO : Members of the Trade Policy Staff Committee

FROM : Donald M. Phillips, Chairman

SUBJECT: Uruguay Round Data and Analytical Needs

Attached is TPSC Draft Document 87-106, Uruguay Round Data and Analytical Needs. I have developed this paper on the basis of informal but extensive discussions with USTR staff and the staff of several TPSC agencies. I would underline that this paper, in addition to providing a broad framework for Uruguay Round (UR) data collection and analysis, commits the TPSC agencies to a specific work program, in particular, I would point out that:

- 1. Comprehensive data development and management plans are to be developed by the following Subcommittees: Tariffs, Quantitative Restrictions, Subsidies, State Trading, Intellectual Property, Services, Investment -- and by the TPSC Task Force on MTN Codes and Arrangements. These plans are to be submitted to the TPSC by August 1.
- 2. Specific members of each of these Subcommittees should be designated as "control officers" charged with the primary responsibility for developing and implementing this plan (subject, of course, to the general direction and oversight of the Subcommittee Chairman).
- 3. The Department of Agriculture is charged with developing a comprehensive plan of analytical and research work to meet the unique needs of UR negotiations in Agriculture. This is also due by August 1.
- 4. Each TPSC Subcommittee (assigned a specific UR topic) should consider major analytical research projects that would contribute to the negotiating efforts and submit their suggestions to David Walters, USTR, by July 15. Working with these suggestions, the TPSC Subcommittee on Economic Analysis will submit an initial research program to the TPSC by August 15.

I would further point out that the attached paper does not really attempt to deal with the computer system that will be needed to handle the UR data and analytical work plan outlined.

This issue will requre a great deal of work on the part of the computer experts in the TPSC agencies as well as a great deal of contact between these experts and the various UR Subcommittees. I will be providing you with additional information on the "system" as the work progresses.

Please phone your comments/clearance to Carolyn Frank (395-7210) by close-of-business, Wednesday, July 1. Substantive questions or comments should be directed to me at 395-7210.

TPSC

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

EXECUTIVE OFFICE OF THE PRESIDENT WASHINGTON 20506

August 11, 1987

TO : Members of the Trade Policy Staff Committee

FROM : Donald M. Phillips, Chairman

SUBJECT: Uruguay Round Management Structure

For your information, attached is a memorandum from Ambassador Yeutter to the EPC announcing the new management structure for the Uruguay Round (UR) negotiations. I will be in touch with you shortly regarding the TPSC Subcommittees used to develop policies and instructions for the UR. For the most part, the organization and responsibilities of these Subcommittees will remain the same; however, we will be asking you to make sure your agency's participation in these Subcommittees is up-to-date and to make any changes you deem appropriate.

Instructions for the textile negotiating group will, incidentally, continue to be developed as part of the instructions for the market access negotiating group (tariffs, nontariff measures) for which Doug Newkirk is coordinator. Bob Shepherd of USTR/Geneva will head the U.S. delegation to meetings of this group.

THE UNITED STATES TRADE REPRESENTATIVE Executive Office of the President Washington, D.C. 20506

September 10, 1987

MEMORANDUM TO ECONOMIC POLICY COUNCIL

FROM:

CLAYTON YEUTTER

SUBJECT:

Uruquay Round Management Structure

As we enter into the next phase of activity with the Uruguay Round I would like to announce the selection of U.S. Government negotiators for each of the negotiating groups.

The selection of these negotiators is the result of an extensive process of nominations from the EPC member agencies. Out of 16 groups six negotiators from outside USTR are named. Two others are with USTR-Geneva. Above all, these are highly talented individuals who will represent the United States well.

I would also like to announce that Warren Lavorel, currently Deputy Chief of Mission at USTR-Geneva, will be returning in early October to be Coordinator of our Uruguay Round efforts in Washington, including the management structure which is being put in place today.

URUGUAY ROUND MANAGEMENT STRUCTURE

GATT Groups	USG Topic Coordinator	USG Negotiator
Surveillance	Charles Blum	Ron Sorini
Tariffs	Douglas Newkirk	Chris Marcich
Nontariff Measures	Douglas Newkirk	Nancy Adams
Tropical Products	Betsy Stillman	Ralph Ives (Commerce)
Natural Resources	Marian Barell	Don McConville (State)
Agriculture	Suzy Early	Daniel Amstutz
Safeguards	Geza Feketekuty/ Don Westmore, Assistant Coordinator	Joe Papovich
MTN Agreements	Rich Meier	Bruce Miller (Commerce)
Subsidies/CVD	General Counsel	Warren Maruyama
Investment	Bruce Wilson	Bob Cornell (Treasury)
Services	Bruce Wilson	Dick Self
Intellectual Property	Emery Simon	Mike Hathaway/ Michael Kirk (Commerce), Assistant Neg.
FOGS	Jim Frierson/ Caroyl Miller, Assistant Coordinator	Tim Bennett
Dispute Settlement	Chip Roh	Chris Parlin (USTR-Geneva)
GATT Articles	Douglas Newkirk	Don Eiss
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September 10, 1987

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

UNCLASSIFIED with
LIMITED OFFICIAL USE Attachment

August 14, 1987

TPSC

TO: Members of the Trade Policy Staff Committee

FROM : Donald M. Phillips, Chairman

SUBJECT: Conversion to the Harmonized System

Attached is TPSC Draft Document 87-123 concerning the conversion of the U.S.-Israel Free Trade Area Agreement to the Harmonized System nomenclature. The paper has been reviewed and approved by the TPSC Subcommittee on Israel (Working Group on the Harmonized System Conversion). The attachments to the paper will be supplied upon request.

Please phone your clearance to Carolyn Frank (395-7210) by noon, Wednesday, August 19. Substantive questions or comments should be phoned to Nancy Adams (395-3063).

LIMITED OFFICIAL USE

TRADE POLICY STAFF COMMITTEE

DRAFT Document 87-123

SUBJECT:

Conversion of the U.S.-Israel Free Trade Area Agreement to the Harmonized System Nomenclature

SUBMITTED BY:

Office of the United States
Trade Representative

DATE: August 14, 1987

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TPSC PAPER

CONVERSION OF U.S.-ISRAEL FREE TRADE AREA AGREEMENT TO THE HARMONIZED SYSTEM NOMENCLATURE

ISSUE: The Government of Israel has tabled requests for improvements in the U.S. offer on the conversion of the FTA to the harmonized system. The USG needs to table a formal response to their requests. The USG also needs to inform the Israelis of changes to the U.S. Harmonized System proposal which took place as a result of negotiations with other GATT parties under Article XXVIII of the GATT. Changes in the U.S. conversion offer to Israel resulting from Article XXVIII negotiations need to be tabled.

<u>RECOMMENDATIONS:</u> That the TPSC approve the recommendations developed by the TPSC Subcommittee on Israel for modifications to the U.S. offer resulting from both the Israeli requests and the Article XXVIII negotiations.

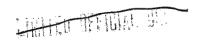
PRIVATE SECTOR ADVICE: Advisory Committee advice was sought and received on items subject to additional consideration as a result of Israeli requests. This supplemented advice received from Private Sector Advisors during the initial negotiations.

BACKGROUND:

The United States tabled its initial proposal to Israel for the conversion of the U.S.-Israel FTA to the Harmonized System in February. In June, the Government of Israel tabled requests for modification of the U.S. offer on approximately 100 items. Consultations were held with Israeli officials in Geneva June 21-24 (See TPSC 87-96) to review tariff classifications and discuss Israeli concerns regarding the initial U.S. offer on these items. During these negotiations, Israel deleted several requests and added several other requests. Concerns of the Government of Israel focused primarily on the impairment of concessions on which investments had been made as a result of the preferential staging and duties provided under the FTA. Israeli officials have requested that the U.S. review the offer on these products of concern and consider the bilateral allocations and trade, rather than solely the global allocations in making judgments in order to ensure that FTA items are not impaired solely because Israel's trade patterns differ from those of other GATT parties.

U.S. Responses to Israeli Requests

The U.S. delegation to the consultations in Geneva has reviewed the bilateral allocations and trade in the HS conversion and has developed a number of recommendations for changes to make to the TPSC. Annex A to this paper outlines the HS items in question, and the TPSC Subcommittee's recommendations.



The recommended changes in the U.S. offer were undertaken after thorough reviews of the bilateral trade and allocations to determine whether Israeli claims were substantiated. If claims were supported by these data and no strong indications of sensitivity had been received by either interagency industry analysts or private sector advisors, efforts were made to improve the offer. In fact, in many cases, part of an Israeli concern was addressed and solved as a result of independent changes during the Article XXVIII negotiations. In these cases, the Article XXVIII improvements generally were considered sufficient to provide a partial response to Israeli requests, and in most cases, the staging and rates proposed in the initial offer were retained for the remaining portions of the original item.

Changes in the textile area were undertaken only after extensive consultation on a line by line basis between U.S. Government textile experts and Israeli textile officials. Since this area was affected substantially by the conversion and it represented a high priority concession to the Israelis during the FTA negotiations, efforts were made to be somewhat forthcoming in staging and rates where U.S. sensitivity was relatively low, to show some flexibility in rates, but not stages on items with a "medium" sensitivity and to provide for no improvement in our offer on any item where sensitivity was extremely high. It should be noted that Israeli textile trade is only now developing, and the value of the U.S. concessions is generally based upon future benefits. Thus, the trade value of the concessions made in terms of standard HS conversion data is negligible.

Changes Resulting from Article XXVIII Negotiations

Changes in the U.S. offer to Israel resulting from the Article XXVIII negotiations also need to be approved. In the vast majority of cases, the Article XXVIII negotiations resulted in changes (for example x-outs) which allowed the U.S. offer to revert to the originally-negotiated FTA stage and rate. In a number of other cases, changes in allocations or reductions in the MFN rate will not affect the U.S. conversion offer to Israel. In some cases, the offer or original FTA stage could be maintained, but reductions in the MFN rate required a reduction in the offer or FTA rate to ensure that the negotiated margin of preference was maintained. In the remaining cases, involving only 73 items (of a total of 511 changes) the U.S. must revise the offer. Annex B outlines the changes to the HS resulting from the Article XXVIII negotiations and makes recommendations for changes in the U.S. offer, where necessary.

Attachments

Annex A: Recommendations for U.S. responses to Israeli Requests

Annex B: Recommendations on Article XXVIII Changes



OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

EXECUTIVE OFFICE OF THE PRESIDENT WASHINGTON 20506



UNCLASSIFIED with CONFIDENTIAL Attachment

August 14, 1987

TO : Members of the Trade Policy Staff Committee

FROM : Donald M. Phillips, Chairman

SUBJECT: Soviet Membership in the Multifiber

Arrangement

Attached is TPSC Draft Document 87-124 concerning Soviet membership in the Multifiber Arrangement.

Please phone your clearance to Carolyn Frank (395-7210) by noon, Friday, August 21. Substantive questions or comments should be phoned to Elizabeth Cummings (395-3026).

Attachment

UNCLASSIFIED with CONFIDENTIAL Attachment

CONFIDENTIAL

TRADE POLICY STAFF COMMITTEE

DRAFT Document 87-124

SUBJECT:

Soviet Membership in the Multifiber Arrangement

SUBMITTED BY:

Office of the United States
Trade Representative

DATE: August 14, 1987

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SOVIET MEMBERSHIP IN THE MULTIFIBER ARRANGEMENT

Issue

The Soviet Union is considering joining the Multifiber Arrangement (MFA) and has inquired informally about the U.S. attitude toward such a move. In addition, the Soviets have approached the EC and the GATT Secretariat in Geneva and have indicated that they plan to consult with a number of other MFA participants as well. The U.S. needs to develop a policy to respond to the Soviet approaches.

U.S. Position

The issue of MFA membership for the Soviet Union should be considered along with the broader issue of GATT accession for the Soviet Union. Although there are MFA members which are not parties to the GATT, many countries view MFA membership as one of the preliminary steps to GATT membership. The case of China, which has been a member of the MFA since 1984 and is now beginning the process of GATT accession, is a good example. In the case of the Soviet Union, however, we should not support MFA membership unless we also are willing to agree to GATT membership, which we are not prepared to do.

Background

Earlier this year, the U.S. began receiving imports of very low-priced cotton sheeting and printcloth from the Soviet Union. Imports from the Soviet Union during the first four months of 1987 were over four million square yards and we received information that the Soviet Union intended to export quantities well above this level. Prior to this, the Soviet Union had not exported cotton fabrics to the U.S. since 1977. There has been considerable Congressional interest in textile imports from the Soviet Union, especially from supporters of the textile bill.

The U.S. has requested consultations with the Soviet Union and has established a unilateral quota on cotton sheeting under Section 204 of the Agricultural Act of 1956, as amended, on cotton sheeting. This action followed an an unsuccessful round of consultations with the Soviets in Washington in early July to discuss the problem of cotton sheeting, as well as our concerns about rising Soviet textile exports to the U.S. in general. During the July consultations the Soviet delegation informed us that the U.S.S.R. felt that unilateral action on the part of the U.S. was unjustified and that the Soviet Union expected to be treated like an MFA member. We plan on holding the next round of negotiations with the Soviet Union in late August or early September.

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During consultations the Soviet delegation also informed the U.S. delegation that the Soviet Union was seriously considering MFA membership. The Soviet delegation asked what the U.S. attitude would be toward such a move. Shortly thereafter, USTR Geneva also was approached by the Soviets with the same request and we understand that the Soviets have approached the GATT Secretariat and the EC as well.

MFA membership is automatic for all contracting parties to the GATT. Non-GATT members may accede with the approval of MFA members, following a procedure established in 1974 (attached). The country wishing to join holds formal and/or informal discussions with key MFA members to find out what their reaction would be to an application for membership and what the terms of accession would be. If the potential member receives a positive response from those key MFA members, the matter may be referred to Textiles Committee for approval of formal accession. In the absence of a positive response from key MFA members, the matter still may be referred to the Textiles Committee for a decision, although in practice either the US or the EC could block membership.



PAGE PAGES

TO: FROM:

Ron Sorini Bob Shepherd

Herewith procedure for accession by non contracting parties adopted by Textiles Committee at its first meeting in March 1974 (Com. TEX/2, dated 30 April 1974).

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BY: Wh

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DATE: WIOTKT

TO: Bob Shepherd

FROM: Rom Satini

SUBJ: Textiles

B. Accession by non-contracting parties

- 13. The Chairman informed the Committee that five non-contracting parties, namely, Bulgaria, Colombia, El Salvador, Guatemala and Mexico had notified their Governments' decision to accede to the Arrangement provisionally, subject to ratification or other internal procedures. He pointed out that the accession by non-contracting parties was governed by the provisions of Article 13, paragraph 2. Thus, the Committee had to consider, firstly, the question of the terms to be agreed upon between a non-contracting party and the participating countries, and, secondly, the undertaking to be given by the non-contracting party in order to fulfil the particular condition laid down in this Article.
- 14. The Committee agreed to a proposal originally made by the representative of <u>Japan</u> concerning the standard procedure to be followed in the case of non-contracting parties wishing to accede to the Arrangement. This procedure would be as follows:
 - (i) the non-contracting party concerned would notify in writing to the Director-General of GATT as depository of the Arrangement,
 - (a) its acceptance of the Arrangement without reservation;
 - (b) its undertaking in terms of Article 13, paragraph 2, and
 - (c) in case of provisional accession the <u>de facto</u> application of the Arrangement as of the date of its provisional accession;
 - (ii) the Director-General would circulate to the participating countries in due course the notifications received from it in accordance with Article 2, paragraph 1;
 - (iii) as soon as possible thereafter the Textiles Committee would take up the matter for consideration.