THE UNITED S A . S RADE REPRESENTATIVE
Executive Off e of the Pres dent
W'ashingto D 20506

May 9, 1986

MEMORANDUM FOR JIM MURPHY/SUZY EARLY

FROM: CLAYTON YEUTTER

I had a phone call earlier this week reporting on a lunch hosted by Sir Roy Denman for Martin Sorkin, Dwayne Andreas, Mike Hall, and Bill Pearce. Derwent Renshaw of the EC was also in attendance.

The purpose of the luncheon seemingly was to intimidate these folks into supporting an alteration of the U.S. position re EC enlargement. In essence Denman said that if we continue to press this issue, the European Community will place restrictions on corn gluten feed and soybean meal. Such action would obviously hurt Pearce and his Cargill colleagues, since they presumably deal in both products, as does Andreas and ADM. It would also hurt corn growers, who are represented by Hall here in Washington, D.C. Sorkin represents ADM and a number of other grain and soybean exporters.

Andreas apparently responded for the U.S. group, saying that he thought such action by the EC would be short-sighted, and that they would only hurt themselves. He then went on to tell Denman and Renshaw that he thought they were taking the low road in this controversy, and that it is they who ought to alter their position. Andreas suggested that instead of spending all their time and energy on a short term controversy such as this, they ought to be looking down the road to the future. Instead of dumping vast quantities of agricultural products on the world market, which brings on controversies such as this, they ought to enact a major conservation reserve program, taking significant amounts of land out of production. In addition, they ought to join with the United States in doing more to feed the hungry around the world. Andreas told them that if they were to become committed to these two courses of action, most of their international controversies in agriculture would disappear, and they would save money in the process because world market prices would rise. He added that this would dramatically reduce their economic warfare with the U.S., and would be great public relations with the rest of the world.

I am told that Denman and Renshaw were shocked by the response, and placed very much on the defensive. The meeting terminated inconclusively, of course, but it ought to provoke some interesting cable traffic back to Brussels!

cc: ~~R. Lyng~~, A. Kingon, M. Smith, A. Woods, D. McMinn, B. Sprinkel, J. Svahn

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 25, 1986

Dear Charles:

Enclosed are some confidential materials that may be useful to you in drafting your proposed statement for CEA Chairmen.

This material is a little short on information concerning the vetoed textile bill and I will send some additional information as soon as I can get it.

Sincerely yours,

Beryl W. Sprinkel

Mr. Charles Schultze
The Brookings Institution Ave., N. W.
1775 Massachusetts Avenue, N. W.
Washington, D. C. 20036

THE WHITE HOUSE

WASHINGTON

August 4, 1986

MEMORANDUM FOR BERYL W. SPRINKEL
CHAIRMAN
COUNCIL OF ECONOMIC ADVISORS

FROM: JAY B. STEPHENS
DEPUTY COUNSEL TO THE PRESIDENT

SUBJECT: CEA Analysis of President's Veto of Textile Bill

We have reviewed the above-referenced analysis and have no comments.

cc: David L. Chew

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 25, 1986

Dear Herb:

Enclosed are some confidential materials that may be useful to you in drafting your proposed statement for CEA Chairmen.

This material is a little short on information concerning the vetoed textile bill and I will send some additional information as soon as I can get it.

Sincerely yours,

Beryl W. Sprinkel

Beryl W. Sprinkel

Mr. Herbert Stein
The American Enterprise Institute
1150-Seventeenth St., N. W.
Washington, D. C. 20036

Statement on Purpo
HR 4750
VP 4R 11-7-85
BWS memo to cuttle
5-15-86
White paper
4/8/86 testimony
by Yeutter
Pres's veto message
12-17-85

MEMORANDUM

COUNCIL OF ECONOMIC ADVISERS

April 28, 1987

TO: STEVEN HUSTED

FROM: DOUGLAS IRWIN

SUBJECT: Textile Model

According to a new CEA textile model, preliminary estimates of the five year consumer costs of new textile and apparel trade restrictions range from approximately $25 billion to $37 billion.

The CEA model was designed to estimate the total cost of the Textile and Apparel Trade Act of 1987 which was introduced into both houses of Congress in February. Using 1986 import levels as a base, the bill would restrict the growth of textile and apparel imports to one percent a year. Unlike last year's bill, which exempted the EC and Canada, these restrictions would apply to all countries exporting to the United States. This legislation is said to be consistent with the escape clause provisions of the GATT.

As with last year's textile bill, the Council has developed a static, partial equilibrium model to estimate the consumer costs of the import restraints. The model developed this year is based on the Council's previous model and on one used by FTC economists. The model treats domestic and imported apparel and textiles as imperfect substitutes. In addition, changes in the textile market, an intermediate good in apparel production, are allowed to affect the apparel market.

The model was designed to answer the following question: what would have been the consumer costs of limiting textile and apparel imports to one percent growth in 1986 (from 1985 levels), and in years thereafter. For the first year cost estimates (i.e. 1986), the model is calibrated with actual 1986 data. Then imports are constrained to equal 101 percent of 1985 levels, and a new equilibrium is calculated. The consumer cost, deadweight losses, and new rents gained by domestic importers are included in the economic cost measurement. (The consumer cost result for textiles is multiplied by 0.6 to avoid double counting the cost passed through to the apparel market.)

The model calculates the out-year cost estimates based on the assumption that, without the bill, domestic production of both products would continue to increase at average 1979 - 1985 rates of growth (about 5 percent a year for both textiles and apparel). Imports of both products grew at about a 15 percent rate from 1979 - 1985, but are constrained to grow at a 1 percent rate in the model. Thus, the consumer costs increase in the out-years as the quotas become more binding.

The actual cost figure depends on the elasticity assumptions, the data used for calibration, and the projected growth rates. The estimates of the consumer costs produced by the model were consistent over a range of parameter values, but the cost estimate does vary depending on the assumptions.

Attached are two sample results generated by the model, where domestic supply and demand elasticities are altered. The table below summarizes the results.

Elasticity Assumptions			5-year Consumer Costs
	Demand	Supply	
Textile	-0.46	5	$25 billion
Apparel	-1.75	5	
Textile	-1.0	3.5	$37 billion
Apparel	-1.0	3.5	

Attachments

APPAREL

$\ln Q = a0 + a1\ln P + a2\ln p$
$\ln q = b0 + b1\ln P + b2\ln p$
$\ln Q = c0 + c1\ln P + c2\ln Pt + c3\ln pt$
$f(p) = q^*$

TEXTILES

$\ln Qt = x0 + x1\ln Pt + x2\ln pt + x3\ln Q$
$\ln qt = z0 + z1\ln Pt + z2\ln pt + z3\ln Q$
$\ln Qt = y0 + y1\ln Pt$
$f(pt) = qt$

a1	-1.75
a2	1.35
b1	4.65
b2	-5.05
c1	5
c2	-1.8
c3	-0.2
x1	-0.46
x2	0.3
x3	0.4
y1	5
=	=
z1	4.34
z2	-4.5
z3	0.4
a0	3.937495
b0	2.899826
c0	3.937495
x0	2.391853
y0	3.966852
z0	-0.15526

1986		
Q	51.29	
P	1	
q	18.171	15.867
p	1	
Qt	52.818	
Pt	1	
qt	4.136	3.653
pt	1	

OUTYEAR PROJECTIONS

		1986	1987	1988	1989	1990
Q	1.06	51.29	54.3674	57.62944	61.08721	64.75244
q	1.15	18.171	20.89665	24.03114	27.63581	31.78119
Qt	1.04	52.818	54.93072	57.12794	59.41306	61.78958
qt	1.14	4.136	4.71504	5.375145	6.127665	6.985539
q*	1.01	15.867	16.02567	16.18592	16.34778	16.51126
qt*	1.01	3.653	3.68953	3.726425	3.763689	3.801326

1	1.75	-1.35	0	0	0	3.937495
1	-5	0	0	1.8	0.2	3.937495
0	4.65	-5.05	0	0	0	-0.13558
-0.4	0	0	1	0.46	-0.3	2.391853
0	0	0	1	-5	0	3.966852
0.4	0	0	0	4.34	-4.5	1.450817

0.892967	0.090534	-0.23871	-0.03489	0.034894	0.006350	3.969073
0.211137	-0.17859	-0.05644	0.068833	-0.06883	-0.01252	0.009208
0.194413	-0.16444	-0.24999	0.063381	-0.06338	-0.01153	0.035327
0.368424	0.037353	-0.09848	0.952596	0.047403	-0.06184	3.987885
0.073684	0.007470	-0.01969	0.190519	-0.19051	-0.01236	0.004206
0.150439	0.015252	-0.04021	0.180643	-0.18064	-0.24358	0.034459

NEW VALUES

52.93545	Q
1.009250	P
1.035959	p
53.94073	Qt
1.004215	Pt
1.035060	pt

TOTAL CONSUMER COST

	apparel	textiles	total
domestic	0.482088	0.135016	0.617105
new rents	0.570561	0.128075	0.698637
deadweight	0.041424	0.008467	0.049891
[illegible]	1.094074	0.271559	1.365634

```
ln Q = a0 + a1lnP + a2lnp                ln Qt = x0 + x1lnPt + x2lnpt + x3lnQ
ln q = b0 + b1lnP + b2lnp                ln qt = z0 + z1lnPt + z2lnpt + z3lnQ
ln Q = c0 + c1lnP + c2lnPt + c3lnpt      ln Qt = y0 + y1lnPt
f(p) = q*                                f(pt) = qt
```

a1	-1.75
a2	1.35
b1	4.65
b2	-5.05
c1	5
c2	-1.8
c3	-0.2
x1	-0.46
x2	0.3
x3	0.4
y1	5
=	=
z1	4.34
z2	-4.5
z3	0.4
a0	3.995764
b0	3.039588
c0	3.995764
x0	2.407766
y0	4.006072
z0	-0.04754

1987		
Q	54.3674	
P	1	
q	20.89665	16.02567
p	1	
Qt	54.93072	
Pt	1	
qt	4.71504	3.68953
pt	1	

OUTYEAR PROJECTIONS

		1986	1987	1988	1989	1990
Q	1.06	51.29	54.3674	57.62944	61.08721	64.75244
q	1.15	18.171	20.89665	24.03114	27.63581	31.78119
Qt	1.04	52.818	54.93072	57.12794	59.41306	61.78958
qt	1.14	4.136	4.71504	5.375145	6.127665	6.985539
q*	1.01	15.867	16.02567	16.18592	16.34778	16.51126
qt*	1.01	3.653	3.68953	3.726425	3.763689	3.801326

1	1.75	-1.35	0	0	0	3.995764
1	-5	0	0	1.8	0.2	3.995764
0	4.65	-5.05	0	0	0	-0.26539
-0.4	0	0	1	0.46	-0.3	2.407766
0	0	0	1	-5	0	4.006072
0.4	0	0	0	4.34	-4.5	1.353047

0.892967	0.090534	-0.23871	0.03489	0.034894	0.006350	4.057561
0.211137	-0.17859	-0.05644	0.068833	-0.06883	-0.01252	0.018051
0.194413	-0.16444	-0.24999	0.063381	-0.06338	-0.01153	0.069175
0.368424	0.037353	-0.09848	0.952596	0.047403	-0.06184	4.047379
0.073684	0.007470	-0.01969	0.190519	-0.19051	-0.01236	0.008261
0.150439	0.015252	-0.04021	0.180643	-0.18064	-0.23358	0.067962

NEW VALUES

57.83310	Q
1.018215	P
1.071624	p
57.24726	Qt
1.008295	Pt
1.070325	pt

TOTAL CONSUMER COST

	apparel	textiles	total
domestic	1.021914	0.279176	1.301091
new rents	1.147834	0.259467	1.407301
deadweight	0.174441	0.036059	0.210501
total	2.344190	0.574702	2.918892

APPAREL

$\ln Q = a0 + a1\ln P + a2\ln p$
$\ln q = b0 + b1\ln P + b2\ln p$
$\ln Q = c0 + c1\ln P + c2\ln Pt + c3\ln pt$
$f(p) = q^*$

TEXTILES

$\ln Qt = x0 + x1\ln Pt + x2\ln pt + x3\ln Q$
$\ln qt = z0 + z1\ln Pt + z2\ln pt + z3\ln Q$
$\ln Qt = y0 + y1\ln Pt$
$f(pt) = qt$

			1988	
a1	-1.75	Q	57.62944	
a2	1.35	P	1	
b1	4.65	q	24.03114	16.18592
b2	-5.05	p	1	
c1	5	Qt	57.12794	
c2	-1.8	Pt	1	
c3	-0.2	qt	5.375145	3.726425
x1	-0.46	pt	1	
x2	0.3			
x3	0.4			
y1	5			
=	=			
z1	4.34			
z2	-4.5			
z3	0.4			
a0	4.054033			
b0	3.179350			
c0	4.054033			
x0	2.423680			
y0	4.045293			
z0	0.060172			

OUTYEAR PROJECTIONS

		1986	1987	1988	1989	1990
Q	1.06	51.29	54.3674	57.62944	61.08721	64.75244
q	1.15	18.171	20.89665	24.03114	27.63581	31.78119
Qt	1.04	52.818	54.93072	57.12794	59.41306	61.78958
qt	1.14	4.136	4.71504	5.375145	6.127665	6.985539
q*	1.01	15.867	16.02567	16.18592	16.34778	16.51126
qt*	1.01	3.653	3.68953	3.726425	3.763689	3.801326

1	1.75	-1.35	0	0	0	4.054033
1	-5	0	0	1.8	0.2	4.054033
0	4.65	-5.05	0	0	0	-0.39520
-0.4	0	0	1	0.46	-0.3	2.423680
0	0	0	1	-5	0	4.045293
0.4	0	0	0	4.34	-4.5	1.255277

0.892967	0.090534	-0.23871	-0.03489	0.034894	0.006350	4.146049
0.211137	-0.17859	-0.05644	0.068833	-0.06883	-0.01252	0.026895
0.194413	-0.16444	-0.24999	0.063381	-0.06338	-0.01153	0.103024
0.368424	0.037353	-0.09848	0.952596	0.047403	-0.06184	4.106873
0.073684	0.007470	-0.01969	0.190519	-0.19051	-0.01236	0.012316
0.150439	0.015252	-0.04021	0.180643	-0.18064	-0.23358	0.101465

NEW VALUES
63.18388 Q
1.027260 P
1.108518 p
60.75649 Qt
1.012392 Pt
1.106791 pt

TOTAL CONSUMER COST

	apparel	textiles	total
domestic	1.646715	0.438256	2.084971
new rents	1.756470	0.397951	2.154421
deadweight	0.425675	0.088034	0.513710
total	3.828861	0.924241	4.753103

APPAREL

ln Q = a0 + a1lnP + a2lnp
ln q = b0 + b1lnP + b2lnp
ln Q = c0 + c1lnP + c2lnPt + c3lnpt
f(p) = q*

TEXTILES

ln Qt = x0 + x1lnPt + x2lnpt + x3ln0
ln qt = z0 + z1lnPt + z2lnpt + z3ln0
ln Qt = y0 + y1lnPt
f(pt) = qt

a1	-1.75
a2	1.35
b1	4.65
b2	-5.05
c1	5
c2	-1.8
c3	-0.2
x1	-0.46
x2	0.3
x3	0.4
y1	5
=	=
z1	4.34
z2	-4.5
z3	0.4
a0	4.112302
b0	3.319112
c0	4.112302
x0	2.439593
y0	4.084514
z0	0.167892

1989		
Q	61.08721	
P	1	
q	27.63581	16.34778
p	1	
Qt	59.41306	
Pt	1	
qt	6.127665	3.763689
pt	1	

OUTYEAR PROJECTIONS

		1986	1987	1988	1989	1990
Q	1.06	51.29	54.3674	57.62944	61.08721	64.75244
q	1.15	18.171	20.89665	24.03114	27.63581	31.78119
Qt	1.04	52.818	54.93072	57.12794	59.41306	61.78958
qt	1.14	4.136	4.71504	5.375145	6.127665	6.985539
q*	1.01	15.867	16.02567	16.18592	16.34778	16.51126
qt*	1.01	3.653	3.68953	3.726425	3.763689	3.801326

1	1.75	-1.35	0	0	0	4.112302
1	-5	0	0	1.8	0.2	4.112302
0	4.65	-5.05	0	0	0	-0.52502
-0.4	0	0	1	0.46	-0.3	2.439593
0	0	0	1	-5	0	4.084514
0.4	0	0	0	4.34	-4.5	1.137506

0.892967	0.090534	-0.23871	-0.03489	0.034894	0.006350	4.234537
0.211137	-0.17859	-0.05644	0.068833	-0.06883	-0.01252	0.035739
0.194413	-0.16444	-0.24999	0.063381	-0.06338	-0.01153	0.136872
0.368424	0.037353	-0.09848	0.952596	0.047403	-0.06184	4.166367
0.073684	0.007470	-0.01969	0.190519	-0.19051	-0.01236	0.016370
0.150439	0.015252	-0.04021	0.180643	-0.18064	-0.23358	0.134968

NEW VALUES

69.02972	Q
1.036385	P
1.146682	p
64.48083	Qt
1.016505	Pt
1.144500	pt

TOTAL CONSUMER COST

	apparel	textiles	total
domestic	2.367182	0.613479	2.980661
new rents	2.397929	0.543854	2.941784
deadweight	0.827876	0.170797	0.998674
total	5.592988	1.328131	6.921120

APPAREL

ln Q = a0 + a1lnP + a2lnp
ln q = b0 + b1lnP + b2lnp
ln Q = c0 + c1lnP + c2lnPt + c3lnpt
f(p) = q*

a1	-1.75
a2	1.35
b1	4.65
b2	-5.05
c1	5
c2	-1.8
c3	-0.2
x1	-0.46
x2	0.3
x3	0.4
y1	5
=	=
z1	4.34
z2	-4.5
z3	0.4
a0	4.170571
b0	3.458874
c0	4.170571
x0	2.455506
y0	4.123734
z0	0.275613

NEW VALUES
75.41642 Q
1.045591 P
1.186159 p
68.43346 Qt
1.020635 Pt
1.183494 pt

TEXTILES

ln Qt = x0 + x1lnPt + x2lnpt + x3lnQ
ln qt = z0 + z1lnPt + z2lnpt + z3lnQ
ln Qt = y0 + y1lnPt
f(pt) = qt

	1990	
Q	64.75244	
P	1	
q	31.78119	16.51126
p	1	
Qt	61.78958	
Pt	1	
qt	6.985539	3.801326
pt	1	

OUTYEAR PROJECTIONS

		1986	1987	1988	1989	1990
Q	1.06	51.29	54.3674	57.62944	61.08721	64.75244
q	1.15	18.171	20.89665	24.03114	27.63581	31.78119
Qt	1.04	52.818	54.93072	57.12794	59.41306	61.78958
qt	1.14	4.136	4.71504	5.375145	6.127665	6.985539
q*	1.01	15.867	16.02567	16.18592	16.34778	16.51126
qt*	1.01	3.653	3.68953	3.726425	3.763689	3.801326

1	1.75	-1.35	0	0	0	4.170571
1	-5	0	0	1.8	0.2	4.170571
0	4.65	-5.05	0	0	0	-0.65483
-0.4	0	0	1	0.46	-0.3	2.455506
0	0	0	1	-5	0	4.123734
0.4	0	0	0	4.34	-4.5	1.059736

0.892967	0.090534	-0.23871	-0.03489	0.034894	0.006356	4.325025
0.211137	-0.17859	-0.05644	0.068833	-0.06883	-0.01252	0.044582
0.194413	-0.16444	-0.24999	0.063381	-0.06338	-0.01153	0.170721
0.368424	0.037353	-0.09848	0.952596	0.047403	-0.06184	4.225862
0.073684	0.007470	-0.01969	0.190519	-0.19051	-0.01236	0.020425
0.150439	0.015252	-0.04021	0.180643	-0.18064	-0.23358	0.168471

TOTAL CONSUMER COST

	apparel	textiles	total
domestic	3.195253	0.806163	4.001416
new rents	3.073735	0.697520	3.771255
deadweight	1.421324	0.292142	1.713466
total	7.690312	1.795826	9.486138

APPAREL

ln Q = a0 + a1lnP + a2lnp
ln q = b0 + b1lnP + b2lnp
ln Q = c0 + c1lnP + c2lnPt + c3lnpt
f(p) = q*

TEXTILES

ln Qt = x0 + x1lnPt + x2lnpt + x3ln0
ln qt = z0 + z1lnPt + z2lnpt + z3ln0
ln Qt = y0 + y1lnPt
f(pt) = qt

			1990	
a1	-1	Q	64.75244	
a2	1.35	P	1	
b1	4.65	q	31.78119	16.51126
b2	-5.05	p	1	
c1	3.5	Qt	61.78958	
c2	-1.8	Pt	1	
c3	-0.2	qt	6.985539	3.801326
x1	-1	pt	1	
x2	0.3			
x3	0.4			
y1	3.5			
=	=			
z1	4.34			
z2	-4.5			
z3	0.4			
a0	4.170571			
b0	3.458874			
c0	4.170571			
x0	2.455506			
y0	4.123734			
z0	0.275613			

OUTYEAR PROJECTIONS

		1986	1987	1988	1989	1990
Q	1.06	51.29	54.3674	57.62944	61.08721	64.75244
q	1.15	18.171	20.89665	24.03114	27.63581	31.78119
Qt	1.04	52.818	54.93072	57.12794	59.41306	61.78958
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q*	1.01	15.867	16.02567	16.18592	16.34778	16.51126
qt*	1.01	3.653	3.68953	3.726425	3.763689	3.801326

1	1	-1.35	0	0	0	4.170571
1	-3.5	0	0	1.8	0.2	4.170571
0	4.65	-5.05	0	0	0	-0.65483
-0.4	0	0	1	1	-0.3	2.455506
0	0	0	1	-3.5	0	4.123734
0.4	0	0	0	4.34	-4.5	1.059736

1.092546	-0.07587	-0.29206	0.035911	-0.03591	-0.00576	4.365334
0.380742	-0.31215	-0.10178	0.147742	-0.14774	-0.02372	0.081085
0.350584	-0.28743	-0.29174	0.136039	-0.13603	-0.02184	0.204332
0.387477	-0.02690	-0.10358	0.843958	0.156041	-0.05745	4.226528
0.110707	-0.00768	-0.02959	0.241131	-0.24113	-0.01641	0.029369
0.203886	-0.01415	-0.05450	0.235749	-0.23574	-0.23856	0.180858

NEW VALUES
78.67574 Q
1.084463 P
1.226706 p
68.47907 Qt
1.029805 Pt
1.198245 pt

TOTAL CONSUMER COST

	apparel	textiles	total
domestic	6.057254	1.164799	7.222054
new rents	3.743208	0.753594	4.496803
deadweight	1.730895	0.315627	2.046522

APPAREL

$\ln Q = a0 + a1\ln P + a2\ln p$
$\ln q = b0 + b1\ln P + b2\ln p$
$\ln Q = c0 + c1\ln P + c2\ln Pt + c3\ln pt$
$f(p) = q*$

TEXTILES

$\ln Qt = x0 + x1\ln Pt + x2\ln pt + x3\ln Q$
$\ln qt = z0 + z1\ln Pt + z2\ln pt + z3\ln Q$
$\ln Qt = y0 + y1\ln Pt$
$f(pt) = qt$

a1	-1
a2	1.35
b1	4.65
b2	-5.05
c1	3.5
c2	-1.8
c3	-0.2
x1	-1
x2	0.3
x3	0.4
y1	3.5
=	=
z1	4.34
z2	-4.5
z3	0.4
a0	4.112302
b0	3.319112
c0	4.112302
x0	2.439593
y0	4.084514
z0	0.167892

1989	
Q	61.08721
P	1
q	27.63581 16.14778
p	1
Qt	59.41306
Pt	1
qt	6.127665 3.763689
pt	1

OUTYEAR PROJECTIONS

	1986	1987	1988	1989	1990
Q	1.06	51.29	54.3674	57.62944	61.08721	64.75244
q	1.15	18.171	20.89665	24.03114	27.63581	31.78119
Qt	1.04	52.818	54.93072	57.12794	59.41306	61.78958
qt	1.14	4.136	4.71504	5.375145	6.127665	6.985539
q*	1.01	15.867	16.02567	16.18592	16.34778	16.51126
qt*	1.01	3.653	3.68953	3.726425	3.763689	3.801326

1	1	-1.35	0	0	0	4.112302
1	-3.5	0	0	1.8	0.2	4.112302
0	4.65	-5.05	0	0	0	-0.52502
-0.4	0	0	1	1	-0.3	2.439593
0	0	0	1	-3.5	0	4.084514
0.4	0	0	0	4.34	-4.5	1.157506

1.092546	-0.07587	-0.29706	0.035911	-0.03591	-0.00576	4.268454
0.380742	-0.31215	-0.10178	0.147742	-0.14774	-0.02372	0.065000
0.350584	-0.28743	-0.29174	0.136039	-0.13603	-0.02184	0.163816
0.387477	-0.02690	-0.10358	0.843958	0.156041	-0.05745	4.166904
0.110707	-0.00768	-0.02959	0.241131	-0.24113	-0.01641	0.023539
0.203886	-0.01415	-0.05400	0.235749	-0.23574	-0.23856	0.144897

NEW VALUES
71.41116 Q
1.067159 P
1.177998 p
64.51540 Qt
1.023819 Pt
1.155920 pt

TOTAL CONSUMER COST

	apparel	textiles	total
domestic	4.449273	0.885564	5.334837
new rents	2.909879	0.586838	3.496717
deadweight	1.004625	0.184296	1.188922
total	8.363799	1.656699	10.02049

APPAREL

ln Q = a0 + a1lnP + a2lnp
ln q = b0 + b1lnP + b2lnp
ln Q = c0 + c1lnP + c2lnPt + c3lnpt
f(p) = q*

TEXTILES

ln Qt = x0 + x1lnPt + x2lnpt + x3ln0
ln qt = z0 + z1lnPt + z2lnpt + z3ln0
ln Qt = y0 + y1lnPt
f(pt) = qt

a1	-1
a2	1.35
b1	4.65
b2	-5.05
c1	3.5
c2	-1.8
c3	-0.2
x1	-1
x2	0.3
x3	0.4
y1	3.5
=	=
z1	4.34
z2	-4.5
z3	0.4
a0	4.054033
b0	3.179350
c0	4.054033
x0	2.423680
y0	4.045293
z0	0.060172

	1988		
Q	57.62944		
P	1		
q	24.03114	16.18592	
p	1		
Qt	57.12794		
Pt	1		
qt	5.375145	3.726425	
pt	1		

OUTYEAR PROJECTIONS

		1986	1987	1988	1989	1990
Q	1.06	51.29	54.3674	57.62944	61.08721	64.75244
q	1.15	18.171	20.89665	24.03114	27.63581	31.78119
Qt	1.04	52.818	54.93072	57.12794	59.41306	61.78958
qt	1.14	4.136	4.71504	5.375145	6.127665	6.985539
q*	1.01	15.867	16.02567	16.18592	16.34778	16.51126
qt*	1.01	3.653	3.68953	3.726425	3.763689	3.801326

1	1	-1.35	0	0	0	4.054033
1	-3.5	0	0	1.8	0.2	4.054033
0	4.65	-5.05	0	0	0	-0.39520
-0.4	0	0	1	1	-0.3	2.423680
0	0	0	1	-3.5	0	4.045293
0.4	0	0	0	4.34	-4.5	1.255277

1.092546	-0.07587	-0.29206	0.035911	-0.03591	-0.00576	4.171573
0.380742	-0.31215	-0.10178	0.147742	-0.14774	-0.02372	0.048915
0.350584	-0.28743	-0.29174	0.136039	-0.13603	-0.02184	0.123300
0.387477	-0.02690	-0.10358	0.843958	0.156041	-0.05745	4.107279
0.110707	-0.00768	-0.02959	0.241131	-0.24113	-0.01641	0.017710
0.203886	-0.01415	-0.05450	0.235749	-0.23574	-0.23856	0.108936

NEW VALUES
64.81735 Q
1.050132 P
1.131224 p
60.78116 Qt
1.017868 Pt
1.115091 pt

TOTAL CONSUMER COST

	apparel	textiles	total
domestic	3.069258	0.632046	3.701305
new rents	2.123988	0.428881	2.552869
deadweight	0.514742	0.094877	0.609619
total	5.707989	1.155805	6.863795

APPAREL

ln Q = a0 + a1lnP + a2lnp
ln q = b0 + b1lnP + b2lnp
ln Q = c0 + c1lnP + c2lnPt + c3lnpt
f(p) = q*

TEXTILES

ln Qt = x0 + x1lnPt + x2lnpt + x3lnQ
ln qt = z0 + z1lnPt + z2lnpt + z3lnQ
ln Qt = y0 + y1lnPt
f(pt) = qt

a1	-1
a2	1.35
b1	4.65
b2	-5.05
c1	3.5
c2	-1.8
c3	-0.2
x1	-1
x2	0.3
x3	0.4
y1	3.5
=	=
z1	4.34
z2	-4.5
z3	0.4
a0	3.995764
b0	3.039588
c0	3.995764
x0	2.407766
y0	4.006072
z0	-0.04754

	1987	
Q	54.3674	
P	1	
q	20.89665	16.02567
p	1	
Qt	54.93072	
Pt	1	
qt	4.71504	3.68953
pt	1	

OUTYEAR PROJECTIONS

	1986	1987	1988	1989	1990
Q	1.06	51.29	54.3674	57.62944	61.08721	64.75244
q	1.15	18.171	20.89665	24.03114	27.63581	31.78119
Qt	1.04	52.818	54.93072	57.12794	59.41306	61.78958
qt	1.14	4.136	4.71504	5.375145	6.127665	6.985539
q*	1.01	15.867	16.02567	16.18592	16.34778	16.51126
qt*	1.01	3.653	3.68953	3.726425	3.763689	3.801326

1	1	-1.35	0	0	0		3.995764
1	-3.5	0	0	1.8	0.2		3.995764
0	4.65	-5.05	0	0	0		-0.26539
-0.4	0	0	1	1	-0.3		2.407766
0	0	0	1	-3.5	0		4.006072
0.4	0	0	0	4.34	-4.5		1.353047

1.092546	-0.07587	-0.29206	0.035911	-0.03591	-0.00576	4.074692
0.380742	-0.31215	-0.10178	0.147742	-0.14774	-0.02372	0.032831
0.350584	-0.28743	-0.29174	0.136039	-0.13603	-0.02184	0.082784
0.387477	-0.02690	-0.10358	0.843958	0.156041	-0.05745	4.047655
0.110707	-0.00768	-0.02959	0.241131	-0.24113	-0.01641	0.011880
0.203886	-0.01415	-0.05450	0.235749	-0.23574	-0.23856	0.072976

NEW VALUES
58.83239 Q
1.033375 P
1.086307 p
57.26306 Qt
1.011951 Pt
1.075704 pt

TOTAL CONSUMER COST

	apparel	textiles	total
domestic	1.887076	0.402273	2.291350
new rents	1.383137	0.279515	1.662653
deadweight	0.210201	0.038818	0.249019
total	3.480415	0.720407	4.202822

APPAREL	TEXTILES
ln Q = a0 + a1lnP + a2lnp	ln Qt = x0 + x1lnPt + x2lnpt + x3lnQ
ln q = b0 + b1lnP + b2lnp	ln qt = z0 + z1lnPt + z2lnpt + z3lnQ
ln Q = c0 + c1lnP + c2lnPt + c3lnpt	ln Qt = y0 + y1lnPt
f(p) = q*	f(pt) = qt

a1	-1
a2	1.35
b1	4.65
b2	-5.05
c1	3.5
c2	-1.8
c3	-0.2
x1	-1
x2	0.3
x3	0.4
y1	3.5
=	=
z1	4.34
z2	-4.5
z3	0.4
a0	3.937495
b0	2.899826
c0	3.937495
x0	2.391853
y0	3.966852
z0	-0.15526

	1986	
Q	51.29	
P	1	
q	18.171	15.867
p	1	
Qt	52.818	
Pt	1	
qt	4.136	3.653
pt	1	

OUTYEAR PROJECTIONS

		1986	1987	1988	1989	1990
Q	1.06	51.29	54.3674	57.62944	61.08721	64.75244
q	1.15	18.171	20.89665	24.03114	27.63581	31.78119
Qt	1.04	52.818	54.93072	57.12794	59.41306	61.78958
qt	1.14	4.136	4.71504	5.375145	6.127665	6.985539
q*	1.01	15.867	16.02567	16.18592	16.34778	16.51126
qt*	1.01	3.653	3.68953	3.726425	3.763689	3.801326

1	1	-1.35	0	0	0		3.937495
1	-3.5	0	0	1.8	0.2		3.937495
0	4.65	-5.05	0	0	0		-0.13558
-0.4	0	0	1	1	-0.3		2.391853
0	0	0	1	-3.5	0		3.966852
0.4	0	0	0	4.34	-4.5		1.450817

1.092546	-0.07587	-0.29206	0.035911	-0.03571	-0.00576	3.977811
0.380742	-0.31215	-0.10178	0.147742	-0.14774	-0.02372	0.016746
0.350584	-0.28743	-0.29174	0.136039	-0.13603	-0.02184	0.042268
0.387477	-0.02690	-0.10358	0.843958	0.156041	-0.05745	3.988031
0.110707	-0.00768	-0.02959	0.241131	-0.24113	-0.01641	0.006051
0.203886	-0.01415	-0.05450	0.235749	-0.23574	-0.23856	0.037015

NEW VALUES

53.40006	Q
1.016887	P
1.043174	p
53.94860	Qt
1.006069	Pt
1.037709	pt

TOTAL CONSUMER COST

	apparel	textiles	total
domestic	0.883960	0.194412	1.078372
new rents	0.685047	0.137751	0.822799
deadweight	0.049736	0.009106	0.058842
total	1.618744	0.341270	1.960013

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

August 5, 1987

NOTE FOR LYN WITHEY

Here is the draft letter on opposing passage of H.R. 1154 which you requested. Please send me the list of addressees which we discussed over the phone today.

BWS

Beryl -
see my suggested edits to clarify some of your points
- I would suggest an additional reference to the fact that this bill does not enhance competitiveness, and transfers burden to other sectors in the form of lost jobs due to retaliation and market inefficiencies.
Letter should be addressed to:
Speaker Wright
Bob Michel, Republican Leader
[redacted]
We can then make copies available to committee and floor leaders. Lyn

Beryl W. Sprinkel
Chairman

August __, 1987

Dear _____:

I am writing ~~to~~ in oppose ~~passage of~~ against H.R. 1154, the Textile and Apparel Trade Act of 1987. Among specialists in trade policy, protectionism in textiles and apparel is routinely cited as among the worst and most damaging of our trade policies. In a world where Japan's average tariff level is 5.4 percent, the European Community's is 6 percent, and the United States'is 4.9 percent, our textiles and apparels industry stand out with a protection rate of 19 percent. Now H.R. 1154 seeks to expand what is already an unfair, unwise, and unusual level of protection. This is precisely the type of legislation that ~~we do not want to be passing.~~ should not be passed.

Far from needing a further boost of protection, the textile and apparel industry in the United States is quite robust. Domestic textile production rose last year 6-1/2 percent while profits rose 67 percent. In the first quarter of this year profits were again up by 11.8 percent. The combined employment in textiles and apparel in the January to June period of this year has risen by 21,000 jobs when compared to the same period last year. Capacity utilization, another measure of industry expansion, was up 8.8 percentage points for textiles in January to April of this year over the previous year, while apparel showed a 3.3 percentage point increase over the same period. While no industry is

guaranteed growth forever, these are not the figures of a beleaguered and suffering industry in need of more help from the American consumer. Yet this is what the bill would do.

To put the impact of this bill in perspective, we estimate the cost to consumers for H.R. 1154 to be in the range of $25 to $37 billion in the first five years. These costs are in addition to the costs which consumers already bear for the protection in place. Even though these costs are hidden ~~from consumers~~, they represent a very real drop in the standard of living of American ~~workers~~ consumers. This is why this type of legislation is so insidious. Many Americans who work hard for their living will not understand why their incomes simply do not seem to go as far in providing for their family's needs. Even $1 billion in loss is a noticeable burden representing $11.30 for every American family. This bill is equivalent, therefore, to reducing the clothing budget of every family in the country over the period cited by $280 to $420. Given that median family income is $29,460 before deduction of Social Security tax, Federal taxes, and State and local taxes, and that clothing is around 6.3 percent of the family's budget, you can see that this bill is a noticeable additional burden to be placed on the household.

H.R. 1154 imposes costs in the ~~obvious~~ form of higher prices to households, but also in the form of inefficiencies which are fomented in the textile and apparel market. Because of these inefficiencies, ~~part of the money taken from households will not~~ consumers will not benefit from improvements in productivity & quality, increase choice, and lower costs which would accrue from an efficient industry in a competitive environment. This bill would do nothing to enhance the competitive position of American industry, but only further

accrue to the textile and apparel industry or to anyone else. It is completely lost to the system and therefore wasted.

~~Finally,~~ The costs of the bill will inevitably be unequally placed on families with the heaviest burden on low income households for whom clothing is a larger fraction of their budget. ~~In essence, this bill takes money out of the pockets of families because they must buy clothing and puts in it the hands of a concentrated group of special interests who are already heavily protected at the rest of the country's expense.~~ The image of low-income families paying more so that the owners and operators of textile and apparel plants can enjoy greater protection is hard to bear.

In conclusion, this bill is counter-competitive, regressive, and unnecessary, and I urge you to ~~defeat this bill.~~ oppose it.

Sincerely,

Beryl W. Sprinkel

Honorable _____
U.S. House of Representatives
Washington, D.C. 20515

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

August 6, 1987

Dear Congressman Wright:

I am writing in opposition to H.R. 1154, the Textile and Apparel Trade Act of 1987. Protectionism in textiles and apparel is among the worst and most damaging of our trade policies. The average rate of protection for textiles and apparel arising from tariffs and quotas established under the Multifiber Agreement (MFA) is about 50 percent, compared to average tariff rate for all U.S. imports of only 5 percent. The new MFA negotiated last year will further raise the level of protection for this industry by allowing only very slow growth of most textile and apparel imports over the next five years. Now H.R. 1154 seeks to increase even further the level of protection for what is already one of our most heavily protected industries.

Far from needing a further boost of protection, the textile and apparel industry in the United States is quite robust. Domestic textile production rose 6.5 percent last year, while profits rose 67 percent. In the first quarter of this year profits were again up by 11.8 percent. Capacity utilization for textile mill products ran at 96.3 percent in May (the latest reported month)--the highest rate of capacity utilization for any major industry, and well above the average 79.7 percent utilization rate for all industries. Employment in textiles and apparel in the January to June period of this year has risen by 21,000 jobs when compared to the same period last year. While no industry is guaranteed growth forever, these figures do not portray a beleaguered and suffering industry, desperately in need of increased protection at the expense of the American consumer. Yet this is what H.R. 1154 would do.

To put the impact of this bill in perspective, we estimate the cost to consumers for H.R. 1154 to be in the range of $25 to $37 billion in the first five years. These costs are in addition to those which consumers already bear for protection already in place--costs that are estimated to run about $300 per year for the average American family. Even though the new costs from H.R. 1154 would be hidden, they would represent a very real drop in the standard of living of American households. This is why this type of legislation is so insidious. Many Americans who work hard for their living will not understand why their incomes simply do not seem to go as

far in providing for their family's needs. This bill will increase the cost of living of every family in the country by between $280 and $420 over the next five years. Moreover, this cost would fall disproportionately on low income households that spend a larger fraction of their income on clothing.

In addition to the cost it would impose on American consumers, H.R. 1154 would decrease the efficiency of the U. S. economy. It would mis-direct our scarce productive resources toward the textile and apparel sector and away from more productive sectors of the economy. This mis-allocation of our resources will not help American consumers or American producers who will both fail to realize the benefits of worldwide improvements in productivity and quality, increased choice, and lower costs which otherwise would have accrued to them.

In conclusion, this bill is counterproductive, regressive, and unnecessary. I urge you to oppose it.

Sincerely yours,

Beryl W. Sprinkel

Beryl W. Sprinkel

The Honorable James C. Wright
Office of The Speaker
U. S. House of Representatives
Washington, D. C. 20515

1) BWS
2) TG M

AMERICAN RETAIL FEDERATION

1616 H STREET, N. W.   WASHINGTON, D. C. 20006   (202) 783-7971

WILLIAM KAY DAINES
EXECUTIVE VICE PRESIDENT
GENERAL COUNSEL

August 2, 1988

The Honorable Beryl W. Sprinkel
Chairman
Council of Economic Advisers
Old Executive Office Building
Room 314
17th St. & Penna. Avenue, N.W.
Washington, D.C. 20500

Dear Dr. Sprinkel:

A new textile quota bill (S.2662) has been introduced and placed on the Senate calendar. The first votes on the textile bill could be as early as Friday, August 5th.

On July 12, 1988 I met with you and Mr. Thomas Moore and urged the Administration to publish correct data on both textiles and footwear that is current in order to counteract the incredible claims that are being made by the textile, apparel and footwear protectionist groups.

The new textile quota bill includes the Daschle agricultural amendment, a new quota on necktie imports and an auctioning program for import licenses which in and of itself could create major market disruption in the consumer market. I have enclosed a copy of the new bill as well as copies of the data sheets which are being circulated to support it.

We urge you to send to the Senate as soon as possible a statement setting forth the healthy nature of the textile and apparel industry and the costly results which occur if this new bill becomes law.

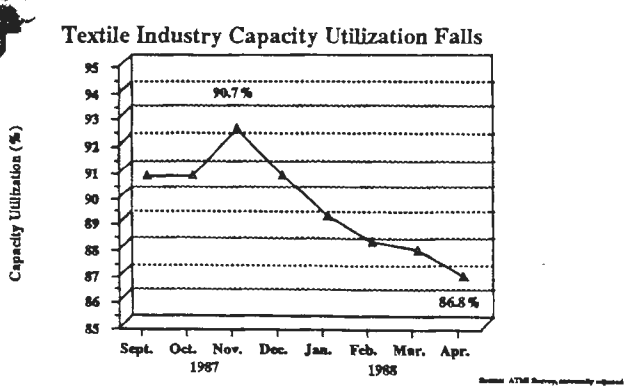
Sincerely,

William Kay Daines

William Kay Daines

WKD:ek

cc: Ambassador Clayton Yeutter
Roger Bolton



Survey Shows Plunge In Textile Capacity Utilization

MYTH: There's been a lot of talk about capacity utilization in the textile industry lately. Some claim that utilization is up and unemployment is down. Well, they're entitled to their opinions, but they are not entitled to their own set of facts.

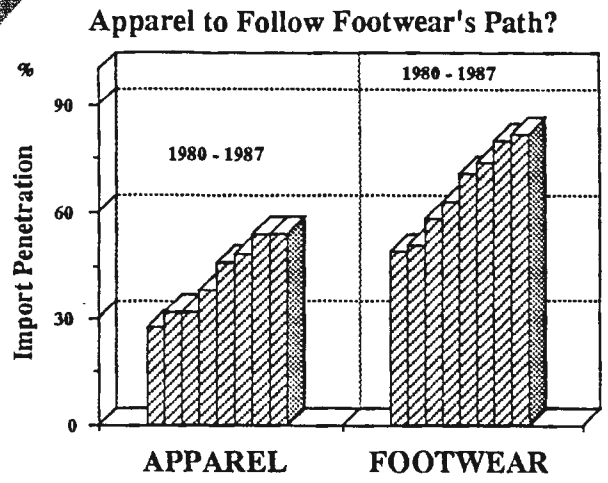
FACT: The American Textile Manufacturers Institute just completed its monthly survey of textile companies and found that capacity utilization in the industry has fallen sharply from the last four months of 1987, through the first four months of 1988. For an industry that has been forced to shut down nearly 8 percent of its total capacity over the past six years due to the flood of foreign imports, a sharp drop in capacity utilization means only one thing: **the textile trade crisis has not been solved.** And every available indicator shows that American workers and industry are suffering the effects:

- 16,000 textile and apparel jobs have been lost in the last six months*;
- new orders for textiles and apparel produced by U.S. companies are plunging, with apparel volume orders down 3 percent and textile orders down 9 percent in the first four months of 1988;
- textile profits have plummeted 12 percent during the first quarter of 1988, compared to the first quarter of 1987**; and
- the textile and apparel trade deficit reached an unprecedented $25 billion last year, and is now 16 percent of the nation's total trade deficit.

REALITY: The Textile and Apparel Trade Act (H.R. 1154/S. 549) will slow the growth of textile and apparel imports. It's a solution to the textile trade crisis whose time has come.

FFACT FIBER, FABRIC & APPAREL COALITION FOR TRADE
1101 Connecticut Avenue, N.W., Suite 300
Washington, D.C. 20036
(202) 862-0517

* Bureau of Labor Statistics ** Quarterly Financial Report, U.S. Department of Commerce, June 13, 1988



FACTS SUPPORTING ENACTMENT of H.R. 1154/S. 549

The textile, fiber, apparel and footwear industries are engaged in a major struggle to survive America's trade crisis. Since 1980, textile and apparel imports have doubled and the results have been devastating to workers and businesses alike:

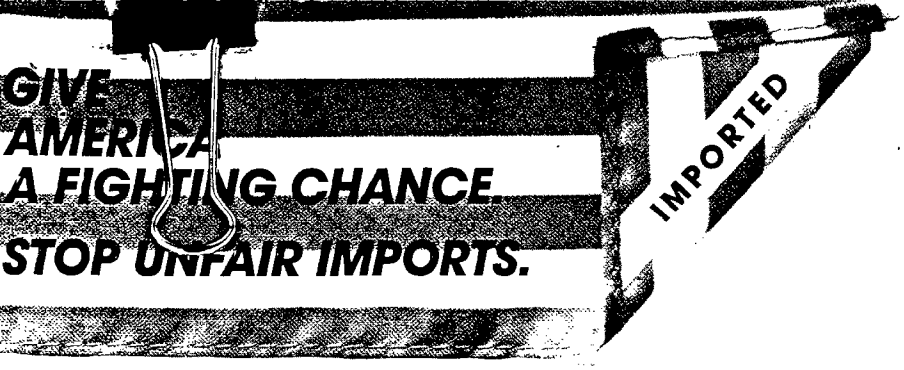
- 1,000 textile and apparel plants have been closed despite a 17 billion dollar plant modernization effort;
- 400 domestic footwear plants have been closed;
- 300,000 textile and apparel jobs, and 70,000 footwear jobs have been lost, according to the U.S. Bureau of Labor Statistics;
- 16,000 textile and apparel jobs have been lost in the last six months;
- 750,000 job opportunities have been lost;
- imports now control 55 percent of the U.S. apparel and apparel fabric market, and 82% of the U.S. footwear market;
- new orders for textiles and apparel produced by U.S. manufacturers are plunging, with apparel volume orders down 5 percent and textile orders down 9 percent in the first four months of 1988; and
- the textile and apparel trade deficit reached an unprecedented $25 billion last year and is now 16 percent of the nation's total trade deficit.

FFACT FIBER, FABRIC & APPAREL COALITION FOR TRADE
1801 K Street, N.W., Suite 900
Washington, D.C. 20006
(202)862-0517

TEXTILE & APPAREL INDUSTRY VITAL TO U.S. ECONOMY . . .

The textile, fiber and apparel industry employs nearly two million workers in all 50 states with an annual payroll of $25 billion. The industry also:

- has more employees than the steel and auto industries combined;
- is the largest manufacturing employer of women and minorities;
- is responsible for the employment of an additional two million workers in support of allied industries;
- is composed of 5000 textile companies, 20,000 apparel companies, 120,000 wool growing and shearing operations and 41,000 cotton farms and allied businesses; and
- contributes $46 billion to the U.S. Gross National Product.



Date: July 28, 1988
To: Trade Legislative Assistants
From: Daniel K. Frierson, FFACT Chairman
Re: Attached news clips

I would like to share with you some examples of what the nation's media is saying about the Textile and Apparel Trade Act.

It is important to point out that the Textile Bill is getting great support throughout the country; so many Americans from all walks of life are affected by clothing, textile, shoe, wool and cotton imports that have captured a majority share of the U.S. market.

The attached news clips show that the Textile Bill matters to people in places as different as Denver, Colorado, and Windsor, Missouri. As varied as Fresno, California, and Salisbury, North Carolina. Oklahoma City and Omaha and New York.

Please take a few minutes from your busy day to look through the articles. And if you have any questions, please don't hesitate to call Melissa Rodgers at FFACT, 202-862-0517.

FFACT FIBER, FABRIC & APPAREL COALITION FOR TRADE
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Nation's Media Tells Need for Enactment of the Textile and Apparel Trade Act

Compiled by the
Fiber, Fabric & Apparel
Coalition for Trade

April-July, 1988

Inside:

FFACT FIBER, FABRIC & APPAREL COALITION FOR TRADE

1801 K Street, N.W., Suite 900
Washington, D.C. 20006
(202) 862-0517

100th CONGRESS
2d SESSION

S. _____

(NOTE.—Fill in all blank lines except those provided for the date, number, and reference of bill.)

IN THE SENATE OF THE UNITED STATES

Mr. Hollings

introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To remedy injury to the United States textile and apparel industries caused by increased imports

(Insert title of bill here)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That this Act may be cited as the "Textile and Apparel Trade Act of 1987".

SEC. 2. POLICY

The policy of this Act is to--

(1) relate the growth of textile and clothing imports to the growth of the domestic market in order to prevent further disruption of the United States textiles and textile products markets, damage to United States textile and clothing manufacturers, and loss of job opportunities for United States textile and clothing workers; and

(2) maintain a viable United States nonrubber footwear industry by preventing further damage to United States nonrubber footwear manufacturers and loss of job opportunities for United States nonrubber footwear workers.

SEC. 3. FINDING AND DETERMINATIONS.

(a) FINDINGS.--The Congress finds that--

(1) with respect to textiles and textile products--

(A) the current level of imports of textiles and textile products from all sources, more than one hundred and sixty-five countries, reached nearly 12.7 billion square yard equivalents in 1986, an increase of 17 per centum over 1985 imports; this level of imports is 2.5 times the level of imports in 1980, a rate of increase that was not foreseen when the United States granted trade concessions benefiting foreign suppliers of

textiles and textile products, and represents over 1.2 million job opportunities lost to United States workers;

(B) imported textiles and textile products contain four million bales of cotton which is equivalent to 39 per centum of annual cotton production in the United States; eight out of every ten bales of cotton contained in imported textiles and clothing are foreign grown cotton; sustained massive increases in imports of cotton textile and clothing products are causing a declining market share for domestic cotton producers, depressed prices, and an average annual market revenue loss of over $1,000,000,000; another result is that a market development program voluntarily funded by United States cotton producers actually benefits foreign growers; finally, as imports of textiles and clothing increase, domestic cotton acreage is shifted to produce other agricultural products which are already in oversupply thereby adding to the problems of United States agriculture;

(C) imports of textiles and textile products made of wool have doubled since 1980, creating major disruptions among domestic wool products producers and seriously depressing the price of United States produced raw wool; because import penetration in the domestic wool textile and clothing market is nearly 70 per centum, it is critical that action be taken to halt further erosion of the domestic industry's market share;

(D) imports of textiles and textile products made of manmade fiber and competing fibers, other than cotton or wool, have more than doubled since 1980 resulting in substantial reductions in domestic manmade fiber production capacity and job losses;

(E) the textile and clothing trade deficit of the United States exceeded $21,000,000,000 in 1986, an increase of 18 per centum over over 1985, and accounted for 12 per centum of the Nation's overall merchandise trade deficit;

(F) import growth of clothing and clothing fabrics has averaged 8 per centum annually since 1973; over that same period, the domestic market for clothing and clothing fabrics has grown only 1 per centum annually; import growth has recently accelerated and, since 1982, has averaged 21 per centum annually; the result is that import penetration in the domestic clothing and clothing fabric market has nearly doubled in the last six years, reaching a level of 52 per centum in 1986;

(G) as a result of this increased penetration and the very limited growth of the domestic market, the United States companies producing textiles and textile products competitive with those imported have been seriously damaged, many of them have been forced out of business, many have closed plants or curtailed operations, workers in such companies have lost employment and have been otherwise materially and

adversely affected, and serious hardship has been inflicted on hundreds of impacted communities causing a substantial reduction in economic activity and lost revenues to the Federal and local governments;

(H) the factors described above are causing serious damage, or the actual threat thereof, to domestic producers of textiles and textile products; as a result, market disruption exists in the United States requiring new measures;

(I) unless the import growth rate of textiles and textile products is slowed to the long term rate of growth of the United States market, plant closings and job losses will continue to accelerate, leaving the United States with reduced competition benefiting domestic consumers and leaving the Nation in a less competitive international position;

(J) a strong, viable and efficient domestic textiles and textile products industry is essential in order to avoid impairment of the national security of the United States; and

(K) actions taken by the United States under the Arrangement Regarding International Trade in Textiles of December 20, 1973, as extended (commonly referred to as the "Multi Fiber Arrangement" or "MFA") have failed to avoid disruptive effects in the textiles and textile products markets in the United States; and

(2) with respect to nonrubber footwear--

(A) nonrubber footwear imports in 1986 reached a record level of nine hundred and forty-one million pairs; this volume of imports is 2.5 times that of 1981, the year that import relief for the nonrubber footwear industry terminated, and is 11.6 per centum above 1985 levels, the year in which the International Trade Commission issued its third finding that the domestic nonrubber footwear industry has been seriously injured by increased imports;

(B) since 1981, import growth of nonrubber footwear has averaged more than 20 per centum per year, gaining market share at the expense of the domestic industry; in 1981, import penetration of the domestic nonrubber footwear market was 51 per centum; by 1986, import penetration reached an unprecedented 80.7 per centum;

(C) as a direct result of imports, domestic nonrubber footwear production has declined every year since 1978, reaching two hundred thirty-four million pairs in 1986, a production level matched only during the Great Depression in the 1930's;

(D) domestic nonrubber footwear employment has steadily declined every year since 1981, and is down 37 per centum from 1981 levels and 7.3 per centum from 1985 levels; unemployment in the nonrubber footwear industry averaged 15.4 per centum in 1986, more than double the national average; and

(E) domestic nonrubber footwear production facilities are closing at an alarming rate, with three hundred and eight factory closings since 1981 and seventy closings in 1986 alone.

(b) DETERMINATIONS.--Congress determines that, for the foregoing reasons--

(1) textiles and textile products are being imported into the United States in such increased quantities and under such conditions as to cause or threaten serious injury to producers of textiles and textile products in the United States, and

(2) nonrubber footwear is being imported into the United States in such increased quantities and under such conditions as to cause or threaten serious injury to producers of nonrubber footwear in the United States,

within the meaning of article XIX of the General Agreement on Tariffs and Trade.

SEC. 4. LIMITS ON IMPORTS.

(a) CALENDAR YEAR 1987.--Notwithstanding any other provision of law--

(1) the aggregate quantity of textiles and textile products, from all countries, classified under a category that is entered during calendar year 1987 shall not exceed an amount equal to 101 per centum of the aggregate quantity of such products classified under such category, from all countries, that entered during calendar year 1986, and

(2) the aggregate quantity of nonrubber footwear, from all countries, classified under a nonrubber footwear category that is entered during calendar year 1987, and during each calendar year thereafter, shall not exceed an amount equal to--

(A) the aggregate quantity of nonrubber footwear classified under such category, from all countries, that entered during calendar year 1986, and

(B) in the case of low priced nonrubber footwear, notwithstanding subparagraph (A), the aggregate quantity of low priced nonrubber footwear classified under such category, from all countries, that entered during calendar year 1986.

(b) GROWTH ADJUSTMENT.--For calendar years after 1987, the aggregate quantity of textiles and textile products, from all countries, classified under each category that may be entered during each such calendar year shall be increased by an amount equal to 1 per centum of the aggregate quantity that could be entered under such category during the preceding calendar year. If the aggregate quantity that could be entered under a category for a calendar year after 1987 is reduced under section 10(b), then, in the first calendar year in which there is no such reduction, this subsection shall be applied as if there had been no reduction under section 10(b) in previous calendar years.

(c) EXCEPTIONS.--

(1) The limitations in this Act on the aggregate quantity of articles of textiles and textile products and

nonrubber footwear that may be entered during any calendar year do not apply to articles of that kind that are the product of any insular possession of the United States if the articles are--

(A) exempt from duty under general headnote 3(a) of the Tariff Schedules of the United States (19 U.S.C. 1202); and

(B) manufactured or produced in such possession by individuals who are either--

(i) United States citizens;

(ii) United States nationals; or

(iii) permanent residents of such possession in accordance with its laws.

(2) Notwithstanding any other provision of law, the aggregate quantity of sweaters that are--

(A) made of cotton, wool, or manmade fibers; and

(B) assembled in Guam from otherwise completed knit-to-shape component parts;

and that may be entered--

(i) during calendar year 1987, may not exceed 163,216 dozen; and

(ii) during any calendar year after 1987, may not exceed the aggregate quantity that is authorized to be entered under this paragraph during the preceding calendar year, increased by 1 per centum.

(d) ENFORCEMENT.--The Secretary of Commerce shall prescribe such regulations as may be necessary or appropriate for the

efficient and fair administration of the provisions of this Act, including regulations governing entry, or withdrawal from warehouse, for consumption of the products covered by this Act. Such regulations shall provide for reasonable spacing of imports over the calendar year.

(e) ALLOCATIONS FOR CERTAIN COUNTRIES. -- Regulations may be prescribed under subsection (d) only if such regulations ensure that --

(1) an amount of the limitation imposed by this section on the aggregate quantity of textiles and textile products classified under each category entered during calendar year 1989 and during each succeeding calendar year (hereafter in this subsection referred to as the "applicable year") is allocated to such products of each country to which the total quantity of United States agricultural products exported on commercial terms during the calendar year preceding the applicable year exceeds the total quantity of United States agricultural products exported on commercial terms to such country during the calendar year before the calendar year preceding the applicable year; and

(2) the amount of textiles and textile products classified under each category entered during the applicable year that is allocated to each country under paragraph (1) exceeds the quantity of such products of such country classified under such category that entered during the calendar year preceeding the applicable year.

SEC. 5. TARIFF COMPENSATION

(a) COMPENSATION.--

(1) The President may (A) enter into trade agreements with foreign countries or instrumentalities to grant new concessions as compensation, to the extent required under international trade agreements of the United States, for the import limits imposed under section 4 of this Act to maintain the general level of reciprocal and mutually advantageous concessions under such agreements; and (B) proclaim such modification or continuance of any existing duty on textiles and textile products and on nonrubber footwear as he determines to be required or appropriate to carry out such agreements.

(2) No proclamation shall be made under paragraph (1) decreasing any rate of duty to a rate of duty which is less than 90 per centum of the existing rate of duty.

(3) Before entering into any trade agreement under this subsection with any foreign country or instrumentality, the President shall consider whether such country or instrumentality has violated trade concessions of benefit to the United States and such violation has not been adequately offset by the action of the United States or by such country or instrumentality.

(b) STAGING REQUIREMENTS.--The aggregate reduction in the rate of duty on any article which is in effect on any day pursuant to subsection (a) shall not exceed the aggregate reduction which would have been in effect on such day if a reduction of one-fifth of the total reduction under subsection (a) had taken effect on

the effective date of the first reduction proclaimed to carry out such trade agreement, and at one-year intervals after such effective date.

(c) PROHIBITION.--Except as provided in subsection (a) and notwithstanding any other provision of law, the President may not enter into trade negotiations with any foreign country or instrumentality with respect to duties on textiles and textile products and on nonrubber footwear and may not decrease, or propose a decrease, in any such duty by any means, including an implementing bill under section 151 of the Trade Act of 1974 or a proclamation.

SEC. 6. ANNUAL REPORT.

Not later than March 15, 1988, and March 15 of each calendar year thereafter, the President shall submit to the Congress a report on the administration of this Act during the preceding calendar year. Such report shall include detailed information about the implementation and operation of the limitations established under section 4. All departments and agencies shall cooperate in preparation of this report, as requested by the President.

SEC. 7. REVIEW.

The Secretary of Commerce shall commence ten years after the date of enactment of this Act a review of the operation of this Act. The Secretary shall consult representatives of workers and companies in the textile and textile products and nonrubber footwear industries, the United States Trade Representative, the Secretary of Labor, and other appropriate government officials.

Within six months after the commencement of the study, the Secretary shall submit to Congress his findings.

SEC. 8. AUCTION OF IMPORT LICENSES.

(a) IMPORT LICENSES.--Notwithstanding any other provision of law, the Secretary of the Treasury shall establish and implement a pilot program for the issuance and sale to U.S. companies at public auction of import licenses applicable to categories of textiles and categories of textile products.

(b) IDENTIFICATION OF CATEGORIES SUBJECT TO LICENSES.--The categories of textiles, and the categories of textile products, to which the import licensing program under this section applies shall be selected by the Secretary of the Treasury, in consultation with the Secretary of Commerce. Such selection shall be made so that--

(1) the number of categories of textiles so selected shall, in the aggregate, account for the volume of imports equal to no less than 20% of the value of textiles entered; and

(2) the total number of categories of textile products so selected shall, in the aggregate, account for the volume of imports equal to no less than 20% of the value of textile products entered.

(c) AUCTIONING OF IMPORT LICENSES.--

(1) Each import license to be issued and sold pursuant to this section shall be sold by the Secretary of Treasury at a

public auction held no earlier than 15 days after the date on which notice of such auction is published in the Federal Register.

(2) By no later than the date that is 60 days after the date of enactment of this Act, the Secretary of the Treasury shall prescribe regulations under which auctions shall be conducted under paragraph (1). Such regulations shall provide for--

(a) the auctioning of quotas, on a historical basis, among retailers, importers, and manufacturers of textiles and apparel.

(b) the transfer of auctioned imported licenses among importers, and

(c) a means of ensuring that no person obtains undue market power in the markets of the United States through the use of auctioned import licenses.

(3) The Secretary of the Treasury is authorized to prescribe, on an expedited basis, such regulations supplementing the regulations prescribed under paragraph (2) as are necessary to address factors involved in conducting the sale by auction of import licenses for any article that are unique to such article.

(d) DEPOSIT OF REVENUES.--Any revenues from the sale of import licenses under this section shall be paid into the general fund of the Treasury of the United States.

(e) DURATION.--The import licensing program under this section shall begin on January 1, 1989, and end at the close of December 31, 1989.

(f) REPORT.--Not later than March 31, 1990, the Secretary of the Treasury, in consultation with the Secretary of Commerce, shall report to Congress on the administration of the import licensing program under this section and the advantages and disadvantages of auctioning import licenses demonstrated by the program.

SEC. 9. DEFINITIONS

For purposes of this Act--

(1) The term "textiles and textile products" includes, but is not limited to, all articles covered by a category.

(2) The term "nonrubber footwear" means nonrubber footwear article classified under items 700.05 through 700.45; 700.56; 700.72 through 700.83; and 700.95 of the Tariff Schedules of the United States (19 U.S.C. section 1202) (as in effect on January 1, 1987) and includes, but is not limited to, all articles covered by a footwear category.

(3) The term "category" means each of the following--

(A) each category identified by a three-digit number in the Department of Commerce publication "Correlation: Textile and Apparel Categories with Tariff Schedules of the United States Annotated", dated January 1987, and in any amendments to such publication correcting clerical errors or omissions;

(B) each subdivision of a category described in subparagraph (A) with respect to which the United States has (i) an agreement with any country on the date of enactment of this Act limiting exports of

textile products to the United States that includes a specific limit on such subdivision, or (ii) taken unilateral action to limit products from any country entered under such subdivision; and

(C) a category consisting of the manmade fiber products not covered by a category described in subparagraph A and classified under subpart E of part 1 of schedule 3 to the Tariff Schedules of the United States.

(D) a category consisting of the products not covered by a category described in subparagraph A and classified under TSUSA items 373.0530, 373.2030, and 373.2230.

The Secretary of Commerce shall determine, after consultations with the United States Trade Representative and the United States International Trade Commission, whether comparable subdivisions described in subparagraph (B) are consistently defined; if the Secretary determines that such subdivisions are not consistently defined, then the Secretary shall prescribe by regulation an appropriate definition of the category covering such comparable subdivisions.

(4) The term "nonrubber footwear category" means each of the following--

(A) men's leather;

(B) men's vinyl/plastic;

(C) men's other;

(D) women's leather;

(E) women's vinyl/plastic;

(F) women's other;

(G) juvenile leather;

(H) juvenile vinyl/plastic

(I) juvenile other;

(J) athletic leather;

(K) athletic vinyl/plastic;

(L) leather work footwear;

(M) other leather footwear;

(N) miscellaneous vinyl/plastic; and

(O) miscellaneous other.

(5) The term "low priced nonrubber footwear" means nonrubber footwear with a customs value of $2.50, or less, per pair.

(6) The term "country" means a foreign country, a foreign territory, an insular possession of the United States, or any other territory, possession, colony, trusteeship, political entity or foreign trade zone, whether affiliated with the United States or not, that is outside the customs territory of the United States.

(7) The term "duty" includes the rate and form of any import duty, including but not limited to tariff-rate quotas.

(8) The term "existing" means the nonpreferential rate of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) set forth in rate column numbered 1 of Schedules 1 through 7 of the Tariff Schedules of the United States (or the comparable rate of

duty set forth in any law that may supersede such Tariff Schedules) existing on the day before the date of enactment of this Act.

(9) The term "entered" means entered, or withdrawn from warehouse, for consumption in the customs territory of the United States.

SEC. 10. EFFECTIVE DATE.

(a) IN GENERAL.-- Except as provided in subsection (b), the provisions of this Act shall apply to textiles and textile products and to nonrubber footwear entered, or withdrawn from warehouse, for consumption on and after the date of enactment of this Act.

(b) CALENDAR YEARS 1987 AND 1988.--The Secretary of Commerce shall prescribe by regulation the aggregate quantity, if any, of textiles and textile products and of nonrubber footwear that may be entered under section 4(a) under each category and each nonrubber footwear category during the period beginning on the date of enactment of this Act and ending on December 31, 1987. Notwithstanding subsection (a), to the extent that the aggregate quantity of imports of textiles and textile products or of nonrubber footwear entered under a category or nonrubber footwear category after December 31, 1986, and before the date of enactment of this Act exceeds the quantity permitted entry for such products under such category during calendar year 1987 under section 4(a), then the limit that would otherwise apply under section 4(b), in the case of textiles or textile products, or under section 4(a), in the case of nonrubber footwear, for such category for calendar

year 1988 shall be reduced by the amount of such excess quantity. If such excess quantity exceeds the limit that would otherwise apply under section 4(b), or section 4(a), as appropriate, for such category for calendar year 1988, then the limit for such category for calendar years after 1988 shall be reduced until such excess is accounted for.

(c) 1988 ENACTMENT--If the date of enactment of this Act is after December 31, 1987, then (1) the term "1988" shall be substituted for the term "1987" each place it appears in subsection (a)(1) and (b) of section 4 and subsection (b) of this section; (2) the term "1987" shall be substituted for the term "1986" in subsection (a)(1) of section 4 and subsection (b) of this section; and (3) the term "1989" shall be substituted for the term "1988" each place it appears in subsection (b) of this section.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

November 7, 1985

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Beryl W. Sprinkel

SUBJECT: Domestic Performance in the Textile-Apparel Industry

The textile bill currently before Congress is often justified on the grounds that the textile and apparel industries have suffered disproportionately in comparison with other industries. I imagine you hear this same complaint in public appearances. A careful look at the data does not support such an argument, though, and the changes taking place in the industry are not all a result of international trade pressures.

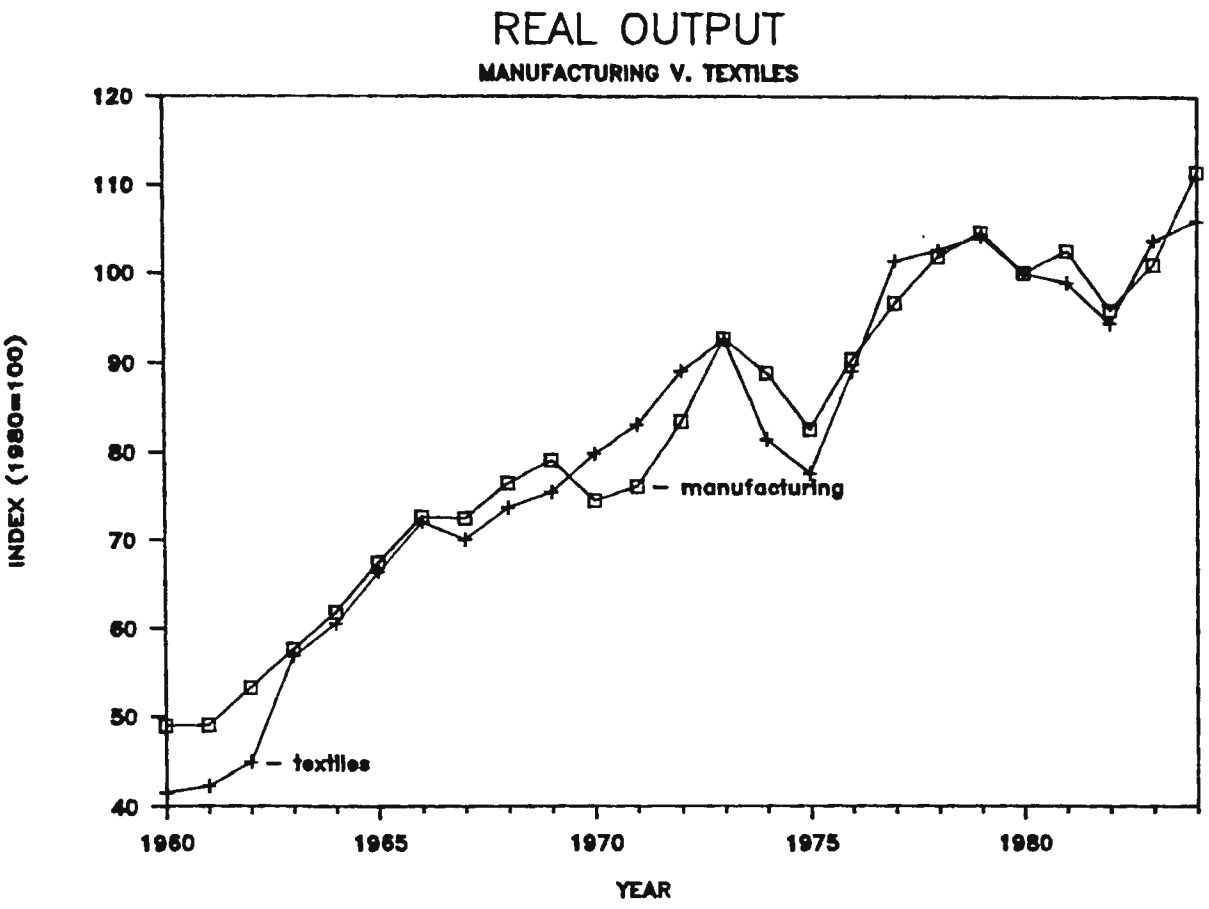
With respect to growth in real output the data show a general rising trend for both the manufacturing sector as a whole and the textile and apparel industries in particular. Output has fluctuated over time, but such fluctuations have followed the general business cycle of the economy. Hence, as shown in the attached graphs, there has not been a continuous fall in real output in the textile and apparel industries; in fact 1984 output in both industries exceeded any previous peak level of production. We should forewarn you that 1985 data are not available yet, but probably will show flat growth for the year. While any industry would prefer faster growth, the net expansion of these industries contrasts with the experience of industries where actual declines over the past business cycle have occurred: leather products, tobacco, primary metals, stone-clay-glass, transportation equipment and petroleum products.

Profitability figures also demonstrate that the returns in the textile-apparel industry have risen over the past business cycle. In particular, the return to equity in the textile industry rose from 6.9 percent in 1982 to 12.0 percent in 1983, during the period of a surge in imports. In 1984, the return to equity was 11.2 percent. The profitability in the textile industry also compares favorably to that of the manufacturing industry as a whole. In 1979, the return to equity in the textile industry was approximately 73 percent of that in the manufacturing sector as a whole, while over the period 1983-84, the textile industry's return to equity matched that in the manufacturing sector. The relative profitability has been improving over time, even as imports grow.

Employment in the textile-apparel industries has declined for the last 10 years, and the most recent experience is no exception. However, greater import competition is just one part of the story. A primary factor has been rising productivity, as outmoded, inefficient mills close and are replaced by more capital intensive, modern facilities. Labor productivity growth in textiles has been the fastest of any major U.S. industry over the past decade, and that has been particularly true in recent years. Productivity growth in the apparel industry has exceeded the average for all manufactures. The especially strong productivity performance in textiles shows up in the attached graphs as a more substantial drop in employment than has occurred on average in other manufacturing industries. Ensuring job opportunities in expanding sectors of the economy for these displaced workers is the goal of Administration policy, rather than attempting to turn the clock backward on new technological developments and more efficient means of production.

While the textile-apparel industries do face strong competitive challenges, their position does not reflect a drastic deterioration in recent years. Rather, the data clearly show that real output, productivity and profitability are all rising.

Attachments


REAL OUTPUT
MANUFACTURING V. TEXTILES
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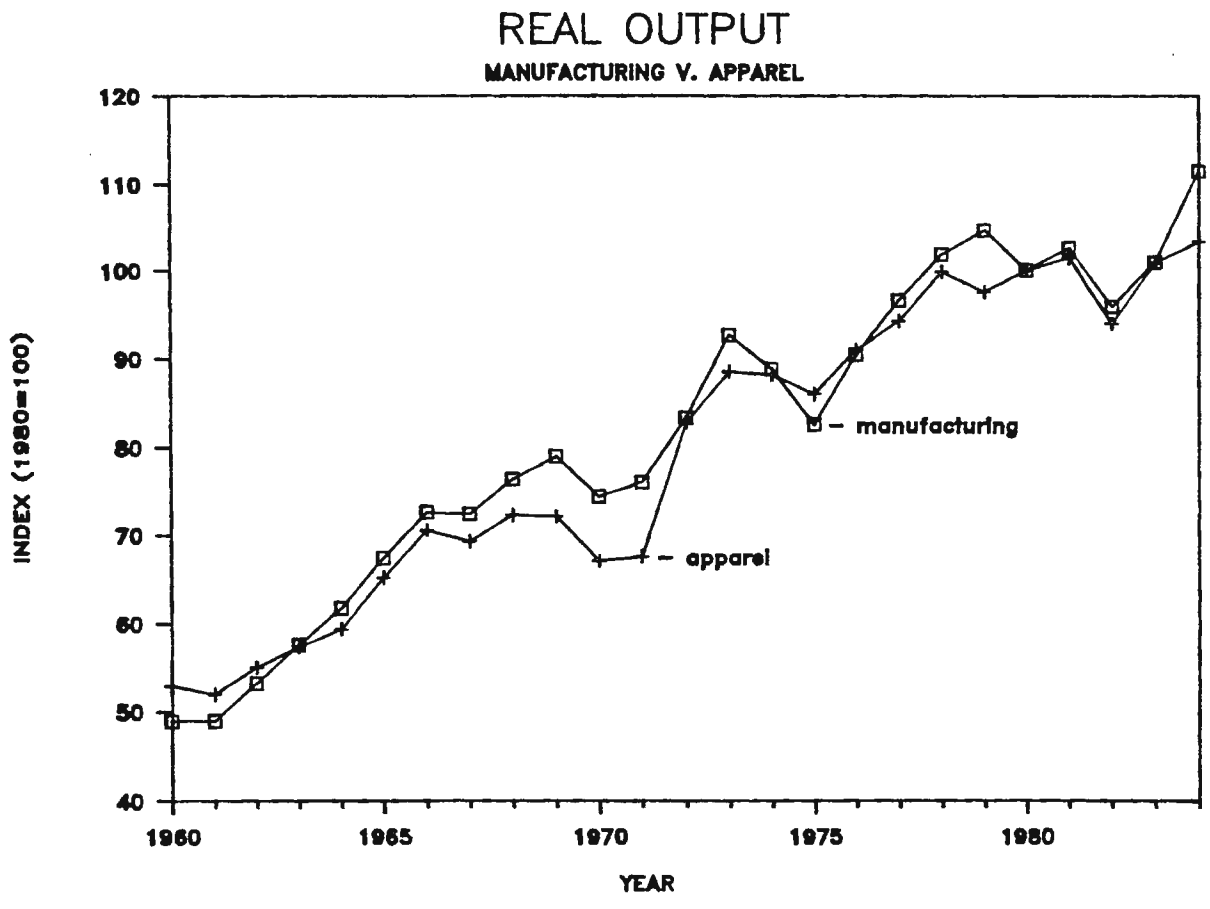
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EMPLOYMENT
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YEAR

From the Desk of

AMBASSADOR CLAYTON YEUTTER

U.S. Trade Representative

Oct. 8, 1985

To Beryl Sprinkel

Beryl, your comments on the House Republican trade bill were all very good. They track fully with what I told Bob Michel a week or so ago, but I will also share your memo with him if you have no objection.

cc A. Kingon

copy to Jack Mattie

Action: Jack Matlock
cc: BWS
TGM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR DANIEL G. AMSTUTZ
JAMES H. BURNLEY IV
STEPHEN DANZANSKY
ALAN HOLMER
ALTON KEEL
DOUGLAS W. McMINN
DAVID C. MULFORD
BRUCE S. SMART
BERYL SPRINKEL
DENNIS E. WHITFIELD

FROM: EUGENE J. McALLISTER EM

SUBJECT: Decision Memorandum on Unfair Trade Practice Proceedings

Typos ?

A draft decision memorandum on the unfair trade practice proceedings discussed at last Thursday's Economic Policy Council meeting is attached. Please provide me with any comments by 1:30 p.m. today.

Please note that the Japanese aluminum case was dropped by Ambassador Yeutter, as the Council agreed to give him the discretion to do. You should also be aware that the Treasury was not represented at the EPC meeting and they are still considering their position on these cases.

THE WHITE HOUSE

WASHINGTON

October 8, 1985

MEMORANDUM FOR THE PRESIDENT

FROM: THE ECONOMIC POLICY COUNCIL

SUBJECT: Investigating Unfair Foreign Trade Practices

On September 7, you accelerated or initiated five Section 301 investigations of unfair foreign trading practices -- Japanese restrictions on leather and leather footwear imports, European Community (EC) canned fruit subsidies, Korean barriers to insurance sales, Brazilian restrictions on micro-electronics imports, and Japanese restrictions against U.S. tobacco products. These initiatives, along with your September 23 speech to the President's Export Council stressing the importance of opening foreign markets to our products, have strengthened our ability to resist protectionist legislation that would close our borders to imports.

To continue our efforts in attacking unfair foreign trading practices and resisting legislation that would restrict free trade, the Economic Policy Council has considered the possibility of initiating unfair trade proceedings against a number of foreign practices. We are recommending that you initiate Section 301 investigations against Taiwanese restrictions on tobacco, beer and wine and Korean abuses of U.S. intellectual property rights. We are also recommending that you initiate a GATT investigation of unfair EC wheat export subsidies.

I. The Unfair Trade Practices

In determining which unfair trade practice investigations to initiate, the Economic Policy Council considered several factors: the nations affected; the amount of trade affected; and the means of resolution.

Taiwan - Tobacco, Wine and Beer Monopoly

Taiwan maintains monopoly controls on the import and distribution of cigarettes, wine and beer through the use of high tariffs and other import limitations, discriminatory rules on advertising, and discriminatory pricing practices. As a result of these barriers, U.S. cigarette exports accounted for less than 1 percent of Taiwan's $840 million market, beer imports are currently banned and U.S. wine exports amounted to only 62 metric tons in 1984. Were

Taiwan a signatory to the GATT, it's practices would be illegal. Liberalizing the Taiwan monopoly has been one of our major market access objectives in Taiwan for the last two years.

The Economic Policy Council unanimously recommends initiating this Section 301 investigation.

Korea - Intellectual Property

Korea's laws deny effective protection for U.S. intellectual property. Korea's patent law makes foodstuffs, chemical compounds and compositions unpatentable. Protection for chemicals and pharmaceuticals is limited to process patents, a very weak form of protection. Works of U.S. authors are unprotected under Korea's copyright law. Consequently, U.S. firms are reluctant to invest in Korea or to introduce products for which misappropriation of the underlying R&D is likely. Similarly U.S. authors received no payment for the unauthorized copies of their works sold in Korea. It is difficult to determine the effects of these policies especially where the effect is simply a decision not to invest. However, U.S. industry estimates losses of over $170 million annually, solely because of the lack of adequate copyright protection. The U.S. has consulted with Korea on these issues over the last two years. While the Government of Korea has made a commitment to change its laws to extend protection in these areas, no legislative changes have yet been made.

The Economic Policy Council unanimously recommends initiating this Section 301 investigation.

EC Export Subsidies on Wheat

The EC directly subsidizes exports of wheat. High domestic support prices in the EC have resulted in increasing EC over-production of wheat, and the EC provides direct export subsidies in whatever amount necessary to sell this otherwise uncompetitive surplus. The effect of these subsidies over time has been to increase the EC's share of the $14.5 billion world export market from less than 8 percent in the early 1970's to more than 16 percent in the past crop year, and to depress world prices. More efficient U.S. farmers suffer a double whammy: depressed prices and reduced export volume. EC subsidies are particularly damaging in this period of declining world demand.

International rules do not prohibit export subsidies on farm products, but rather prohibit using such export subsidies to take "more than an equitable share" of world trade.

A Section 301 investigation would be too confrontational, particularly because of the sensitive steel negotiations under way. An international dispute settlement procedure

involving the EC under the GATT subsidies code however, will take the EC to task internationally, and is an action which will be greeted with enthusiasm by our beleaguered farm community.

Tthe Economic Policy Council unanimously recommends initiating this GATT subsidies code case.

II. Unfair Trade Investigation Procedures

The Section 301 investigations and the GATT subsidies code case follow different procedures.

Section 301

After you direct the USTR to initiate the Section 301 investigation, USTR would publish notice of this investigations in the Federal Register, publish notice, solicit public comment on the issues raised and request consultations with the government affected. Unless these cases are settled to our satisfaction within a reasonable period of time (perhaps one year), the USTR will recommend to you, through the Economic Policy Council, specific retaliatory action against the offending country.

GATT Subsidies Code

After you direct the USTR to initiate the GATT subsidies code case, the USTR will initiate proceedings under the Subsidies Code. Dispute settlement under the Code includes three phases: bilateral consultations, conciliation, and establishment of a dispute settlement panel. USTR will first request bilateral consultations with the EC. If those consultations do not lead to a resolution of the problem within 30 days of the request, the U.S. may request conciliation. Under conciliation, which also lasts 30 days, the Signatories to the Subsidies Code will hear the U.S. complaint and try to assist the U.S. and EC in resolving the issue. At the end of 30days, the U.S. may request establishment of a disput settlement panel to review its complaint and issue findings and recommendations which must be reviewed by all the Signatories. In theory the entire process should take seven months. However, no dispute has ever been so rapidly concluded.

III. Decision

The USTR should initiate Section 301 proceedings in the following cases:

Taiwan Tobacco, Beer and Wine Approve _____ Disapprove _____

(unanimously supported by the EPC)

Korea Intellectual Property Abuses Approve _____ Disapprove _____

(unanimously supported by the EPC)

The USTR should initiate GATT subsidies code violation proceedings in the following cases:

EC Wheat Export Subsidies Approve _____ Disapprove _____

(unanimously supported by the EPC)

James A. Baker III
Chairman Pro Tempore