Originally Processed With FOIA(s):
1998-0004-F[1]

FOIA Number:
S

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Series:	Sununu, John, Files
Subseries:	Cabinet Agencies Files

OA/ID Number:	29188
Folder ID Number:	29188-005

Folder Title:
Hills (USTR) (1990)

Stack:	Row:	Section:	Shelf:	Position:
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THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

December 13, 1990

The Honorable Newt Gingrich
U.S. House of Representatives
Washington, DC 20515

Dear Newt:

I read press reports of your speech to the New York Board of Trade, Textiles Section. One sentence leaped out at me:

> "We've got to recognize that a new world is emerging and we've got to insist that U.S. trade negotiators start with the premise that the world is not the important market -- America is."

We negotiators cannot overlook the fact that in recent years 40% of America's GNP growth and 75% of the growth in our overall production of goods -- both manufactured and agricultural -- have come from our exports, not from sales here at home. Producers of manufactured goods and agricultural products must export nearly one third of their output to prosper, and that share is growing. Even in the textile sector, the annual growth of overseas shipments is far in excess of the rate of growth for domestic shipments. If our entrepreneurs were to look only to the U.S. market, substantial numbers of them would go into bankruptcy.

The sentence you used that I liked a lot, "Policies that made sense 10 years, no longer make sense," shows me we are on the same wave length.

We should talk about what we can do to increase U.S. prosperity in this decade. Perhaps one day you would permit me to take you to lunch.

Meanwhile, warm wishes for a happy and healthy holiday season.

Sincerely,

Carla

Carla A. Hills

bcc: Governor Sununu
Roger Porter
Ron Sorini
Mary Tinsley

WOMEN'S WEAR DAILY, TUESDAY, NOVEMBER 27, 1990

GINGRICH VOWS FIGHT FOR QUOTA BILL IN '91

NEW YORK — Members of Congress who led the textile industry's fight for quota legislation this year will be back in Washington in January to try once again, Rep. Newt Gingrich (R., Ga.) vowed Monday.

Gingrich addressed a luncheon meeting of the New York Board of Trade's textile section at the New York Hilton here, where he was named Textile Man of the Year.

He urged some 150 industry executives not be become frustrated over the lawmakers' failure to override vetoes during the past three years, saying, "Sometimes it takes a while to create major change."

Gingrich said there are three main reasons the industry should try again to get a textile trade bill passed next year: persistence pays off; the debate over tariffs continues to wax hot, and the world is changing and so are its major markets.

"Policies that made sense 10 years ago no longer make sense. You've got to design new strategies to apply to changing Europe and Far Eastern economic systems," he declared.

"We've got to recognize that a new world is emerging and we've got to insist that U.S. trade negotiators start with the premise that the world is not the important market — America is," he said.

"I want to encourage you to come back strong in January prepared to fight and stand tough. You are not going to change a great nation without a collision," he concluded.

— MARVIN KLAPPER

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01a. Memo	From Carla Hills to POTUS Re: Trade Impact of the New Japanese Import Promotion Program (1 pp.)	1/16/90	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
File Location: Hills (USTR) (1990)

Date Closed: 12/13/2004	**OA/ID Number:** 29188-005
FOIA/SYS Case #: 1998-0004-F[1]	**Appeal Case #:**
Re-review Case #: 2005-0426-S	**Appeal Disposition:**
P-2/P-5 Review Case #:	**Disposition Date:**
AR Case #:	**MR Case #:**
AR Disposition:	**MR Disposition:**
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1.

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

JAN - 2 1990

Carla - How long before we know if it helps at all — ??
GB 1-8-90

MEMORANDUM FOR THE PRESIDENT

FROM: Carla A. Hills CAH

SUBJECT: New Japanese Import Promotion Program

Summary

On December 28, the Japanese government announced cabinet approval of a broad program of tax and other incentives to stimulate imports of manufactured goods into Japan. The program will go into effect on April 1, 1990, subject to expected approval by the Diet. The Japanese portray the plan as a "historic shift in the direction of becoming an import superpower." It reflects strong and persistent pressure on Japan to increase its manufactured imports (which, although rising in recent years, continue to be far smaller relative to income than those of other industrialized countries). It is, in effect, an "affirmative action" plan intended to offset, in part, the effects of Japan's promotion of exports and protection of its domestic market from foreign imports. We believe the program represents an honest effort and deserves credit, but we do not know whether it will change Japanese import patterns. Therefore, we believe we should adopt an approach of "wait and see" the results. We intend to give the program credit but to note that it does not substitute for elimination of market access barriers.

Analysis

The main elements of the program are:

- Tax incentives to manufacturers for incremental purchases of covered imports (most zero-tariff imports of manufactured goods -- approximately 50% of total Japanese imports).

- Tax incentives to wholesalers and retailers for incremental purchases of covered imports.

- Elimination of import duties on about 1,300 items, imports of which are valued at roughly $13 billion.

- Intensified import promotion measures, including more trade missions, government consulting services to importers, low interest loans for importers and foreign suppliers to set up distribution facilities.

o Expanded low interest loans, at lower rates, to foreign investors seeking to set up plants in Japan.

The program could cause an increase in U.S. exports to Japan.

o While the tariff eliminations will have little effect on U.S. exports, the tax and other financial incentives might. According to the internal Japanese government working paper on the plan, the U.S. supplies 22 percent of Japan's total manufactured imports but 40 percent of the manufactured imports covered by the program. With covered imports from all sources worth $35 billion in 1989, the program aims at producing a rise of at least $3.5 billion in 1990 global imports, and implicitly of about $1.4 billion from the U.S.

o It constitutes clear recognition by the Japanese government that manufactured imports will not flow into the Japanese market without significant import promotion measures by the government, and therefore constitutes tacit recognition that "informal" or structural barriers to imports do exist.

o The program sends a message to the Japanese manufacturers, wholesalers, and retailers that have resisted imports, that their government is now backing up its import promotion rhetoric with tangible, meaningful incentives. This may encourage Japanese companies to establish their own import promotion programs.

While the program may increase the sale of U.S. goods in Japan, it does not substitute for measures needed to remove barriers to imports, which we have been addressing in the Structural Impediments Initiative and in the specific trade issues we have between us. The tariffs eliminated, for example, failed to include key U.S. requests on wood products, one of the "super 301" cases.

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

THE PRESIDENT HAS SEEN

THE CHIEF of STAFF has seen

JAN - 2 1990

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