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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files

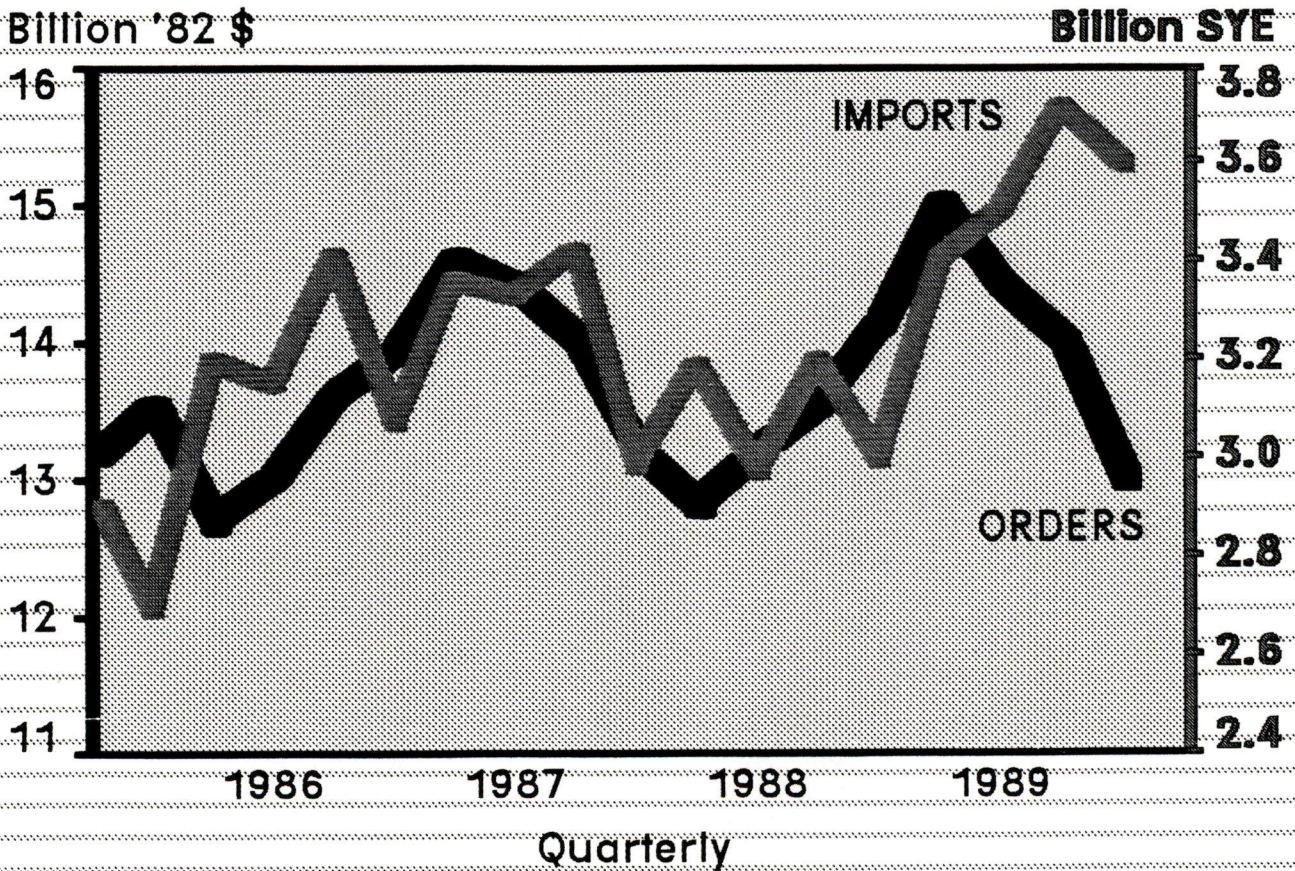
OA/ID Number: 29173
Folder ID Number: 29173-002

Folder Title:
Trade/Textiles (1989)

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Imports Versus Textile Orders

Volumes



Source: Departments of Commerce and Labor

(O-N 89)

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Memo	From Carla Hills to John Sununu Re: Your January 30 Meeting with Senator Helms on Textiles (2 pp.)	1/29/90	P/5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Trade / Textiles (1989)

Open on Expiration of PRA
 (Document Follows)
 By JJ (NLGB) on 5/12/05

Date Closed: 12/3/2004	OA/ID Number: 29173-002
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:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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

- P-1 National Security Classified Information [(a)(1) of the PRA]
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THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

January 29, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: CARLA A. HILLS *CAH*

SUBJECT: Your January 30 Meeting with Senator Helms on
Textiles

We have been working with various industry groups on our Uruguay Round goal to develop a mechanism to eliminate special protection for textiles and apparel in ten years. We are considering three basic options:

- o A continuation of the Multi-Fiber Arrangement (MFA) in some form;
- o Global-type quotas (the quotas would not be universal because at least Canada and Israel would be excluded due to our free trade arrangements); and
- o Tariff-rate quotas, which most economists, including Mike Boskin, favor.

- Ron Sorini will be discussing all three options on February 5 in Geneva. Although Senator Helms does not object to our putting forward the tariff-rate quota for tactical reasons, he wants the Administration to commit itself to supporting a global quota. Both Helms and Senator Sanford have said that if we do not support a global quota, they will take steps to try to block the Uruguay Round results.

We do not believe that now is an opportune time to narrow our options. Virtually all other countries strongly support a continuation of the MFA. Hence, removing the tariff-rate quota option at this stage would simply polarize the negotiations against the global quota. Moreover, at the end of the day we may have to accept a continuation of the MFA as the only viable option.

Thus, at this meeting we should try to persuade Helms et al. that we are looking favorably at a global quota, but that it is tactically preferable to leave all options on the table in order to retain our flexibility. Below are suggested talking points:

- o A global quota approach appears to have merit and is one of our top options for textiles in the Uruguay Round negotiations. We will be giving all three options an intensive review within the Administration, with all relevant private sector groups, and in Geneva.

- o For tactical reasons it does not make sense to discard any options or show our hand at this stage in the negotiations.
- o If we eliminate the tariff-rate quota option at this stage, other domestic forces will push us to eliminate the global quota approach. We do not want this to happen.
- o We will not negotiate a tariff-rate quota in the Uruguay Round if the domestic industry, after analysis, is adamantly opposed. However, we will discuss this option in general terms, along with a global quota proposal, next week in Geneva.
- o You must understand that the Uruguay Round will take at least the remainder of this year. I know that you are anxious to have us commit to the global quota approach. However, since this issue is so important, complicated and controversial, we are going to need more time to determine if global quotas can and should be the final outcome. Many of our trading partners are pushing hard for a continuation of the MFA in some form, which is also a possible outcome.

~~CONFIDENTIAL~~

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

DECLASSIFIED
PER NSC WAIVER, 1500 2021-02
By SS NARA, Date 11/30/23

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: CARLA A. HILLS *CAH*

SUBJECT: Your Upcoming Meeting with Senator Helms on
Textiles

Ron Sorini of my staff has held extensive discussions with industry representatives following your two previous meetings on textiles. I understand that the industry, and thus Senator Helms, is pleased with the discussions held to date. The industry is confident that we will implement our textile import program under the Multifiber Arrangement (MFA) in a satisfactory manner. Also, it appears that the industry accepts our long-term goal on textiles (i.e. to eliminate special protection for the textile and apparel industries by the year 2001).

The industry group has asked us to consider global quotas (growing at an annual rate of only one percent) as the transitional mechanism from the MFA, which expires on July 31, 1991, to normal GATT rules (their proposal is attached). It is safe to say that global quotas growing at only one percent will not be accepted internationally and would tag the Administration as favoring protectionism. Whether any global quota scheme is negotiable remains to be seen. We are also exploring two other options.

As this is a very complicated issue, I believe that we should meet for 15 minutes to talk in more detail before the next meeting with Senator Helms.

In line with our discussions to ensure a balanced perspective of the textile and apparel industries at this meeting, we suggest that the following individuals be invited:

Fred Dent,	Former USTR and Chmn Mayfair Mills
Robert Hauss,	CEO of Levi Strauss
William Farley,	Farley Industries and Chmn of Westpoint Pepperell
Lawrence Puge,	CEO of Vanity Fair Corporation
Howard Cooley,	CEO of Jockey, International
Donald Hughes,	V.Chmn and CFO of Burlington Industries
Daniel Frierson,	Chmn, Fiber, Fabric and Apparel Coalition for Trade (FFACT)
Linda Wachner,	Chairman of Warnaco
Roger Milliken,	President of Milliken & Company

Classified by: *Paul J. [unclear]*

Declassify on: OADR

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~~CONFIDENTIAL~~

- 2 -

It is possible that Senator Helms may resent Mr. Farley's attendance because of his outspoken support of open trade. However, Mr. Farley, who owns the largest textile company in the country, would be helpful to us precisely because he is an outspoken supporter of the Administration's open trade policy. Still, it would be prudent to provide Senator Helms with a list of proposed invitees and judge his reaction.

Ron Sorini and I will plan on attending the meeting with Senator Helms. We have supplied below some suggested talking points for the meeting.

- We want to proceed with our dialogue on textile and apparel trade policy. Since this issue is critical to our Uruguay Round negotiations, I would ask Ambassadors Hills and Sorini to continue to coordinate this effort.
- I know that you are anxious to hear the Administration's response to your proposal for global quotas. However, since this issue is so important and complicated we are going to need more time to develop our position on textiles in the Uruguay Round.
- There are three basic options we are considering at this time; a continuation of the MFA in some form, global quotas and tariff-rate quotas. I would ask USTR to discuss all three of these options with the textile and apparel industries. We, of course, also will have to consult with importers and retailers.
- I would guess that this is the first time that an Administration has considered your request for global quotas, and you can be assured that we will give your proposal fair and thorough consideration. However, we must keep in mind that any solution on textiles must be negotiated internationally and compatible with our overall objectives in the Uruguay Round.
- We hope to have a decision made by the end of the year. But as this issue is so important, we will take more time if needed.

Attachment

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Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03. Memo	From Roger Porter to John Sununu Re: Senator Helms' Request for a Meeting on Textiles (3 pp.)	10/19/89	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Trade / Textiles (1989)

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 (Document Follows)
 By JF (NLGB) on 5/12/05

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Unclassified with a CONFIDENTIAL Attachment

THE WHITE HOUSE
WASHINGTON

October 19, 1989

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*
SUBJECT: Senator Helms' Request for a Meeting on
Textiles

This follows up on my memorandum of October 13[?] and Ambassador Hills' memo of October 17 (copy attached) on the same subject.

Since the earlier memos were written, USTR has been contacted by representatives of Bill Farley of West Point/Pepperill. Farley has learned of the earlier Helms/Sununu meetings and wants to be included in future ones. Senator Helms would likely oppose Farley's participation strongly, since Farley favors liberalization of import restrictions on textiles.

This information reinforces my reservations about holding a meeting attended by only one industry representative, who is an advocate of tight import controls. The Administration could be attacked for providing special treatment to the protectionist side of the industry.

Therefore, I believe that the best step would be a call from you to Senator Helms. In such a call, you could:

- Explain that the Administration does not yet have a firm answer on the global import quotas issue;
- Explain why any meeting should include all parts of the industry; and
- Urge that a meeting not be scheduled at this time.

Since Senator Helms wants a meeting during the October 24-26 timeframe, your call would need to be made before the weekend.

Recommendation

That you call Senator Helms as soon as possible, using the talking points at Tab A.

Attachments

Tab A Talking Points
Tab B Hills Memo

Unclassified with a CONFIDENTIAL Attachment

TELEPHONE CALL TO SENATOR HELMS
ON TEXTILES

Talking Points

- o Senator, our two staffs have had several discussions over the past few weeks concerning your interest in meeting again to discuss the status of the Administration's review of its textiles trade policy.
 - The meeting would be a follow-up to the one we held in early August.
 - Our staffs had agreed to explore the possibility of scheduling a meeting during the middle of next week, in the October 24-26 timeframe.
 - I am told you had in mind a small meeting -- perhaps Ambassador Hills, Roger Porter, and myself meeting with you and Don Hughes of Burlington Industries.
- o I have two concerns about scheduling a meeting next week.
- o First, I am not sure that the meeting would meet expectations or that there is all that much to discuss.
 - The key outstanding issue is the industry's request for Administration support for global import quotas.
 - I understand from Carla Hills that the Administration does not have a position on the quota issue and may not have one for some time. The issue ties directly to the U.S. position on textiles in the Uruguay Round, which we are in the middle of developing.
 - The key textiles issue in the Uruguay Round is what transition rules should apply while we work toward the goal -- which the industry accepts -- of eliminating special protection for the textile and apparel industries by the year 2001.
 - oo USTR is taking a close look at the global quota option for the transition period. There are also two other options. USTR is discussing all of these with industry representatives and all other concerned parties (e.g., importers and retailers).
 - oo We hope to meet the Uruguay Round target of tabling a proposal by the end of the year. But this issue is so important that we will take more time if needed.

- Given the lack of anything definitive, I doubt that a meeting would accomplish much or meet expectations. It might be better for the industry to keep working with USTR, since I understand that process is going quite well.
- o Second, I am concerned about excluding key segments of the industry from a meeting.
 - While Don Hughes is an important industry spokesman, there are others who probably will want to be included if he comes.
 - oo The apparel producers, for example, represent an important part of the industry and should be there.
 - oo We have also heard from Bill Farley (of West Point/Pepperill), who wants to attend.
- o My preference is to put off a meeting until we have something substantive to discuss.
 - If you wish, I am sure Ambassadors Hills and (Ron) Sorini would be pleased to visit you to provide a status report on their deliberations.
- o However, if you would like a meeting, I suggest a small meeting with NO industry representatives. We could use that opportunity to provide you with a status report from USTR.
- o If you are absolutely committed to a meeting that includes industry representatives, I believe we need to include all of the key people.
 - This would be unwieldy and would do little to advance the Administration's thinking on the issue.
 - Such meetings are best chaired by USTR.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04. Memo	From Roger Porter to John Sununu Re: Phone Call from Senator Helms Regarding Textiles (3 pp.)	9/13/89	P/S	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Trade / Textiles (1989)

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THE WHITE HOUSE
WASHINGTON

September 13, 1989

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*
SUBJECT: Phone Call from Senator Helms Regarding
Textiles

Issue

Senator Helms may call you to request another meeting to discuss textile and apparel trade policy. We have told his staff that a meeting toward the end of October might be more useful than an earlier meeting.

Discussion

At a meeting with Senators Helms and Thurmond on August 2, you directed USTR and the Department of Commerce to meet with the textile and apparel industry to see if agreement could be reached on Administration policy. You indicated that you would be prepared to meet with Senator Helms in a month.

Since that meeting, staff level discussions with the industry have accomplished our initial objective of reaching agreement with the industry on certain short-term administrative actions relating to U.S. implementation of the Multi-Fiber Arrangement (MFA). These actions are consistent with our international obligations and will address some industry concerns regarding textile and apparel imports.

There is, however, no immediate prospect of agreement on long-term U.S. textiles trade policy and the Administration's objective of eventually integrating textile and apparel trade into GATT disciplines in the Uruguay Round of Multilateral Trade Negotiations. The U.S. is not scheduled to table a position on textiles in the Uruguay Round until late this year or early next year. The industry has asked us to consider a system of global quotas on textile and apparel imports, with a maximum of one percent annual growth. This proposal is not acceptable and President Reagan twice vetoed legislation to this effect.

The industry appears divided on its strategy. Some hardline elements would like to push another textile quota bill, but will probably hold off until next year, when the prospect of elections will increase the pressure on Congress.

While a bill would probably pass, the President would almost certainly veto it. The apparel manufacturers are less committed to a bill and appear interested in a renewal of the MFA.

USTR and Commerce want to continue to discuss long-term policy with the industry. Subject to the constraints of overall Administration policy, they are prepared to review all options, including those proposed by the industry. While this process may not be completed by the end of October, we could be in a position to provide a substantive status report.

Recommendation

If Senator Helms calls you about scheduling another meeting on textiles that you use the attached talking points to urge a delay until the end of October.

Attachment

TEXTILES

Talking Points for Discussion with Senator Helms

- o While I will schedule a meeting if you insist, I think that there would be more to discuss if we wait until later this year, perhaps the end of October.
- o I understand that discussions between USTR and Commerce and the textiles and apparel industry have resulted in agreement on certain short-term measures to improve our implementation of the Multi-Fiber Arrangement (MFA). This should address some of the concerns you raised at our last meeting.
- o The industry has asked us to focus on issues relating to long-term U.S. policy with respect to the eventual integration of textiles and apparel trade into GATT disciplines. This process will take some time, in part because of its complexity and in part because it is driven by the Uruguay Round Timetable.
- o We will continue to consult. We want to work with the industry to see what can be accomplished.
- o As for a meeting, it might be best to wait until later this year, when we have something concrete to talk about. We might aim for the end of October.

Withdrawal/Redaction Sheet (George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05. Memo	From Roger Porter to John Sununu Re: Upcoming Presidential Decisions on Trade (2 pp.)	5/5/89	P/5	

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THE WHITE HOUSE

WASHINGTON

May 5, 1989

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: Upcoming Presidential Decisions on Trade

The President will need to decide on implementation of the so-called Super 301 authority by the statutory deadline of May 30. To create the framework for that decision, he should also approve and announce his overall trade strategy.

Super 301

Last year's trade act contains a requirement that, by May 30, the U.S. Trade Representative submit to the Congress lists of the most serious foreign trade barriers (called "priority practices") and the countries maintaining the most restrictive barriers ("priority countries"). Investigations must be initiated on all priority practices in priority countries. Unless the barriers are removed, retaliation could occur in 12 to 18 months.

The Super 301 provision has tremendous potential for creating major foreign policy problems, not to mention a trade war. Almost without exception, other countries resent the potential use of a heavy unilateral club, especially concurrent with the Uruguay Round negotiations. The European Commission, for example, has already declared its unwillingness to negotiate should the EC be designated under Super 301.

The sub-cabinet Trade Policy Review Group is now reviewing options for designating countries and practices. USTR plans to have the issue ready for review by the Economic Policy Council beginning May 12, with recommendations ready for the President by May 19. This would leave him a week to make a decision before departing for Europe.

Trade Strategy

On Tuesday, May 2, the EPC reviewed a paper on the U.S. trade strategy that was requested by Secretary Brady on behalf of the President. The paper provides a solid, concise, statement of our trade strategy. With the Super 301 issue about to capture headlines, I believe that the President should use the trade strategy paper as the basis for a public statement on trade

policy. This would give him a solid foundation to rebut any charges of protectionism that may arise during his trip to Europe. A good occasion for a trade speech would be his May 17 address to the American Retail Federation.

RECOMMENDATIONS

1. That time be reserved on the President's calendar during the week of May 22 to review the Super 301 issue.

Approve _____ Disapprove _____

2. That the May 17 address to the American Retail Federation be used to make a major statement on the President's trade strategy.

Approve _____ Disapprove _____

Trade Protection and Higher Interest Rates

° Trade protectionism could cause a significant drop in Japanese and other foreign investment in the U.S.

-- Japanese and other foreign net capital investment comprise a significant share of the funds available for new investment in the United States.

-- Any sharp decline in this capital inflow could seriously shake financial markets and send interest rates higher.

° Over the past year, net interest costs paid by business have risen by \$62 billion.

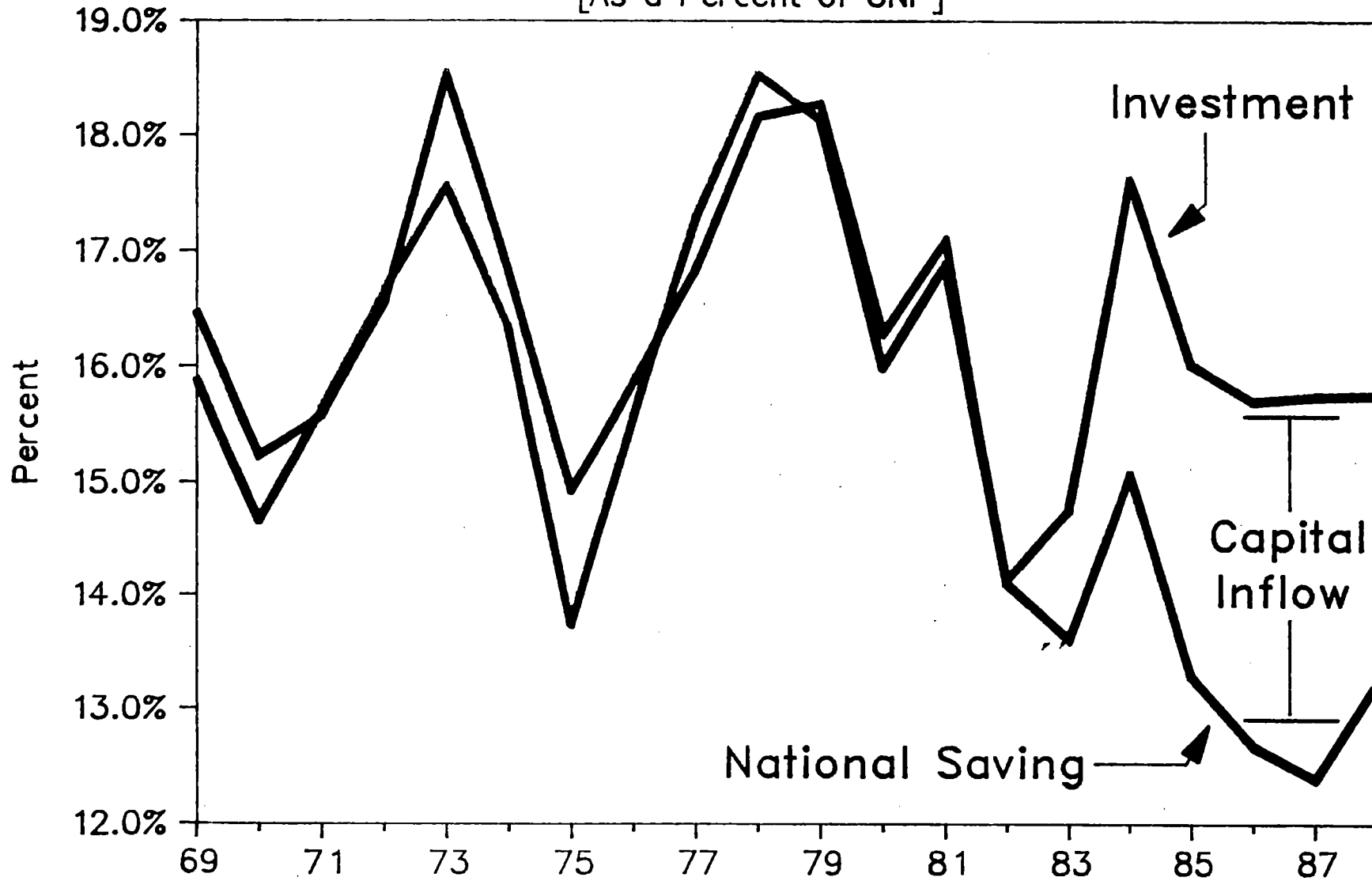
-- Roughly 60 percent of this rise was due to an 84 basis point rise in interest rates paid by business.

° If the pace of foreign investment in the U.S. slowed enough to cause interest rates to rise by only 10 basis points, it would cost American business roughly \$4.4 billion, and a 20 point rise roughly \$8.8 billion, etc.

-- Higher interest costs of this magnitude would not only significantly exceed the estimated cost of the unfair trade practices we are trying to address, but would likely lower investment and hurt our future productivity and competitive position.

Saving, Investment, and Capital Inflow

[As a Percent of GNP]



Withdrawal/Redaction Sheet

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- (b)(9) Release would disclose geological or geophysical information

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PRM. Removed as a personal record misfile.

Trade

THE WHITE HOUSE

WASHINGTON

March 14, 1989

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: Free Trade Zones

This is in response to your inquiry about whether there are any Japan-U.S. Free Trade Zones, and, if not, whether there are any plans to have them.

While there are no "free trade zones," there has been some mild interest in the possibility of a U.S.-Japan Free Trade Area (like the Free Trade Agreement recently negotiated with Canada). Last year the International Trade Commission reviewed the prospects for such a trade agreement with Japan at the request of Senator Robert Byrd. There is, however, little support at the present time for such an agreement. We have preferred to concentrate on opening markets through the Uruguay Round. Resorting to further bilateral agreements is considered by USTR and others as something of a fallback position if the multilateral approach fails to produce adequately.

There are "Foreign Trade Zones" in the United States, some of which benefit Japanese-owned firms. For example, Toyoto has a Foreign Trade Zone for its assembly plant in Georgetown, Kentucky. Toyota can import parts duty-free, then pay duty on the assembled automobile when it is shipped to dealers elsewhere in the U.S. This helps Toyota, since duties on parts tend to be higher than those on finished automobiles. The use of Foreign Trade Zones, however, is not limited to Japanese-owned firms.

Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
07. Memo	From Roger Porter to John Sununu Re: Textiles (1 pp.)	6/1/89	P5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Trade / Textiles (1989)

Open on Expiration of PRA
 (Document Follows)
 By *JF* (NLGB) on 5/12/05

Date Closed: 12/3/2004	OA/ID Number: 29173-002
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:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National Security Classified Information [(a)(1) of the PRA]
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THE WHITE HOUSE

WASHINGTON

June 1, 1989

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: Textiles

As you may have been told by Senator Helms or others, the textiles industry believes that in your early April meeting with them you agreed to support legislation on textiles imports. While White House participants at the meeting are emphatic that no such commitment was made or implied, you are likely to face continuing pressure for a quick decision at the political level to resolve the industry's concerns.

USTR's textiles negotiator (Ron Sorini) has met several times over the past six weeks with industry representatives, with the declared objective of better understanding the industry's perceived problem and proposed solution. The industry has promised to provide USTR with a definitive paper laying out its position by next week.

I believe that, in order to contain industry expectations it is important to establish a clear process within the Administration for review of the textiles industry's concerns. The model should be the process now being used for the steel industry to examine whether to extend VRA's on steel--subcabinet review by the USTR-chaired Trade Policy Review Group and subsequent consideration by the Economic Policy Council.

The industry appears willing to accept this approach, but wants to schedule a meeting with you on or about June 29. I believe that the internal Administration review is unlikely to be completed by then.

Recommendation

That, if requested by the industry, you agree in principle to meet with them during the summer, but defer setting a date until timing for completion of the Administration's internal review is clearer.

cc: Fred McClure
David Bates

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
08: Memo	From Carla Hills to John Sununu Re: Follow-up to Your April 6 Meeting on Textiles (3 pp.)	4/27/89	P/5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Trade / Textiles (1989)

**Open on Expiration of PAA
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THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

April 27, 1989

Rec'd COS
APR 27 1989

MEMORANDUM FOR JOHN H. SUNUNU

FROM:

CARLA A. HILLS *CAH*

SUBJECT:

Follow-up to Your April 6 Meeting on Textiles

Attached is a summary of the textile industry's analysis of the Multifiber Arrangement and past U.S. textile policy. The paper was presented to us on behalf of the fiber/textile/apparel industry coalition. The industry hopes that this will form the basis for discussions with us. The industry will provide us a specific proposal within the next week. I do not believe you or I should meet with the industry again until we have a better idea of what they really want.

Ron Sorini, who attended your earlier meeting, tells me that the industry will not press for a quick follow-up meeting with you. Instead, the industry has requested that Ron organize a working group to explore areas of common interest. The industry will want to meet with you after this group has concluded its work, probably sometime in early June.

As Ron knows the issue well and the industry is comfortable working with him, I will ask him, in coordination with Roger Porter's office, to establish an interagency working group composed of the relevant EPC agencies. Upon receipt of recommendations from the working group, we could then decide when to schedule the follow-up meeting with Senators Helms, Thurmond, Lott and industry representatives.

We will attempt to maneuver this process so that the more moderate, less protectionist elements of the industry will frame their positions. I view this exercise as an opportunity not only to satisfy some of the industry concerns so we can avoid confrontation with them, but also to move the industry in a direction consistent with our long-term strategy of opening markets and expanding trade.

Attachments

cc: Roger Porter

Summary: Textile Industry's Analysis
of the Multifiber Arrangement & U.S. Policy

Shortcomings of the Multifiber
Arrangement (MFA)

- Growth rates envisaged are generally 6% or greater.
- Flexibility permits negotiated growth rates to be exceeded.
- Unilateral controls by country on first 12 of prior 14 months encourages surges to build quota bases.
- No effective mechanism to control import surges resulting from unfilled quotas.
- If overhang is reduced, must pay compensation.
- Dropped quotas which are subsequently reinstated are set at original levels regardless of market conditions.
- Textiles Surveillance Body can interfere in bilaterally negotiated deals.
- No negative growth or flexibility permitted.
- Special treatment for new entrants, small suppliers and least developed.
- No teeth in quota fraud and circumvention provisions.
- Expires and must be renegotiated every 4-5 years.
- MFA under attack in Uruguay Round.

Shortcomings of U.S. Textile Policy
and Procedures

- Ill-defined, ambiguous textile policy has hindered U.S. ability to act effectively.
- Outcomes have become subject to geopolitical influences.
- Outcome depends on negotiating ability and willingness to be tough.
- CITA process subject to bureaucratic delay -- either intentional or institutional.
- No response to inequities in conditions of competition in supplying countries.
- No linking of reciprocal market access.
- Side letters and secret agreements have undercut bilateral process.
- No adherence to concept of cumulative disruption.
- Lack of expertise in preparation of market disruption statements.

Principle Objections to the Previous Textile Bill

o The quotas would have been unilateral, automatic and permanent.

o The bill did not distinguish between fair and unfair trade practices.

-- it would have established quotas even if trade was "fair".

-- it would have provided a disincentive to, rather than an incentive for, foreign countries to open their markets.

-- the remedy for dumping and countervailing duties still would have been available.

o The quotas would have been established indiscriminately. The bill would have placed quotas on all textile and apparel products:

-- whether or not they are like or competitive with products made in the U.S.

-- whether or not domestic producers are being damaged by imports.

o The bill was incompatible with our international obligations:

-- it was not consistent with the principles of the Multifiber Arrangement (MFA).

-- the U.S. would have abrogated nearly 40 bilateral agreements.

-- it was not consistent with the GATT or our Uruguay Round "standstill" commitments.

Proposal from Fiber/Textile/Apparel
industries and unions

4/27/89

In order to prevent further injury or threat of injury to the U.S. textile and apparel industry and its workers, the following must be implemented:

- (1) A trigger-point mechanism that establishes comprehensive product category quotas based on specific measures of import sensitivity;
- (2) A provision to drop or add quotas as the trigger point ^{mechanism} requires;
- (3) Quota growth rates consistent with the long-term growth of the U.S. market;
- (4) Comprehensive quota levels based on 1988 data;
- (5) A provision to authorize limited compensatory tariff reductions in cases where principal supplying countries have been demonstrably affected adversely;

The following must be implemented if the above provisions are to be effective:

- (1) A provision to require date-of-import for quota administration purposes;
- (2) A provision to permit countervailing duty petitions to be filed against non-market economies;
- (3) A provision to add enforcement resources to the U.S. Customs Service for implementation of this program;
- (4) A provision to establish a private right of action for customs fraud and to establish penalties which decrease the access to the U.S. market for countries engaging in customs and quota fraud.

This approach provides the Administration flexibility in establishing specific quotas. It is consistent with Article XIX of the GATT. It can be implemented to accommodate existing MFA agreements, either by continuing the agreements or by allowing them to expire without re-negotiation.

These provisions can be best established and implemented through legislation.

Analysis of the Multifiber Arrangement and U.S. Textile Policy

The cornerstone of the U.S. textile import program for the past quarter century has been the Multifiber Arrangement (MFA) and its predecessor international agreements. These arrangements have had a limiting effect on the growth of textile and apparel imports but they have been far from effective in preventing market disruption and job losses, and have clearly been unable to limit the growth of imports to anywhere near the growth of the U.S. market. Charts I and II, (attached), show the growth of textile/apparel imports and the resulting textile/apparel trade deficit over the past fifteen years. Chart III also shows the impact of this import growth on job losses in the U.S. textile and apparel industry. Chart IV shows an example of the ineffectiveness of the quota system by showing that in 1986, textile and apparel imports which were subject to the MFA controls grew by 17 percent -- precisely the same growth rate of imports of textile and apparel not subject to MFA controls.

Ineffective control of textile and apparel imports is due both to shortcomings in the Multifiber Arrangement itself and to shortcomings in the U.S. government's textile and apparel policies and procedures. These shortcomings are summarized in Table I, attached. Several important conclusions can be drawn

from this list:

- o The MFA was never designed to produce import growth equal to market growth. It was a compromise between opening markets and disruption of those markets. While growth rates in the early arrangements and the MFA were linked to market growth rates, they obviously no longer are.
- o While the MFA does envisage a growth rate of six percent, the arrangement is so seriously flawed that this growth rate has been and will continue to be exceeded over time.
- o Its flaws include the extreme difficulty for an importing country to take emergency action should special circumstances develop; required flexibility permitting growth rates at least 5 percent above negotiated growth rates; the recognition that special treatment must be paid to the least developed countries and new suppliers which are often the major causes of market disruption; a process for adding new quotas which encourages exporting countries to accelerate shipments to increase quota bases; an inability to deal effectively with import surges caused by unfilled quotas for prior years since compensation must be paid if actions are taken; no meaningful provisions to penalize countries engaging in quota fraud and circumvention and a process through which bilateral

circumvention and a process through which bilateral agreements subject to increasing through the Textile Surveillance Body challenge.

Even given its flaws, the MFA can be made to work more effectively for the developed countries if proper policies and administrative procedures are implemented. The MFA will never be able to produce with certainty an overall import growth rate at or even close to the one percent growth of the U.S. market. The only successful use of the MFA to get import growth rates close to that of the importing country market was in the early 1980's by the European Community (EC). This was accomplished by:

- o A policy decision by member countries that import penetration (over 50%) had reached the point where strong, effective action was needed to prevent further penetration.
- o The member countries, acting through the Council of Ministers, enacted a mandated set of global product quotas covering most of the important textile and apparel import categories. This had the essential effects of legislation
- o This mandate was given to the EC Commission and the Commission's Chief Textile Negotiator was instructed to implement it and could not exceed its limits.
- o The negotiating technique used was particularly effective in producing the desired result:

- All major MFA bilateral countries were contacted more or less simultaneously.
- Negotiations were undertaken with all of them within a very short time frame.
- The mandated global quota was explained to each supplying country.
- Each country was told that the sooner it came to terms bilaterally, the better the chance of maintaining its share of the European Community market.
- The countries that came to terms last were, in fact, rolled back because the mandated overall limits had already been reached.
- This clearly showed that the EC adhered to its policy and was able to implement it within the framework of the MFA.

This produced an incentive for countries to negotiate and to accept terms required by the mandate. The result was that import growth under this approach from MFA countries into the European Community was only 2 percent per year during 1980 to 1985, versus the 20 percent per year growth experienced by the U.S. over the same time span.

It is therefore possible that the proper set of policies, mandates and negotiating procedures can achieve slowed growth under the MFA. However, even the EC experience was not

completely satisfactory because other non-MFA suppliers entered the market and had to be dealt with outside the global limits. In addition, the EC's preferential arrangements were not subject to global quotas and have produced excessive import growth. The global quotas were also not applied to developed country exports into the EC. Thus, EC import penetration (measured in volume terms), while slowed, has continued to grow through the 1980's.

The major flaw in U.S. textile policy during this period has been the absence of such a policy. What we have experienced is "textile policy by default" or a minimalist approach aimed at "keeping the industry and unions on the reservation." There have been only one or two instances (the Dec. 16, 1983 announcement and the Baker Report) in this decade which were a positive expression of U.S. textile policy. Neither of these directives had a significant impact on slowing import growth. For example, six months after the Dec. 16 White House announcement, import growth was at a 26 percent annual level. The Baker Report produced some improvement in the origin regulations concerning sweaters made in China and Hong Kong but did little or nothing to slow overall import growth. Most of the U.S. chief textile negotiators have indicated that they operate essentially on their own under very broad guidelines without any coherent policy guidance. They are told to do what is necessary under the MFA to avoid creating major problems either with the industry, the unions, or the importers and retailers in the United States.

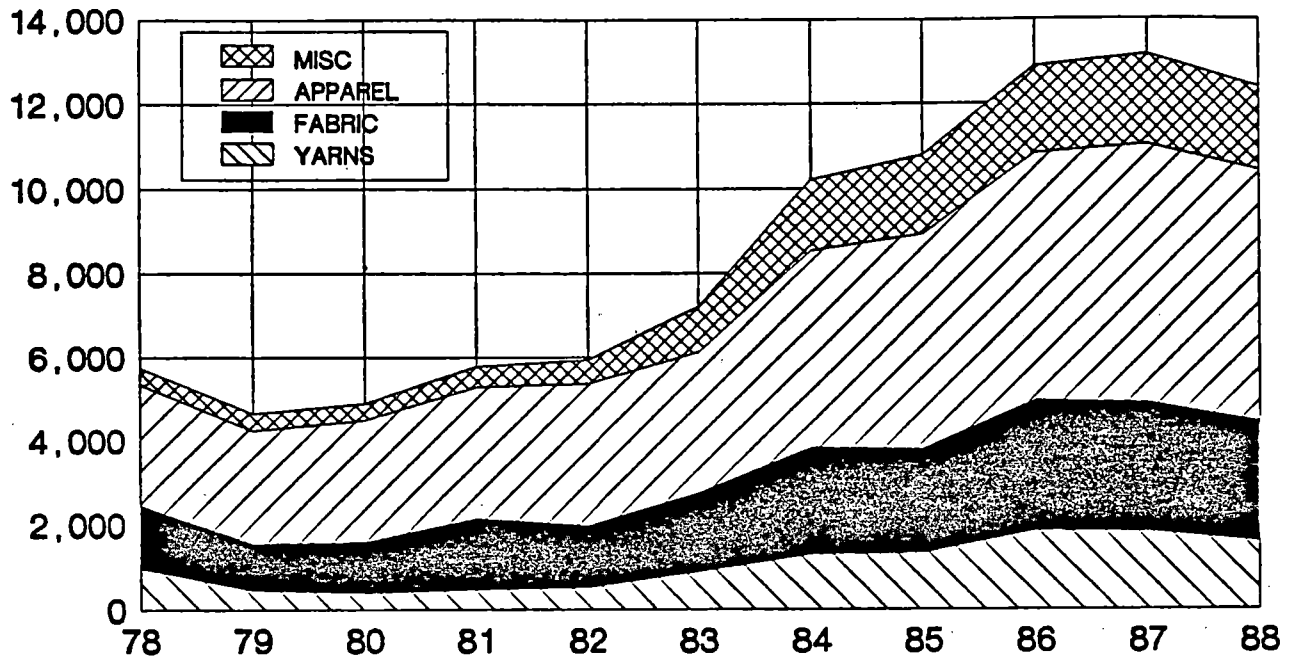
The result of this has been an average annual import growth of over 15 percent during the 1980's. We are thus experiencing and are impacted by the worst of all outcomes -- the perception that the industry is highly protected and the "evidence" that it is not protected very much at all.

The Office of Technology Assessment reported in 1987 that the U.S. market has been the relatively most open market of the major importing countries and in spite of significant efforts by the industry to remain competitive and modern, strong government action is needed if the industry is to survive into the future. Yet we continue to face a textile policy which is to have no policy. This situation is characterized by outcomes dictated more by geopolitical considerations than the impact on domestic industry and workers, by an administrative process within the government that is subject to bureaucratic delay and indecision, by an analytical process within the government which is ill-prepared and unable to provide effective market disruption determinations and by a failure of our government to adjust its negotiating objectives to the continued unfair conditions of competition which exist in textile trade worldwide.

It is doubtful whether policies can be formulated which would produce the necessary slowdown in textile and apparel imports under the current provisions of the MFA. But it is a certainty that the absence of a coherent, committed textile policy can never produce an effective slowdown in import growth.

CHART I

U.S. IMPORTS OF TEXTILE MANUFACTURES (millions of equivalent square yards)



YEAR	YARNS	FABRIC	APPAREL	MADE-UP & MISCELLANEOUS	3 FIBER ** TOTAL
1978	972.5	1463.9	2905.4	398.1	5739.9
1979	438.2	1116.0	2671.1	412.9	4638.2
1980	380.2	1217.2	2884.2	402.8	4884.4
1981	442.7	1705.7	3135.9	490.4	5774.7
1982	496.0	1477.6	3382.4	579.1	5935.1
1983	867.8	1870.7	3874.7	1093.3*	7706.5*
1984	1279.5	2546.5	4707.2	1674.1	10207.3
1985	1321.4	2477.6	5116.9	1877.8	10793.7
1986	1833.3	3121.1	5866.6	2053.9	12874.9
1987	1815.9	3079.1	6126.1	2134.0	13155.1
1988	1590.3	2841.4	5969.3	1973.4	12374.3

SOURCE: Compiled by ATMI's TEXTILINE trade data system using U.S. Census Bureau data.

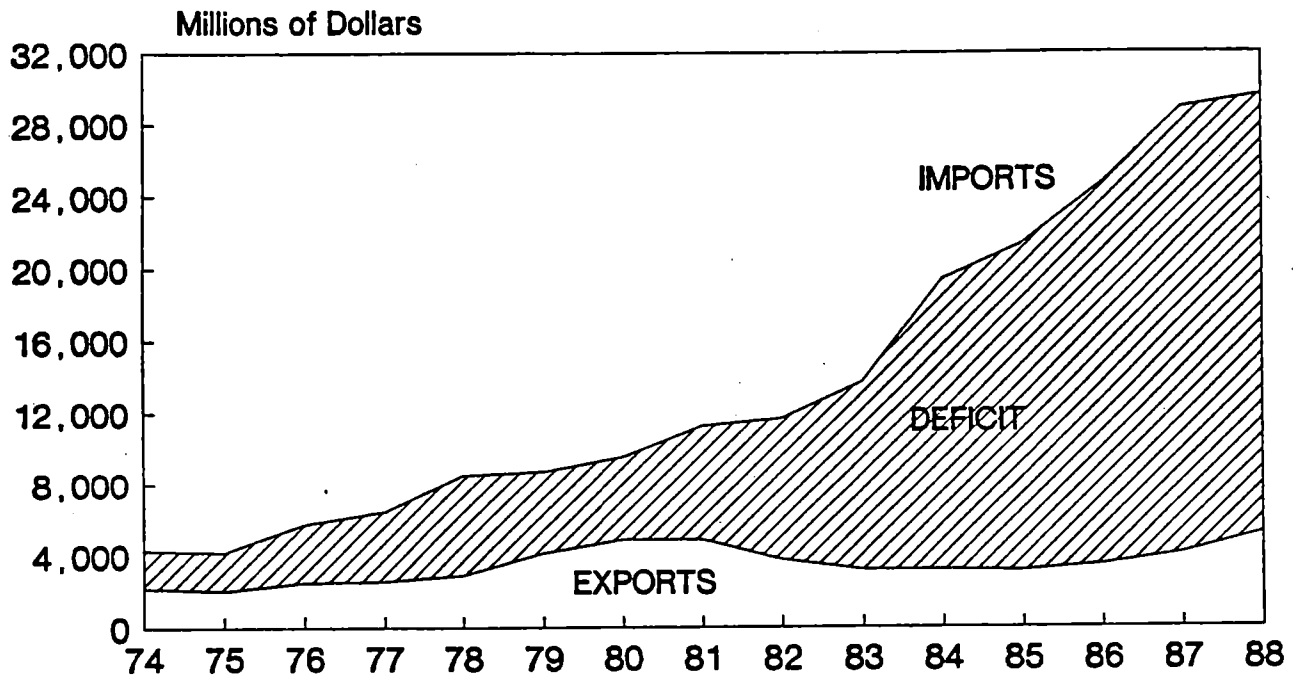
* Total and Miscellaneous categories include flat goods beginning 1983 and subsequent years. Without flat goods 1983 Miscellaneous imports were 789.7 million SYEs and Total imports were 7402.9 million SYEs.

** Data exclude silk rich blends and vegetable fibers other than cotton.

CHART II

U.S. TEXTILE AND APPAREL TRADE

C.I.F. IMPORT VALUES, F.A.S. EXPORT VALUES
CALENDAR YEAR TOTALS

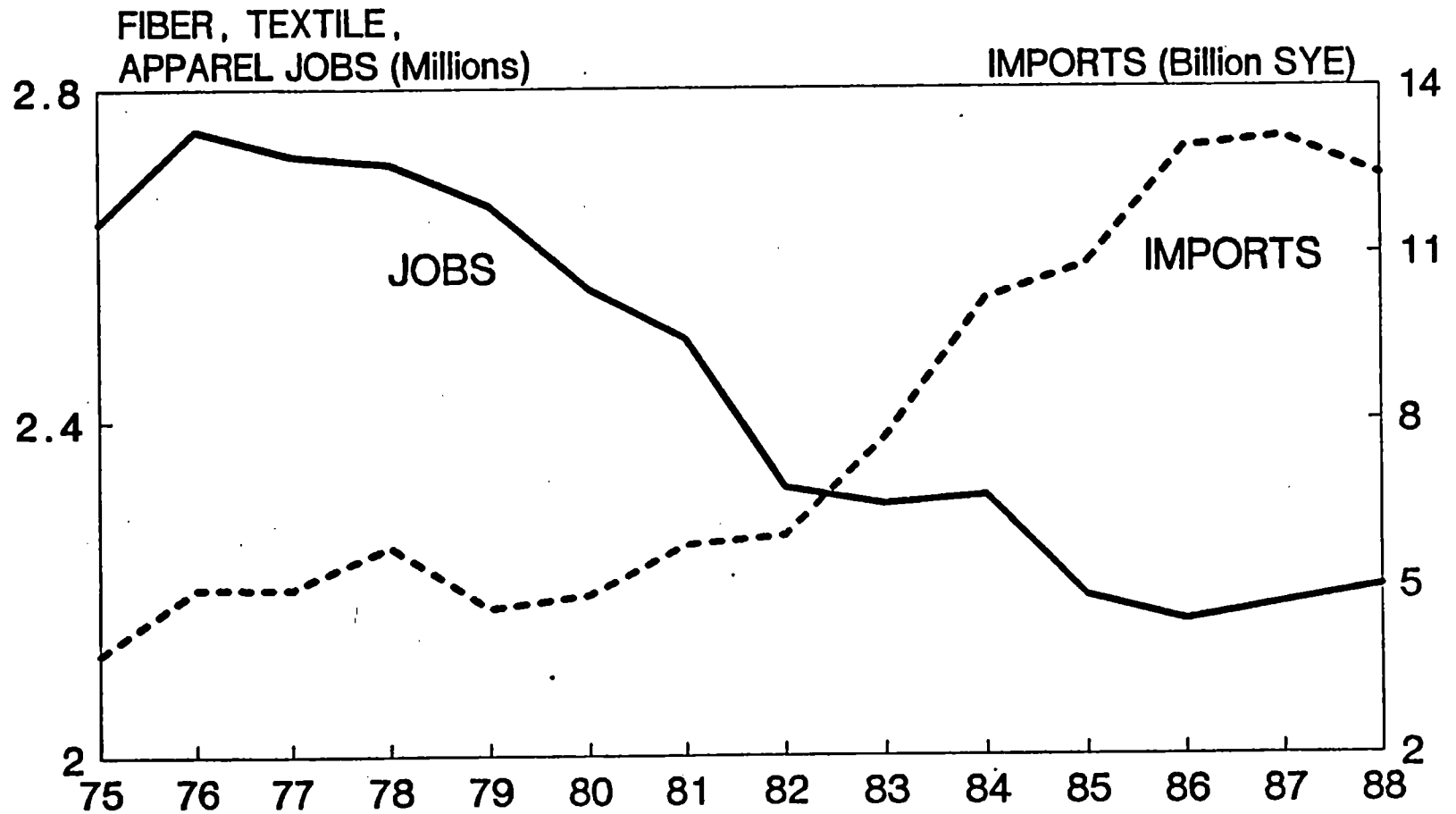


	TEXTILES			APPAREL			TEXTILES & APPAREL		
	IMPORTS	EXPORTS	TRADE BALANCE	IMPORTS	EXPORTS	TRADE BALANCE	IMPORTS	EXPORTS	TRADE BALANCE
F.A.S. VALUES									
1971	1,392	632	-760	1,521	204	-1317	2,913	836	-2077
1972	1,526	779	-747	1,883	240	-1643	3,409	1,019	-2390
1973	1,568	1,225	-343	2,168	278	-1890	3,736	1,503	-2233
C.I.F. VALUES									
1974	1,752	1,795	43	2,517	400	-2117	4,269	2,195	-2074
1975	1,336	1,625	289	2,826	403	-2423	4,162	2,028	-2134
1976	1,791	1,970	179	3,938	510	-3428	5,726	2,480	-3246
1977	1,939	1,959	20	4,493	608	-3885	6,432	2,567	-3865
1978	2,400	2,225	-175	6,108	677	-5431	8,508	2,902	-5606
1979	2,399	3,189	790	6,291	931	-5360	8,690	4,120	-4570
1980	2,676	3,632	956	6,849	1,202	-5647	9,525	4,834	-4691
1981	3,250	3,619	369	8,008	1,232	-6776	11,258	4,851	-6407
1982	3,000	2,784	-216	8,703	953	-7750	11,703	3,737	-7966
1983	3,460	2,368	-1092	10,292	818	-9474	13,752	3,168	-10584
1984	4,874	2,382	-2492	14,513	807	-13706	19,387	3,169	-16218
1985	5,274	2,366	-2908	16,056	755	-15301	21,330	3,121	-18209
1986	6,151	2,570	-3581	18,554	900	-17654	24,705	3,469	-21236
1987	6,918	2,900	-4018	21,960	1,132	-20828	28,885	4,089	-24796
1st Q	1,628	673	-955	5,100	240	-4860	6,728	913	-5815
2nd Q	1,736	771	-965	5,378	296	-5082	7,114	1,067	-6047
3rd Q	1,757	690	-1067	6,443	274	-6169	8,209	964	-7245
4th Q	1,797	766	-1031	5,039	322	-4717	6,835	1,089	-5746
1988	6,748	3,651	-3097	22,877	1,575	-21302	29,625	5,227	-24398
1st Q	1,704	847	-857	5,387	331	-5056	7,019	1,178	-5841
2nd Q	1,691	912	-779	5,188	397	-4791	6,951	1,309	-5642
3rd Q	1,672	936	-736	6,665	424	-6241	8,337	1,360	-6977
4th Q	1,681	956	-725	5,637	423	-5214	7,318	1,380	-5938

SOURCE: U.S. Department of Commerce, FT-135, FT-140, SITC Classification 65 & 84. Data are in millions of dollars.

CHART III

IMPORTS TAKE AWAY U.S. JOBS

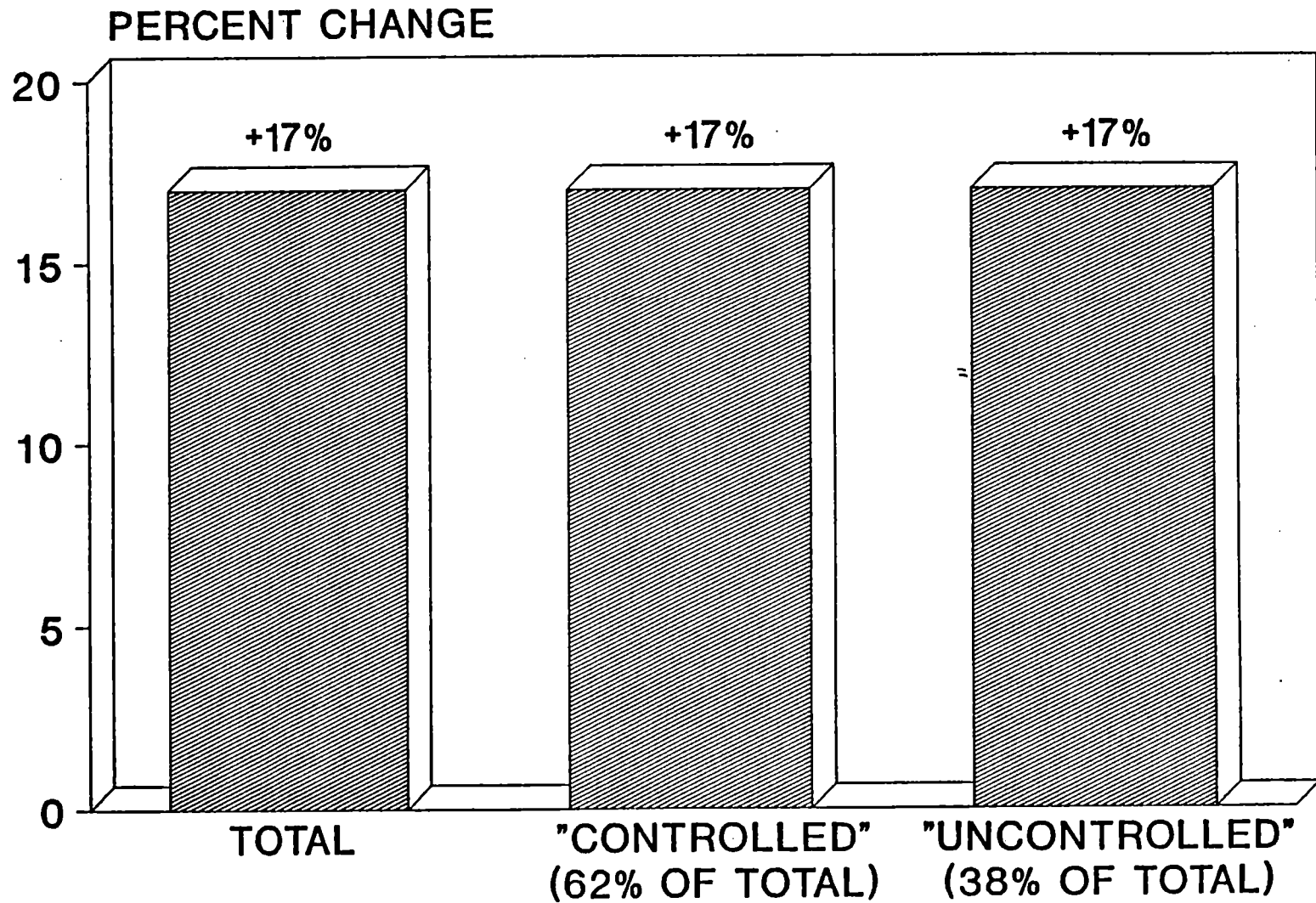


SOURCE: U.S. Departments of Labor, Commerce, and Agriculture

CHART IV

TEXTILE & APPAREL IMPORTS -- 1986

% CHANGE FROM 1985



SOURCE: Major Shippers Report. U.S. Dept. of Commerce

Principle Objections to the Previous Textile Bill

o The quotas would have been unilateral, automatic and permanent.

o The bill did not distinguish between fair and unfair trade practices.

-- it would have established quotas even if trade was "fair".

-- it would have provided a disincentive to, rather than an incentive for, foreign countries to open their markets.

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o The bill was incompatible with our international obligations:

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- (b)(9) Release would disclose geological or geophysical information

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

THE WHITE HOUSE
WASHINGTON

Information

April 12, 1989

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*
SUBJECT: Textiles

This memorandum responds to the three questions you asked about textiles.

1. Are we enforcing existing law on textiles?

It is difficult to measure objectively the effectiveness of executive branch enforcement of existing law on textiles. Congress has not enacted legislation specifying import levels. Instead, it has provided the President broad authority to negotiate textile agreements which set the actual import levels. The domestic industry tends to look at two measures of "tough" enforcement.

The first measure is the restrictiveness of bilateral agreements. The Multifiber Agreement (MFA) provides a framework for countries to negotiate bilateral textile agreements. Within this framework, we have about 40 bilateral agreements which limit textile and apparel imports into the United States.

In general, the domestic industry has argued that the executive branch has not negotiated strict bilateral agreements. That is, these agreements allow for too much import growth or do not cover enough textile products.

The Reagan Administration claimed that it did negotiate tough bilateral agreements. For example, even though the MFA states that the appropriate level of annual import growth for bilateral agreements should be 6 percent, the agreements with Korea, Taiwan, Hong Kong, and China limited annual import growth to less than 3 percent.

These bilateral agreements helped in reducing total U.S. textile imports by about 6 percent last year (from 13.7 billion square yards equivalent in 1987 to 12.9 billion SYEs in 1988).

The second measure is the number of "calls" made. The MFA permits an importing country to determine that an exporting country is disrupting the domestic market for a particular textile product. After making this determination, the impor-

1989 APR 13 11 00

ting country can "call" the exporting country to stop this disruption by establishing a quota. The domestic industry has argued that the executive branch has not made enough calls in recent years. Following is the actual number of calls in recent years.

1982	38	1986	146
1983	110	1987	58
1984	112	1988	37
1985	129		

The number of calls declined in 1987 and 1988 as import growth slowed due to the lower dollar, and the strictly negotiated bilateral agreements.

2. Since I have become President, has any action been taken on the new agreements worked out by Yeutter last year?

The USTR constantly renegotiates bilateral agreements, since most of the 40 bilateral agreements last about three or four years. Last year, the USTR renegotiated four bilateral agreements with Brazil, Mexico, Sri Lanka, and the Dominican Republic. Since you became President, the USTR has renegotiated three bilateral agreements with Bangladesh, Costa Rica, and Peru.

The USTR plans to renegotiate about a dozen more bilateral agreements this year. The most important negotiations will involve Japan, South Korea, and Taiwan.

3. What does the legislation talked about by Roger Milliken et al, do?

Roger Milliken has been a major supporter of textile quota legislation in recent years. In 1987 and 1988, Senators Thurmond and Hollings pushed a textile quota bill that would have established a global quota for each textile and apparel category, of which there are about 150. The global quota would have equalled 101 percent of the prior year's imports and allowed for one percent annual growth thereafter.

In recent years, the domestic industry has had enough support in Congress to pass textile quota legislation, but not enough to override a Presidential veto. It appears that the industry would still like to have some version of a textile quota bill, but recognizes that it probably does not have enough support to enact such a bill. Domestic industry supporters have not yet introduced a major textile bill in this Congress, in part because they want to see if they can work out some kind of arrangement with the Administration.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
10. Memo	From Roger Porter to POTUS Re: Textiles (3 pp.)	4/5/89	P/5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Trade / Textiles (1989)

Open on Expiration of PRA
 (Document Follows)
 By JJ (NLGB) on 12/12/07

Date Closed: 12/3/2004	OA/ID Number: 29173-002
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:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National Security Classified Information [(a)(1) of the PRA]
- P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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Freedom of Information Act - [5 U.S.C. 552(b)]

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Information

THE WHITE HOUSE

WASHINGTON

April 5, 1989

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*

SUBJECT: Textiles

The subject of textiles has come up twice in the last week, once in the EPC discussion of the Uruguay Round, and once in your Friday press conference. This memorandum provides additional background.

1. The textiles story illustrates the high cost of opposing market forces and the difficulty of stopping protectionist actions once they are begun.

While the U.S. textile industry had high tariff protection in the 19th century, the first "voluntary" quota arrangement was negotiated with Japan in 1936. Post-war curbs against Japanese textiles and apparel made from cotton encouraged production in Hong Kong and elsewhere. This resulted in the Short Term Arrangement in 1961 and the Long Term Arrangement in 1962.

Curbs on cotton textiles and apparel encouraged the production of man-made fibers. This resulted in the Multi-Fiber Arrangement in 1974. Through periodic renewals, some 60 percent of world trade is now restricted. The fourth MFA renewal expires in 1991.

2. The U.S. industry is now doing well.

As the attached charts show, the textiles and apparel industry has done well in recent years. Shipments in 1988 were up 12 percent over 1985, while employment levels held steady. Over that same period, capacity utilization in the textiles industry was well above the average for all manufactures. Also, textiles profits as a percentage of equity compared well with the average for all manufactures.

3. But at a heavy cost to consumers.

Quotas on textiles and apparel are equivalent to tariffs of about 40-60 percent. They cost U.S. consumers an estimated \$20 billion annually. Moreover, the quotas are highly regressive. They hit consumers in lower income groups hardest, since clothing takes a larger share of their income. The benefits of protection mostly go to the owners of firms, who tend to be in the upper income groups.

4. The Uruguay Round represents a chance to begin moving the textiles industry toward market principles.

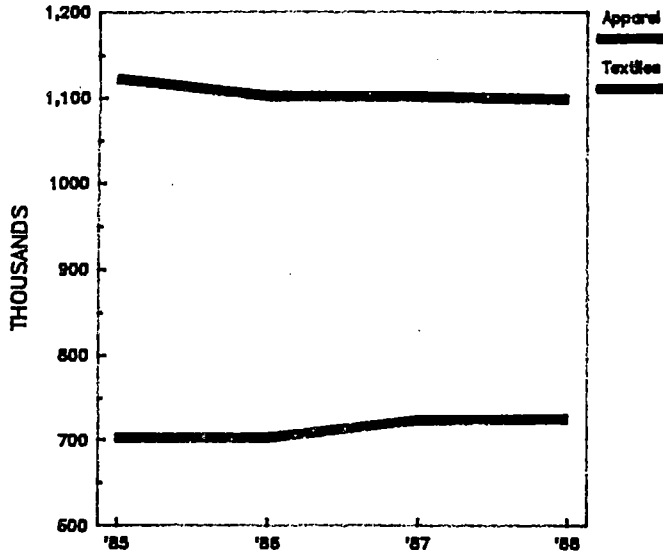
U.S. negotiators hope to be able to reach agreement on a mechanism for a gradual phase-out of protection for the textiles industry. We have suggested that, as a first step, quotas should be converted to tariffs. The protective effect of barriers would then be more measurable, and a phase-out plan would be easier to negotiate.

Attachment:

Charts on textiles industry

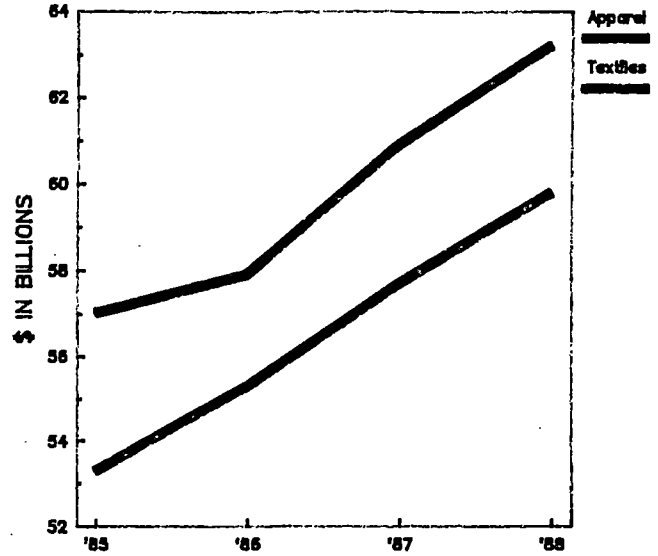
U.S. TEXTILES AND APPAREL INDUSTRY KEY INDICATORS

Employment has held steady.



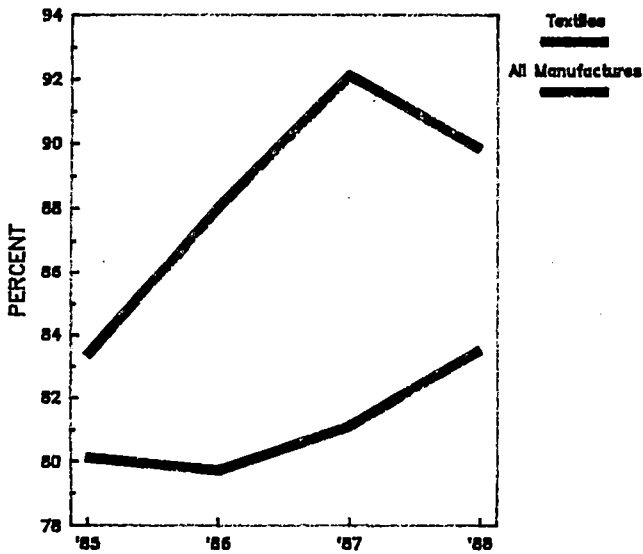
EMPLOYMENT (000)

Shipments have been rising.



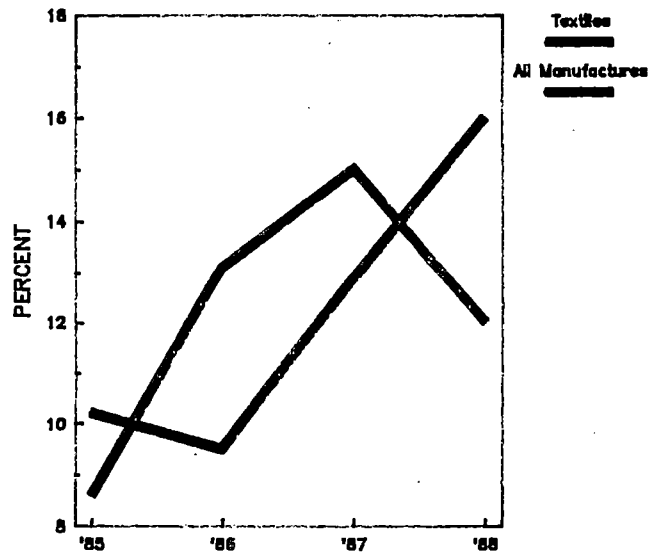
SHIPMENTS (\$B)

Capacity utilization is above average.



CAPACITY UTILIZATION

Profits as a share of equity are strong.



PROFITS AS A % OF EQUITY

SOURCE: DEPARTMENT OF COMMERCE

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
11. Memo	From Carla Hills to John Sununu Re: Your April 6 Meeting w/Textile Industry Leaders (7 pp.)	4/4/89	P5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Trade / Textiles (1989)

Open on Expiration of PRA
 (Document Follows)
 By JF (NLGB) on 12/12/07

Date Closed: 12/3/2004	OA/ID Number: 29173-002
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THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

April 4, 1989

MEMORANDUM FOR JOHN H. SUNUNU

FROM: Carla A. Hills *CAH*

SUBJECT: Your April 6 Meeting with Textile Industry Leaders

This memorandum provides some background information for your April 6 meeting with Dan Frierson, President of the American Textile Manufacturers Institute (ATMI) and other textile industry leaders. As we discussed Friday, Ron Sorini, Ambassador-designate and Chief Textile Negotiator, is quite familiar with the people and the subject matter, and will attend the meeting.

The textile industry's overriding trade policy objective is to obtain new restrictive legislation or, at a minimum, a more rigid textile trade policy. My view is that the Bush Administration can work with the industry on some issues, but cannot support a more restrictive policy or legislation for the following reasons.

First, aside from the obvious need to resist protectionist legislation, the industry itself is not united in wanting such legislation. The labor unions would vocally support it, but the apparel segment of the industry probably would not, and the cotton growers and man-made fiber producers would be unenthusiastic.

Second, we already have a complicated system of controlling textile and apparel imports under the international Multifiber Arrangement (MFA), which allows us to restrict imports to prevent market disruption. Pursuant to the MFA, we have negotiated bilateral agreements with 39 countries. This system provides adequate protection, particularly in light of the robust health of the industry: total textile and apparel imports may rise this year, but that follows a 6.5% decline in 1988; factories are operating at 89.5% of capacity; and profits remain at very high levels.

Additional information is provided in the attached draft memorandum to the President from Secretaries Brady and Mosbacher and myself. This memorandum, which will shortly be transmitted to the President, is in response to suggestions from Governor Carroll Campbell and former USTR Fred Dent for more restrictive practices. Suggested talking points for your meeting are also attached.

Attachments

Suggested Talking Points For Meeting With Textile Industry

- I appreciate the opportunity to establish a dialogue with the textile industry, and I hope that we can develop a constructive working relationship over the coming years.
- We recognize that there are several significant policy issues that will be addressed over the next year that will have an impact on your industry.
- I also appreciate the importance of the textile and associated industries to the U.S. economy and to international trade.
- While I can not foresee this Administration supporting legislation, we will want to have a very thorough study of our policies to see if there are areas of common ground with the industry.
- USTR will coordinate this effort. In the meantime, I would hope that you will refrain from introducing legislation.

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF COMMERCE
SECRETARY OF THE TREASURY
UNITED STATES TRADE REPRESENTATIVE

SUBJECT: TEXTILE TRADE

As requested, we have prepared an analysis of the eight-point program for addressing textile trade given you by Governor Campbell and Former-Secretary Dent (copy attached). They are correct in their belief that most of their proposals could be adopted administratively. You have great discretionary authority in the textile trade area. Although there may be no current industry consensus on their proposed program, we believe most domestic producers would support it.

The proposals address the industry's principal criticisms of current trade law, as well as implementation of textile agreements, textile trade policy, and fraud enforcement. The Campbell/Dent proposals would, however, unduly restrict necessary Administration discretion in the implementation of the current textile import control program, increase import protection for the textile industry, and foreclose future policy changes.

We believe that less restrictive alternatives are available for addressing industry and Congressional criticisms. We are under pressure from many of our trading partners who want to liberalize textile trade. Adoption of proposals to increase textile industry protection would subject us to criticism from those nations as well as U.S. importers and retailers. However, liberalization in the textile area would draw criticism from domestic producers and many members of Congress. Such proposals should be considered only after a thorough review.

Accordingly, we have instructed our staffs to commence a formal Administration review of these issues. Pending completion of that review, we recommend that you maintain your commitment to "enforce current law" providing special treatment for the textile and apparel industries. All other options available under your discretionary authority should be kept open.

CURRENT SITUATION

The textile import control programs relies principally on a system of forty existing bilateral agreements. More than ninety percent of imports from countries accounting for three-fourths of total textile product imports are restrained by such agreements. About one-half of the remaining unrestrained imports come from the EC and Canada which we do not cover under bilateral agreements.

Profits, employment and shipments in the domestic industry all increased in 1986 and 1987. Although imports rose in both years, the restraining effect of the program limited that growth, thus contributing to the industry's solid performance. That performance appears to have continued in 1988, and imports declining over six percent. Current consensus estimates project that imports will rise in 1989 about eight to twelve percent, however, well below the over thirty percent growth possible under existing bilateral restraint agreements.

The textile import control program began more than thirty years ago as a temporary measure to assist our cotton textile and apparel producers to adjust to rising imports which threatened disruption of our domestic markets. Each President has faced strong pressure from domestic producers. Over time, the program has been extended and expanded to cover almost all textile items. Consequently, we are left with an industry that could not exist in its present form without protection. The Campbell/Dent program would result in even greater protection for the industry.

Attachment

ANALYSIS OF CAMPBELL/DENT PROPOSAL

PROPOSAL 1: Extend the MFA; no adverse impact from Uruguay Round.

While recognizing the special problems inherent in international textile trade, we believe it is premature to make a commitment now to extend the Multifiber Arrangement (MFA), which expires in 1991. It would also be counterproductive to guarantee the Uruguay Round will not affect the MFA. Movement on textiles in the Uruguay Round will depend in part on progress in other UR groups, including safeguards, tariffs, and intellectual property.

PROPOSAL 2: Issue an Executive Order: (a) to establish a CITA call criteria to be followed by the Committee for the Implementation of Textile Agreements (CITA) in issuing "calls" to limit market disruptive imports of textile products; and (b) to provide instructions on upcoming bilateral textile agreement renegotiations.

An Executive Order has the force and effect of law absent a statutory provision to the contrary. It is an inappropriate mechanism for ensuring that Administration textile policy is followed. It would only serve to limit the discretion necessary in applying broad policy to specific circumstances.

- (a) Establishing set criteria for issuing "calls" for consultations to foreign governments for the purpose of restricting textile imports is not desirable. CITA currently considers criteria for a presumption of market disruption as outlined in a White House statement in December 1983.
- (b) Establishing U.S. negotiating objectives through an Executive Order is an inappropriate and dangerous strategy. It would virtually eliminate U.S. flexibility, evoke a negative reaction from those opposed to the publicly announced goals, and subject the Administration to criticism if the objectives prove unattainable.

Textile and apparel imports from countries with whom our bilateral expire in 1989 make up about one-fourth of total U.S. imports of these products. The specific recommendations of the Campbell/Dent program related to group/aggregate limits, growth rates and flexibility, and spacing of unused quotas are measures domestic producers will likely seek in upcoming negotiations with major Asian suppliers. Whereas they may be appropriate in some cases, their general application would restrict import growth and limiting the flexibility of foreign exporters to the U.S.

PROPOSAL 3: Establish an import licensing system.

The problems that would arise from an import licensing system far outweigh any benefits. These problems include the difficulty in allocating licenses equitably, administrative costs and burdens, and adverse international reaction, including possible retaliation. Such a system would likely be highly disruptive to existing trading relationships. It would be far preferable to consider enhancing Customs enforcement resources (e.g. proposal 7 below) as a means of addressing concerns about fraud and circumvention.

PROPOSAL 4: Support legislation to extend application of CVD law to nonmarket economies.

In 1988 the Administration successfully opposed extension of countervailing duty law to nonmarket economies during Congressional consideration of the 1988 Omnibus Trade Bill. Congress did amend the antidumping duty law to provide for more effective enforcement with respect to nonmarket economies. Because of the difficulties inherent in attempting to apply the concept of subsidies to a nonmarket economy, we believe the amended antidumping law represents the best means to deal with unfairly traded imports from such countries.

PROPOSAL 5: Reduce duties on certain apparel assembled in Mexico and CBI countries; but reduce quotas of other countries.

We expect a provision providing duty-free treatment for apparel products assembled from U.S. components in Caribbean Basin Initiative (CBI) beneficiary countries to be included in legislation soon to be introduced to extend the program. We support the concept. Mexico is not a CBI beneficiary country, and the granting of such status to Mexico would undercut intended benefits to the others.

Based on the assumption that the Administration will support efforts to enhance benefits provided to CBI beneficiary countries, the Campbell/Dent proposal would condition those benefits on the adoption of a strategy to reduce quotas elsewhere, presumably through upcoming negotiations with major Asian suppliers such as Korea and Taiwan. This would create a more restrictive program requiring a greater percentage of total U.S. apparel imports to be assembled from U.S. produced fabric.

PROPOSAL 6: Support legislation to establish a private right of action for Customs fraud.

The proposal is also strongly supported by domestic steel producers. It is opposed by major importers and retailers, who are concerned that it will lead to frivolous law suits. A similar provision was included in the Senate version of the 1988 Omnibus Trade Bill, but deleted from the final version.

PROPOSAL 7: Maintain textiles as a high Customs Service program and increase enforcement resources.

There are no objections to instructing the Customs Service to continue to designate textile trade as a high priority to prevent fraud. Increasing the number of Customs personnel working on textiles would both improve enforcement of the textile program and facilitate entry of legitimate imports. However, it would require additional budget outlays or transfer of people away from other Customs priorities.

PROPOSAL 8: Designate the Commerce Secretary to conduct the textile program, which is to be coordinated through meetings with the industry.

Presidential authority to ~~negotiate and~~ implement textile agreements has been delegated by an Executive Order (E.O.) to CITA. CITA is chaired by Commerce and also includes State, Treasury, Labor and USTR. Directing the Secretary of Commerce to personally conduct the textile program would be a misallocation of resources and would result in a diminishing of the important role of other agencies. Absent policy changes, neither this nor coordination of the program through trimester meetings with industry representatives would significantly alter the industry's posture in the political process.

THE WHITE HOUSE
WASHINGTON

Date: May 16, 1989

TO: THE CHIEF OF STAFF

FROM: JAMES W. CICCONI
Assistant to the President and
Deputy to the Chief of Staff

- Information**
- Action**
- Let's Discuss**

The attached has been forwarded
to the President.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
12a. Memo	From David Bates to POTUS Re: Textile Trade (1 pp.)	5/12/89	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Trade / Textiles (1989)

Open on Expiration of PRA
 (Document Follows)
 By JF (NLGB) on 12/12/07

Date Closed: 12/3/2004	OA/ID Number: 29173-002
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:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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Information

THE WHITE HOUSE

WASHINGTON

REC'D MAY 12 1989
May 12, 1989

MEMORANDUM FOR THE PRESIDENT

FROM: DAVID Q. BATES, JR. 
ROGER B. PORTER 

SUBJECT: Textile Trade

The Secretaries of Commerce and Treasury and the United States Trade Representative have responded (Tab A) to your request for an evaluation of proposals on textile trade made early this year by Governor Campbell and former Secretary of Commerce Dent.

The three cabinet officers unanimously oppose the Campbell/Dent proposals, all of which would increase protection of the textile industry. The cabinet officers propose instead that less restrictive alternatives be developed, especially ones that are consistent with U.S. objectives in the Uruguay Round.

A USTR-chaired interagency group is now reviewing alternative approaches to the textile trade issue and will provide recommendations to the Economic Policy Council.

Attachment:
Tab A Memorandum on Textile Trade

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
12b. Memo	From Secretary of Commerce to POTUS Re: Textile Trade (5 pp.)	5/8/89	P/5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Trade / Textiles (1989)

Open on Expiration of PRA
 (Document Follows)
 By [Signature] (NLGB) on 4/10/08

Date Closed: 12/3/2004	OA/ID Number: 29173-002
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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RESTRICTION CODES

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THE SECRETARY OF COMMERCE
Washington, D.C. 20230

May 8, 1989

1989 MAY -9 AM 9:1

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[Handwritten initials]

MEMORANDUM FOR: THE PRESIDENT
FROM: SECRETARY OF COMMERCE
SECRETARY OF THE TREASURY
UNITED STATES TRADE REPRESENTATIVE
SUBJECT: TEXTILE TRADE

As requested, we have prepared an analysis of the eight-point program for addressing textile trade given you by Governor Campbell and former Secretary Dent (copy attached). They are correct in their belief that most proposals could be adopted administratively. You have great discretionary authority in the textile trade area. Although there may be no current industry consensus on the proposed program, we think most domestic producers would support it.

The proposals are aimed at addressing the industry's principal criticisms of current trade law, as well as implementation of textile agreements, textile trade policy, and fraud enforcement activities. However, the Campbell/Dent proposals would unduly restrict necessary Administration discretion in the implementation of the current textile import control program, increase protection for the textile industry, and foreclose any future policy changes.

We think less restrictive alternatives are available for addressing industry and Congressional concerns. We are under pressure in the Uruguay Round from many of our trading partners who desire a liberalization of textile trade. Adoption of proposals to increase textile industry protection would subject us to criticism from those nations as well as U.S. importers and retailers. Similarly, liberalization in the textile area would subject us to criticism from domestic producers and many members of Congress. Such proposals should be considered only after a thorough review.

Accordingly, we have instructed our staffs to commence a formal Administration review of these issues. Pending completion of that review, we recommend that you maintain your commitment to "enforce current law" providing special treatment for the textile and apparel industries. All other options available under your discretionary authority should be kept open.

CURRENT SITUATION

The textile import control program relies principally on a system of forty existing bilateral agreements. Over ninety percent of imports from countries accounting for seventy-five percent of total textile product imports are restrained by quota agreements. About one-half of the remaining unrestrained imports come from the EC and Canada which we do not cover under bilateral agreements.

Domestic industry profits, employment and shipments all increased in 1986 and 1987. Although imports rose in both years, the restraining effect of the program limited import growth contributing to the industry's positive performance. Industry performance in 1988 appears relatively good, while imports declined more than six percent. Current consensus estimates, however, project that imports will rise in 1989 eight to twelve percent, which is well below the over thirty percent growth possible under existing bilateral restraint agreements.

The textiles import control program began more than thirty years ago as temporary measure to assist our cotton textile and apparel producers to adjust to rising imports which threatened disruption of our domestic markets. Each President has faced strong pressure from domestic producers to increase protection. Over time, the program has been expanded to cover almost all textile items. The Campbell/Dent proposal would further tighten the program resulting in greater protection for the industry.

Attachment

ANALYSIS OF CAMPBELL/DENT PROPOSAL

PROPOSAL 1: Extend the MFA; no adverse impact from Uruguay Round.

While recognizing the special problems in international textile trade, we think it is premature to make a commitment now to extend the Multifiber Arrangement (MFA) which expires in 1991 and that it would be counterproductive to guarantee the Uruguay Round will not affect the MFA. Movement on textiles will depend in part on progress in other Uruguay Round negotiating groups including safeguards, tariffs and intellectual property.

PROPOSAL 2: Issue an Executive Order: a) establishing a CITA call criteria to be followed by the Committee for the Implementation of Textile Agreements (CITA) in issuing "calls" to limit market disruptive imports of textile products; and, b) providing instructions on upcoming bilateral textile agreement renegotiations.

An Executive Order has the force and effect of law absent a statutory provision to the contrary. It is an inappropriate mechanism for ensuring that Administration textile policy is followed. It would only serve to limit the discretion necessary in applying broad policy to specific circumstances.

- (a) Establishment of set criteria for issuing "calls" for consultations to foreign governments for the purpose of restricting textile imports is not desirable. CITA currently considers criteria for a presumption of market disruption as outlined in a December, 1983 White House Press release.
- (b) Establishment of U.S. negotiating objectives through an Executive Order is an inappropriate dangerous strategy. It would virtually eliminate U.S. flexibility, evoke a negative reaction from those opposed to the publicly announced goals and could subject the Administration to criticism if the objectives prove unattainable.

Combined imports from expiring bilateral agreement countries amount to 30 percent of total U.S. imports of MFA textiles. The specific recommendations of the Campbell/Dent program (i.e., group or aggregate limits, growth rates and flexibility, and methods of spacing unused quotas) are measures domestic producers will likely seek in upcoming negotiations with major Asian suppliers. They are means of restricting import growth and limiting the flexibility of foreign exporters to the United States.

PROPOSAL 3: Establish an import licensing system.

The problems that would be associated with an import licensing system (allocation of licenses, costs, administrative burden, international reaction) far outweigh any benefits. Such a system could be highly disruptive to existing trading relationships. It would be better to consider strengthening Customs enforcement resources (e.g. Proposal 7) as a means of addressing concerns about fraud and circumvention.

PROPOSAL 4: Support legislation to extend application of CVD law to nonmarket economies.

In 1988 the Administration successfully opposed extension of countervailing duty (CVD) law to nonmarket economies during Congressional consideration of the 1988 Omnibus Trade Bill. However, Congress did amend the antidumping duty (A/D) law to provide for more effective enforcement with respect to nonmarket economies. Because of the difficulties inherent in attempting to apply the concept of subsidies to a nonmarket economy, we think the amended AD law represents the best means to deal with unfairly traded imports from such countries.

PROPOSAL 5: Reduce duties on certain apparel assembled in Mexico and CBI countries; but reduce quotas of other countries.

We expect a provision providing duty free treatment for apparel products assembled from U.S. components in Caribbean Basin Initiative (CBI) beneficiary countries to be included in soon to be introduced legislation to extend the program. We support the concept. Mexico is not a CBI beneficiary country, and the granting of such status to Mexico would undercut intended benefits to the others.

Based on the assumption that the Administration will be supportive of efforts to strengthen benefits provided CBI beneficiary countries, the Campbell/Dent proposal would condition those benefits on the adoption of a strategy to reduce quotas elsewhere presumably via the upcoming negotiations with major Asian suppliers. This would be a more restrictive program requiring a greater percentage of total U.S. apparel imports to be assembled from U.S. produced fabric.

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The proposal is also strongly supported by domestic steel producers. It is opposed by major importers and retailers, who are concerned that it will lead to frivolous law suits. A similar provision was included in the Senate version of the 1988 Omnibus Trade Bill; but deleted from the final version.

PROPOSAL 7: Maintain textiles as a high priority Customs Service program and increase enforcement resources.

There are no objections to instructing the Customs Service to continue to designate textile trade as a high priority to prevent fraud. Increasing the number of Customs personnel working on textiles would both improve enforcement of the textile program and speed up entry of legitimate imports. However, it would require additional budget outlays or transfer of people away from other Customs priorities.

PROPOSAL 8: Designate the Commerce Secretary to conduct the textile program, which is to be coordinated through meetings with the industry.

Presidential authority to implement textile agreements has been delegated by an Executive Order (E.O.) to CITA. CITA is chaired by Commerce and also includes State, Treasury, Labor and USTR. Directing the Secretary of Commerce to personally conduct the textile program would be a misallocation of resources and would result in a diminishing of the role of other agencies. Absent policy changes, neither this nor coordination of the program through trimester meetings with industry representatives would significantly alter industry posture in the political process.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
13. Memo	From Secretary of Commerce to POTUS Re: Textile Trade [same as doc 12b] (4 pp.)	5/8/89	P5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Trade / Textiles (1989)

Open on Expiration of PRA
 (Document Follows)
 By JP (NLGB) on 4/10/08

Date Closed: 12/3/2004	OA/ID Number: 29173-002
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:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National Security Classified Information [(a)(1) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

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

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THE SECRETARY OF COMMERCE
Washington, D.C. 20230

May 8, 1989

1989 MAY -8 11 34

MEMORANDUM FOR: THE PRESIDENT
FROM: SECRETARY OF COMMERCE
SECRETARY OF THE TREASURY
UNITED STATES TRADE REPRESENTATIVE
SUBJECT: TEXTILE TRADE

As requested, we have prepared an analysis of the eight-point program for addressing textile trade given you by Governor Campbell and former Secretary Dent (copy attached). They are correct in their belief that most proposals could be adopted administratively. You have great discretionary authority in the textile trade area. Although there may be no current industry consensus on the proposed program, we think most domestic producers would support it.

The proposals are aimed at addressing the industry's principal criticisms of current trade law, as well as implementation of textile agreements, textile trade policy, and fraud enforcement activities. However, the Campbell/Dent proposals would unduly restrict necessary Administration discretion in the implementation of the current textile import control program, increase protection for the textile industry, and foreclose any future policy changes.

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Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
14. Memo	From Carla Hills to John Sununu Re: Update on Textiles (1 pp.)	5/17/89	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Trade / Textiles (1989)

Open on Expiration of PRA
 (Document Follows)
 By JF (NLGB) on 5/12/05

Date Closed: 12/3/2004	OA/ID Number: 29173-002
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:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

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PRM. Removed as a personal record misfile.

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

MAY 17 1989

Rec'd COS
MAY 17 1989

MEMORANDUM FOR JOHN H. SUNUNU

FROM: Carla A. Hills *CAH*
SUBJECT: Update on Textiles

Following your meeting on textiles, Ron Sorini has been working to determine if there are areas of common interest between us and the industry. The industry's initial proposal called for global quotas, to be enacted through legislation or the issuance of an Executive Order. Ron has told the industry group, which they have expanded to include representatives from the fiber and apparel industries as well as the unions, that we are not prepared to explore such an approach. Rather, we are prepared to consider ways the Multifiber Arrangement (MFA) can be used more effectively.

Progress in the working group has been slow, primarily because the industry itself is not united. While the apparel industry supports our approach, the textile industry, particularly Don Hughes of Burlington and Roger Milliken, is still pushing for legislated global quotas. Nevertheless, we expect the industry group to give us a proposal next week on how U.S. policy can be "improved" under the MFA.

Those in the textile industry that want legislation have expressed their concern to Senator Helms. Senator Helms has told Ron that his understanding from the meeting with you was that the Administration and the textile industry would try to reach agreement on legislation. The Senator also said that President Bush agreed, in a meeting which took place in December, to look at legislation. Senator Helms may contact you in an effort to persuade the Administration to support protectionist legislation.

I understand that the apparel industry, working through Senator Heinz's office, may try to meet with you. Given the apparel industry's more reasonable views on trade, I would recommend that you meet with them. Should Senator Helms or others decide to introduce legislation, which now seems likely, the apparel industry's support will be very helpful.

I do not think that we can or should attempt to satisfy the more protectionist elements in the textile industry. The economics simply do not warrant a more restrictive system such as global quotas. Also, if we were to move in this direction, the Uruguay Round would be placed in serious jeopardy.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
15. Memo	From Roger Porter to John Sununu Re: Textiles (1 pp.)	6/1/89	P/5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Trade / Textiles (1989)

Open on Expiration of PRA
 (Document Follows)
 By JP (NLGB) on 5/12/05

Date Closed: 12/3/2004	OA/ID Number: 29173-002
FOIA/SYS Case #: 1998-0004-F[1]	Appeal Case #:
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THE WHITE HOUSE

WASHINGTON

June 1, 1989

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*
SUBJECT: Textiles

As you may have been told by Senator Helms or others, the textiles industry believes that in your early April meeting with them you agreed to support legislation on textiles imports. While White House participants at the meeting are emphatic that no such commitment was made or implied, you are likely to face continuing pressure for a quick decision at the political level to resolve the industry's concerns.

USTR's textiles negotiator (Ron Sorini) has met several times over the past six weeks with industry representatives, with the declared objective of better understanding the industry's perceived problem and proposed solution. The industry has promised to provide USTR with a definitive paper laying out its position by next week.

I believe that, in order to contain industry expectations it is important to establish a clear process within the Administration for review of the textiles industry's concerns. The model should be the process now being used for the steel industry to examine whether to extend VRA's on steel--subcabinet review by the USTR-chaired Trade Policy Review Group and subsequent consideration by the Economic Policy Council.

The industry appears willing to accept this approach, but wants to schedule a meeting with you on or about June 29. I believe that the internal Administration review is unlikely to be completed by then.

Recommendation

That, if requested by the industry, you agree in principle to meet with them during the summer, but defer setting a date until timing for completion of the Administration's internal review is clearer.

cc: Fred McClure
David Bates