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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: 29174
Folder ID Number: 29174-002

Folder Title:
Uruguay Round (1990)

Stack:	Row:	Section:	Shelf:	Position:
G	15	25	4	5

Withdrawal/Redaction Sheet (George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Memo	From Ede Holiday to John Sununu Re: Update on the Uruguay Round Ministerial--Day One (2 pp.)	12/04/90	(b)(1)	
01b. Memo	From Ede Holiday to President Bush Re: Update on the Uruguay Round Ministerial: Day One (1 pp.)	12/3/90	(b)(1)	c
02a. Memo w/ attachment	From Ede Holiday to POTUS Re: Uruguay Round (1 pp.)	10/30/90	P-5	
02b. Memo	From Carla A. Hills to POTUS Re: Uruguay Round--Update on EC Deliberations on Agriculture (1 pp.)	10/29/90	P-5	
03. Memo	From Ede Holiday to John Sununu Re: The Uruguay Round (1 pp.)	10/25/90	(b)(1)	
04a. Memo	From Roger Porter to John Sununu Re: The Uruguay Round (5 pp.)	10/19/90	P-5	
04b. chart	From Roger Porter to John Sununu Re: Key Uruguay Round Issues (14 pp.)	10/19/90	P-5	
05. Memo	From Roger Porter to John Sununu Re: Political Strategy for the Uruguay Round (5 pp.)	8/8/90	P-5	

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Collection:

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Subseries: Issues Files
WHORM Cat.:
File Location: Uruguay Round (1990)

Pinksheet Number: KO0691
OA/ID Number: 29174-002
Date Closed: 12/13/2004
FOIA/Sys Case #: 1998-0004-F[1]
Re-review Case #: 2005-0426-S
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
06a. Memo	From Roger Porter to John Sununu Re: Helms Inquiry on Textiles Negotiations (1 pp.)	10/22/90	P-5	
06b. Paper	From Roger Porter to John Sununu Talking Points for Conversation w/Senator Helms Regarding Textile Tariffs (1 pp.)	10/22/90	P-5	

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P-2/P-5 Review Case #:

THE WHITE HOUSE
WASHINGTON

December 4, 1990

MEMORANDUM FOR SECRETARY BAKER
SECRETARY BRADY
GOVERNOR SUNUNU
GENERAL SCOWCROFT
RICHARD DARMAN
MICHAEL BOSKIN
ROGER PORTER

FROM:

EDE HOLIDAY 

SUBJECT:

UPDATE ON THE URUGUAY ROUND MINISTERIAL: DAY ONE

Attached for your information please find a report to the President summarizing the opening day of the Uruguay Ministerial in Brussels. This report is based on information provided by the U.S. delegation in Brussels. I intend to provide daily reports on Uruguay Round developments during the course of the Brussels negotiations this week. These reports are being coordinated with NSC and OPD staff.

Attachment

~~Confidential~~ Attachment

UNCLASSIFIED UPON
REMOVAL OF CLASSIFIED
ATTACHMENTS

MM 4/1/2019

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

December 3, 1990

MEMORANDUM FOR THE PRESIDENT

FROM: EDE HOLIDAY *EH*

SUBJECT: UPDATE ON THE URUGUAY ROUND MINISTERIAL: DAY ONE

The Uruguay Round Ministerial formally convened in Brussels today, but U.S. negotiators report no real progress with the European Community during this first day on the key issue of agriculture.

However, pressure on the EC seems to be building and support for bringing the impasse to a head early in the Ministerial appears to be increasing.

In the session on agriculture this evening European time, most all delegations pressed the EC on whether it was prepared to:

- o Make specific commitments to reduce internal supports, barriers to market access, and export subsidies; and
- o Drop its "rebalancing" proposal to raise certain previously bound tariffs.

In response, the EC Agricultural Commissioner MacSharry simply reiterated the previous EC positions. Thus, no movement by the EC is evident in the sessions, nor do the negotiators yet report any encouraging private signals.

Senior officials in the U.S. delegation believe that tomorrow morning at the Heads of Delegation meeting it is likely that the Agriculture Negotiating Group Chairman will formally declare the agriculture negotiations deadlocked. This will place additional pressure on the EC either to modify its agriculture position or risk bearing the burden of a failed Round.

I intend to report to you on a daily basis on Uruguay Round developments during the course of your Latin American trip. I am also seeking to keep senior White House staff informed with more detailed reports. These reports are being coordinated with NSC staff, but my staff has been serving as the White House point of contact with the U.S. delegation in Brussels as the EPC has been coordinating Cabinet policy consideration on Uruguay Round issues.

~~CONFIDENTIAL~~

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

AC/ER

THE WHITE HOUSE

WASHINGTON

November 30, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: EDE HOLIDAY *[Signature]*

SUBJECT: URUGUAY ROUND

THE CHIEF of STAFF
2-5200

I want to apprise you of the mechanism we have established for regular and coordinated communication on the Uruguay Round next week between the White House and the U.S. delegation in Brussels. This mechanism has been agreed to between EPC and NSC staff.

As EPC has coordinated the development of policy for the Uruguay Round, the White House point of contact with the U.S. delegation in Brussels will be Olin Wethington. Wethington will work closely with Tim Deal (NSC) and OPD to staff issues that may arise and to bring to the attention of senior White House staff any matters requiring decision.

The U.S. delegation in Brussels will send to the White House a daily summary of significant developments in the Brussels negotiation. This will be delivered to senior officials in the White House, as well as Secretaries Baker and Brady. In addition, Wethington, working with NSC and OPD staff, will prepare a daily status report on the negotiations for transmittal to the Presidential party on the Latin American trip. Wethington and Deal will also schedule two telephone conversations, daily, on a secure line with senior officials in the U.S. delegation in Brussels in order to stay apprised of developments.

We have asked that any major U.S. statements or significant press guidance from the Ministerial, particularly at the conclusion of the Brussels meeting, be circulated to the White House for quick review prior to release.

cc: General Scowcroft

FACT SHEET ON THE URUGUAY ROUND

"The results of the Uruguay Round of negotiations can be the engine that drives and the United States and the world economies into the 21st century. The agreement we reach will be the ultimate competitiveness initiative."

-- *President George Bush*
August 20, 1990

U.S. OBJECTIVES FOR THE GENERAL AGREEMENT OF TARIFFS AND TRADE (GATT) TRADE NEGOTIATIONS:

- o **SERVICES:** The United States seeks international rules of fair play governing trade in service, a sector in which the United States leads the world with nearly \$90 billion in exports annually.
- o **INVESTMENT:** In the Uruguay Round the United States seeks an agreement opening world markets to investment, which contributes \$40 billion annually to U.S. net income, and helps generate over \$240 billion, or two-thirds of total U.S. annual exports of goods.
- o **AGRICULTURE:** The United States seeks the fundamental reform of world agriculture in the Uruguay Round of global trade talks, which could expand world agriculture exports by roughly one-third, or \$100 billion.
- o **MARKET ACCESS:** We aim to reduce world barriers to trade in goods by one-third or more in the Uruguay Round, which could increase U.S. output by over \$1 trillion over the next 10 years, meaning an additional \$16,000 for every American family of four.
- o **GLOBAL TRADE RULES:** The United States seeks to strengthen the rules of international trade to expand U.S. access to foreign markets, and to ensure fair trade in the U.S. market.
- o **DEVELOPING COUNTRY TRADE:** The United States wants to ensure that international trade rules apply fully to developing countries, whose complete participation in the global trading system could increase U.S. exports by as much as 50%, of \$200 billion, between now and the year 2000.
- o **INTELLECTUAL PROPERTY RIGHTS:** In the Uruguay Round of global trade talks, the United States seeks international rules to protect the creativity of American entrepreneurs, who lose over \$60 billion annually from the global theft and counterfeiting of their ideas.

THE WHITE HOUSE

WASHINGTON

November 13, 1990

90 NOV 13 PM 3:29

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*

SUBJECT: Agriculture in the Uruguay Round

Following our meeting this morning to discuss agriculture in the Uruguay Round and your upcoming meetings with President Andreotti, Chancellor Kohl, and President Mitterrand, we have prepared the attached chart that graphically displays what was agreed to at Houston and what has happened since with respect to our proposal and the EC proposal.

Three points are worth noting:

1. Our proposed reductions are on a 1986-88 baseline as is the deZeeuw text, which was commended to the negotiators at Houston.
2. The EC proposal is on a 1986 baseline. Since 1986 was the high point for domestic price support levels, if the EC proposal (MacSharry) was put on the same 1986-88 baseline it would represent a 15% reduction.
3. The reductions that we are proposing would be achieved over a ten year period allowing for an adequate and appropriate transition. The EC proposal would cut domestic price supports by 15% from 1986-88 levels over a ten year period, or an average of 1.5% a year. This can hardly be called fundamental agriculture reform.

Attachment

AGRICULTURE IN THE URUGUAY ROUND

	<i>Domestic Supports</i>	<i>Export Subsidies</i>	<i>Market Access Barriers</i>
<i>Houston Summit Goal</i>	"Substantial, Progressive Reductions"	"Substantial, Progressive Reductions"	"Substantial, Progressive Reductions"
<i>United States Proposal</i>	75% Reduction Over 10 years	90% Reduction Over 10 Years	75% Reduction Over 10 Years
<i>European Community Proposal</i>	30% Reduction From 1986 Baseline (Effective Cut: 15%)	No Proposal	No Proposal

Withdrawal/Redaction Sheet

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02a. Memo w/ attachment	From Ede Holiday to POTUS Re: Uruguay Round (1 pp.)	10/30/90	P/5	

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**Open on Expiration of PRA
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By JP (NLGB) on 12/12/07**

Date Closed: 12/13/2004	OA/ID Number: 29174-002
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AR Case #:	MR Case #:
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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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PRM. Removed as a personal record misfile.

THE WHITE HOUSE
WASHINGTON

90 OCT 30 PM 7:14

October 30, 1990

MEMORANDUM FOR THE PRESIDENT

FROM: EDE HOLIDAY 

SUBJECT: URUGUAY ROUND

The Economic Policy Council will be meeting on the subject of the Uruguay Round this Friday afternoon, November 2.

There is a growing feeling within the Cabinet that we are reaching a critical point in the negotiations, particularly on the agricultural issue. Judgments by you as to future direction may be required shortly.

Attachment

Memo from Carla Hills

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02b. Memo	From Carla A. Hills to POTUS Re: Uruguay Round--Update on EC Deliberations on Agriculture (1 pp.)	10/29/90	P/S	

Collection:

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

October 29, 1990

MEMORANDUM FOR THE PRESIDENT

FROM

Carla A. Hills *CAH*

SUBJECT

Uruguay Round -- Update on EC Deliberations
on Agriculture

At the EC Summit this past weekend, UK PM Thatcher and Dutch PM Lubbers raised the EC's continuing inability to produce an agriculture offer -- due October 15 -- to enable the Uruguay Round negotiations to proceed. After heated discussion, the Heads of Government issued a declaration that reaffirms the EC commitment to the Uruguay Round, but failed to agree upon tabling an agriculture offer.

The Commission and member states have met at ministerial-level at least six times to consider an EC agriculture offer. At each discussion, the offer is reduced in scope and ambition, with the French and Germans leading the effort. The EC offer under consideration is based on a proposal of EC Agriculture Commissioner MacSharry, which we considered to be deficient at the outset. Its most troubling aspects were the absence of a specific reduction commitment on export subsidies, its inclusion of rebalancing (raising the protection for soybeans), and no intention to provide additional market access.

The Commission, along with the Italian Presidency, will consult with member states for the remainder of the week and hopes to have a proposal for Ministerial consideration by next Monday, November 5. We believe the proposal will be unacceptable to us and to many other nations. The only question is whether the EC will have any negotiating flexibility.

The other negotiations are suffering from the impasse in agriculture. Ministers from the Cairns group, our strongest ally in the agriculture negotiations, will be meeting in Geneva, November 5-6, to discuss next steps. I presently plan to join them to assess the prospects for moving the negotiations forward, and will keep you apprised.


THE WHITE HOUSE

WASHINGTON

October 25, 1990

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: EDE HOLIDA 

SUBJECT: The Uruguay Round

The Uruguay Round is approaching a crisis stage, primarily because of the European Community's inability to agree on a negotiating position on agriculture. The EC had agreed to table its offer along with those of other countries in Geneva on October 15.

The internal EC debate surrounds the plan devised by Agriculture Commissioner MacSharry, which would cut farm subsidies by 30 percent from 1986 levels. It would also allow "rebalancing", raising some duty rates as long as the average depth of cut is preserved. The U.S. has strongly objected to the MacSharry plan on the grounds that the proposed cut is inadequate and the rebalancing idea is aimed at curbing U.S. exports of corn and soybeans.

Although the French are not blameless, the main problem within the Community is Chancellor Kohl's insistence that no agriculture concessions can be made before the German elections on December 2. There are signals that he may be prepared to move afterward, but that is not certain and time will be short. The final Uruguay Round agreement is scheduled to be struck in Brussels during a December 3-7 ministerial meeting. Our objective now is to persuade the Community to provide their negotiator with the flexibility to work in the meantime to identify possible areas of compromise.

Without some visible movement on agriculture, it will be nearly impossible to sustain the momentum during the run-up to Brussels on other issues included in the Round.

Breaking the logjam may take a more aggressive strategy by the United States. The President may need to become involved earlier than we had expected. It may be useful to call a meeting of the Economic Policy Council over the next week or ten days to discuss our strategy. I believe it would be important for you to attend.

Withdrawal/Redaction Sheet

(George Bush Library)

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THE WHITE HOUSE

WASHINGTON

AC/ER

October 19, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: The Uruguay Round

THE CHIEF of STAFF
has seen

This is an appropriate time to assess the status of the Uruguay Round negotiations and to consider a strategy for this fall. The Uruguay Round has the potential to be the Bush Administration's most important and enduring trade policy accomplishment. While the GATT negotiations involve major risks and uncertainties, a successful agreement will open closed markets, bolster global economic growth, and strengthen efforts to implement democracy and market-oriented economic reforms in Eastern Europe, Latin America, and Asia.

While our primary objective should be negotiating a good agreement, we cannot take Congressional approval of it for granted. We must start building domestic support for an agreement now.

1. The Uruguay Round involves two challenges.

The trade policy challenge is negotiating a strong package of GATT measures to open markets and liberalize trade in goods, services, and investment. These issues are analyzed in the attached spread sheet.

The political challenge is persuading Congress to approve and implement the agreement.

2. The key elements of an agreement are likely to be negotiated at the last minute.

By breaking the deadlock over agriculture, the Houston Economic Summit succeeded in triggering the final phase of negotiations.

The GATT Trade Ministers will meet in Brussels in the first week of December. Given the scope and complexity of the issues, the final package will not emerge until then. We will almost certainly go to Brussels with a large number of important issues unresolved.

3. The European Community (EC) is the key to an agriculture agreement.

The most difficult issue thus far has been agriculture, and the EC remains the key to agriculture. The EC is likely to adopt, with a few minor modifications, a proposal by Agricultural Commissioner MacSharry for a 30 percent reduction in farm subsidies. This figure is deceptive, since it uses 1986 subsidy levels as a baseline and thus takes credit for reductions implemented previously because of budgetary problems. Consequently, it would reduce EC farm supports by only 10 percent from current levels. In contrast, the U.S. will propose 75 percent cuts in domestic supports and protection over ten years and 90 percent reductions in export subsidies.

There are indications of internal divisions within the EC. MacSharry's proposal has been criticized by several important Commissioners on the ground that it does not address export subsidies adequately. Nevertheless, it is unclear how far the EC ultimately will be prepared to go.

The importance to the Administration of achieving substantial farm subsidy cuts in the Uruguay Round has increased, since the budget agreement will reduce U.S. farm spending by more than \$13 billion over the next five years.

4. The "new issues" are important from the standpoint of building U.S. support for an agreement.

Apart from agriculture, the pivotal issue in the round is expanding the GATT to cover the so-called "new issues" of services, investment, and intellectual property rights (IPR). This is a North-South negotiation. The developed nations generally support new GATT disciplines. The LDCs, led by Brazil and India, have resisted:

IPR - Our negotiators are relatively optimistic on the prospects for a good agreement. This is a crucial issue, since IPR is the major source of manufacturing sector support in the U.S. and Europe. An agreement could, however, require certain politically sensitive changes in U.S. patent and copyright law.

Investment - Our goals in the investment talks are limited. We are seeking to prohibit governments from imposing local content and export performance requirements on foreign investors. If the overall agreement comes together, the prospects in this area are reasonably good.

Services - The services negotiators believe that the best we can expect is a framework agreement with annexes covering specific sectors, e.g., financial services. Several politically powerful U.S. industries, e.g., maritime and basic telecommunications, are pressing to be carved out of any agreement, thereby inviting reciprocal carve-outs by other countries.

5. The U.S. is under pressure from the developing countries (LDCs) on textiles and on unfair trade laws.

The LDCs are seeking concessions from the U.S. and other developed countries on textiles and the unfair trade laws:

Textiles - The LDCs want to phase out the Multi-Fiber Arrangement (MFA). The U.S. industry opposes any weakening of its protection. While the ostensible goal of the textile bill is legislated quotas, it is also an effort to cripple the Uruguay Round negotiations.

Antidumping and Countervailing Duties - The LDCs, Japan, and Canada are seeking a major weakening of the unfair trade laws. Some changes are desirable. The proposed reforms, however, face strong resistance from import-sensitive U.S. industries, e.g., steel, textiles, and semiconductors. Because the issue involves unfair trade, it could present significant problems in the Congress.

Section 301 - The U.S. is isolated on section 301 which is aimed at removing foreign barriers to U.S. exports. The key is to strengthen GATT so that its rules can be enforced effectively making unilateral action under section 301 unnecessary.

There will be substantial U.S. opposition to any changes in the unfair trade laws. These issues merit close watching.

6. Securing Congressional approval of an Uruguay Round agreement will be a major challenge.

Because of the unprecedented scope of the Uruguay Round, the Administration is entering new political territory. While previous GATT rounds focused almost exclusively on trade in manufactured goods, the Uruguay Round seeks to expand trade in a new way by extending GATT to sectors where the rules traditionally have been weak (agriculture and LDCs) or non-existent (services, investment, and IPR).

The scope of this round adds some new dimensions in building domestic support. First, key support for the Uruguay Round may come from outside the manufacturing sector. Second, the U.S. is under pressure on steel and textiles, which have managed in the past to stay outside GATT disciplines. Third, the trade-offs in an agriculture agreement could affect certain highly protected (and politically influential) farm groups, e.g., meat, dairy, cotton, and sugar. Finally, key elements of the implementing bill are likely to fall outside the jurisdiction of the House Ways and Means and Senate Finance Committees, which traditionally have controlled tariff and trade issues in the Congress and have extensive expertise in the area.

It is essential that our ambitious negotiating strategy be integrated with a political and legislative strategy for building the requisite domestic political support to get the agreement through the Congress.

Import-sensitive industries, like textiles and steel, already are mobilizing Congressional opposition to an agreement.

We need to take steps both to strengthen domestic support for an agreement and insure that the agreement is saleable.

7. A major challenge will be to gauge accurately what we can achieve in the GATT and in the Congress to reach an acceptable balance.

Elements of a successful Uruguay Round strategy include the following:

- o **Coordination with USTR.** The White House has coordinated closely and successfully with USTR on Super 301, steel, and U.S.-Japan trade issues. I will continue to meet regularly with Ambassador Hills this fall on the Uruguay Round and have asked my staff to follow the negotiations closely.
- o **Presidential Support.** The President was personally responsible for the successful resolution of the Uruguay Round issue at the Houston Economic Summit. His IMF/World Bank speech was effective in galvanizing the financial community. Continued investment of the President's time and political capital will be required to negotiate a good agreement and get it approved by the Congress.
- o **Congressional Coordination.** Ambassador Hills has worked effectively with the Ways and Means and Finance

Committees. The Administration, however, must expand its contacts with other Congressional Committees that have jurisdiction over Uruguay Round issues, particularly the Agriculture, Banking, and Commerce Committees. The White House also can take advantage of opportunities to make clear to the Congressional leadership the President's commitment to a successful agreement.

- o **Business Community Coordination.** We must begin mobilizing the business community, particularly the major multinationals who have the most to gain from an agreement. It is also important to gauge accurately the depth of opposition from key import-sensitive industries that could pose significant problems, e.g., steel, textiles, semiconductors, sugar, dairy, and cotton.

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 By DP (NLGB) on 5/12/05

Date Closed: 12/13/2004	OA/ID Number: 29174-002
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:
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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]
- P-3 Release would violate a Federal statute [(a)(3) of the PRA]
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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

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

- (b)(1) National security classified information [(b)(1) of the FOIA]
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- (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- (b)(9) Release would disclose geological or geophysical information

Key Uruguay Round Issues

<u>Issue</u>	<u>U.S. Position</u>	<u>Foreign Position(s)</u>	<u>Domestic Implications</u>	<u>Outlook</u>
<p>Agriculture -- GATT rules on agricultural subsidies and protection are weak. Extensive subsidies and trade barriers distort world agricultural trade.</p>	<p>Policy-specific commitments to substantially cut domestic subsidies, export subsidies, and protection.</p>	<p>EC -- No major changes in Common Agricultural Policy (CAP). Favor looser approach that leaves extensive flexibility on implementation of reforms.</p> <p>Cairns Group -- Supports farm trade liberalization. Similar to U.S.</p>	<p>Split. U.S. feedgrains exports would increase if EC export subsidies reduced. Subsidized and protected commodity groups are strongly opposed.</p>	<p>EC feeling some pressure from U.S. and Cairns. Indications of internal divisions, but ultimate position unclear.</p>
<p>1. Domestic Subsidies -- High support prices encourage overproduction of farm commodities.</p>	<p>75 percent cuts in trade-distorting subsidies from 1986-88 baseline over 10 years.</p>	<p>EC -- 30 percent cuts in "aggregate supports" from 1986 baseline over 5 years, then reevaluate.</p> <p>Cairns -- Similar to U.S.</p>	<p>Support from U.S. feedgrains producers and major farm groups. Opposed by heavily subsidized commodity sectors.</p>	<p>Uncertain. EC proposal is deceptive, since includes cuts that have already been implemented because of budget constraints.</p>
<p>2. Export Subsidies -- GATT allows export subsidies to dispose of</p>	<p>90 percent cuts in export subsidies over 10 years.</p>	<p>EC -- Has avoided issue.</p> <p>Cairns -- Key objective in</p>	<p>Strong support for export subsidy discipline. Key UR selling point domestically.</p>	<p>Uncertain. Strong internal EC opposition, particularly from the French.</p>

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surplus commodities. Subsidized exports displace sales by efficient farm producers, e.g. U.S. and Cairns.		the UR is cutting export subsidies. Can't compete with EC and U.S. subsidies.	Subsidized EC competition hurts U.S. feedgrain exports.	
3. Trade Barriers -- Many countries have trade restrictions designed to prevent low-priced imports from disrupting price supports.	Convert all farm trade barriers to tariffs and cut by 75 percent over 10 years.	EC -- General support for tariffication and reducing barriers, but want rebalancing and "variable" element. Cairns -- Support reductions in trade barriers, except Canada on supply management.	Split. U.S. exporters want increased access. Protected sectors opposed, e.g. sugar, dairy, meat, peanuts.	Uncertain. EC appears to have accepted broad principle of tariffication, but insists on rebalancing and flexibility. Concern about disruptive effect of imports on CAP.
a. Japan Rice -- prohibits rice imports.	Liberalize Japanese rice market.	Japan and Korea -- Oppose liberalization: food security and culture.	USTR rejected industry section 301 petition. Promised to solve in UR.	Some indications of flexibility from GOJ, but farm and Agr. Ministry opposition is strong. Highly symbolic.
b. U.S. Barriers				U.S. under pressure in UR. Sugar program symbolizes U.S. farm protection.
i. Sugar tariff-rate quota.	Prepared to modify no "unilateral disarmament."	LDCs -- Strong interest. U.S. quota is highly restrictive.		

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			Strong opposition from Hawaii (sugar cane), Louisiana, Minnesota (sugar beets), and corn farmers (high-fructose corn syrup).	
ii. Dairy -- quotas.	Prepared to modify. No "unilateral disarmament."	Australia -- Strong interest. EC, Austria, Switz. -- highly protected dairy sectors, but also export interests. Japan -- restricts dairy imports.	Strong domestic opposition. Important issue for Cong. Sen. Leahy chairs Senate Agr. Comm. and has one interest -- dairy.	Uncertain.
iii. Peanuts, cotton, and tobacco -- subsidies and quotas.	Prepared to cut. No "unilateral disarmament."		Strong opposition to liberalization.	
iv. Meat -- Meat Import Act quotas.	Prepared to cut.	Cairns -- U.S. quotas affect Aus., N.Z., and Canada.	Industry supports quotas, but exports to Asia are increasing.	Unclear.
c. EC Rebalancing --	Totally opposed.	EC -- longstanding	Strong domestic opposition.	EC ought to back off

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As part of overall tariff reduction, raise tariffs on soybeans and corn gluten, which currently are duty-free.		objective of farm bureaucracy. Cairns -- strongly opposed.	Potential deal-breaker.	eventually.
Intellectual Property Rights (IPR) -- GATT does not cover IPR. Major problems in LDCs.	Strengthen IPR protection, particularly in LDCs.	EC -- top priority, but has linked to changes in U.S. law (see below). Japan -- top priority. Developed Countries -- support. LDCs -- opposition from hardliners, e.g. India. Moderate LDCs moving.	Key domestic constituency for UR. Coalition includes computers, semiconductors, fine chemicals, films, books, software, and pharmaceuticals. Most important item in manufacturing sector.	Most promising of new issues. Strong developed country support. Key for U.S. is minimizing changes in U.S. law.
1. Agreed standards for patents, copyrights (software), trademarks, and trade secrets. Limits on compulsory licensing.	Strengthen IPR standards in all areas.	EC -- Supports standards, but wants changes in U.S. law (below). Nordics & Swiss -- same. Japan -- support IPR stds, but problems on semiconductors and compulsory licensing.	Strong domestic IPR support. Interest could diminish if extensive changes in U.S. law because of belief that can fall back on section 301 if no agreement.	Reasonably good if differences with the EC can be ironed out, so U.S. and EC present common front to LDCs.

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2. Enforcement. Measures to enforce agreed standards.	GATT sanctions against countries which fail to provide adequate IPR protection. Authority for IPR owner enforce rights against infringers, including infringing imports. Clarify status of section 337, which authorizes U.S. International Trade Commission (ITC) to investigate and exclude infringing imports.	EC, Japan, Nordics, and Swiss -- Want changes in section 337, so U.S. ITC procedures conform to those used by the U.S. district courts in purely domestic IPR litigation.	U.S. industry supports effective enforcement mechanisms. Some sectors, e.g. semiconductors, may bolt if extensive changes to section 337.	Key is amending section 337 in a way that preserves effective remedy, but is arguably GATT- consistent.
3. Changes in U.S. law.	U.S. opposes changes, but is under pressure.			
a. Appellations of Origin ---European wine labels, e.g. burgundy and bordeaux.	Oppose.	EC -- High priority. French and Italians.	Opposition from U.S. wine industry (California). Key EC objective. U.S. under pressure.	Strong pressure to compromise with EC.
b. Moral rights. Berne Convention gives artists control over use of work, e.g. prevent colorization of films.	Oppose. U.S. did not accept Berne moral rights provisions when signed treaty.	EC, Canada, Japan, and Nordics -- Support moral rights.	Strong opposition from U.S. film and media industries.	Unclear. For EC, may be tied to appellations of origin.

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c. Patents. U.S. uses "first to invent," whereas many nations use "first to file."	Oppose "first to file."	EC, Japan, and Canada -- support.	Strong opposition from U.S. patent bar.	Uncertain.
d. LDC Participation -- Key issue is whether LDCs will accept IPR agreement.	Support broad LDC participation with no exemptions from obligations.	EC, Japan, Nordics, and Swiss -- same. LDCs -- Oppose GATT agreement. If agreement, limit it to "counterfeiting" and leave rest of IPR to WIPO.	Agreement needs broad LDC participation to get industry support.	Unclear. If rest of UR comes together, including textiles and agriculture, pressure on LDCs to agree.
Services -- GATT does not cover trade in services.	Agreement to bring services into GATT. Authority to exclude certain sectors.	EC, Japan, and other developed countries support services agmt. LDCs -- opposed. Seek exemptions for developing countries.	Mixed. Depends on sector (see below).	Poor. USTR believes that framework agreement is most likely outcome. This would disappoint U.S. service industry coalition.
1. Standards.	Substantive rules to govern services trade. Questions remain as to what obligations are appropriate.	Developed Countries -- support in principle. LDCs -- Strong opposition from India and hardliners. ASEAN and Korea -- more flexibility, but no public support.	Important issue is financial services (American Express <u>et al.</u>).	<i>pat</i> Negotiators believe that best can be achieved is a framework agreement.

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2. Financial Services Annex.	Split. Industry and USTR want financial services in the GATT. Treasury has concerns about implementation, but has gone along so far. Cross-retaliation (goods v. financial services) is unresolved. USTR and industry support. Treasury opposed at highest levels.	EC -- Supports financial services discipline. One-way cross-retaliation. LDCs -- opposed. No cross-retaliation. Also want to water down Financial Annex to weaker standards of generic services agreement (which Treasury opposes.)	Strong support from major U.S. financial institutions. Some concerns from small banks, but probably can be taken care of.	Progress on text. Annex is quite far along, but unclear whether has any effect if tied to non-binding framework. Need to sort out cross-retaliation.
3. Initial Liberalization Commitments (ILCs).	U.S. wants specific ILCs, i.e. promises to undertake specific sectoral obligations within a specified period after end of UR.	All -- Will have difficulty, because far behind schedule.	U.S. industry wants specific commitments, so agreement means something and is not limited to framework.	Questionable. Negotiators doubt that ILCs can be completed within UR timetable. If so, status of financial services is unclear, since dependent on future talks.
4. Coverage. Scope of agreement in terms of covered sectors.	Supports coverage of all services for certain obligations, e.g. transparency, but exclusions from substantive obligations, including MFN, for certain sectors.	EC and Japan support universal coverage.	Opposition from maritime, aviation, and basic telecommunications.	If U.S. seeks carve-outs from coverage, other countries will seek similar carve-outs, gutting the agreement. One solution is broad coverage with minimal obligations for certain sectors, but this

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a. Maritime.	Industry wants exclusion from agreement to preserve Jones Act restrictions on foreign shipping.		Industry efforts to cover maritime in U.S.-Canada FTA. Strong support on House Rules Committee.	invites weak agreement. Unclear. Potentially a major problem. MFN derogations likely.
b. Aviation.	Airlines wants carve-out. Believe U.S. has greater leverage in bilateral aviation negotiations, because foreign carriers need access to U.S. market.	Foreign governments pressing for broad coverage. EC has same problem as U.S., but wants derogation from MFN.	Strong politically.	Unclear. Potentially a major problem. MFN derogations likely.
c. Telecommunications.	Industry seeks carve-out for basic services. Concerned that GATT agreement could lock in unbalanced situation where U.S. provides open access and foreigners do not. Prefers section 301.	Foreign governments want broad coverage.	Strong politically.	Unclear. Potentially a major problem. MFN derogations likely.
d. Culture.	Strongly oppose a cultural exception.	EC and Canada support cultural exception aimed at limiting U.S. movies and television.	If cultural exception, Motion Picture Association (Jack Valenti) will actively oppose UR.	Unclear.

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Trade-Related Investment Measures (TRIMs) -- Trade-distorting conditions that are imposed on foreign investors, particularly in LDCs.	Support rules prohibiting local content and export performance requirements.	EC, Japan, and Nordics -- Support TRIMs rules, but not a high priority. LDCs -- Oppose prohibitions on TRIMs. India and Brazil are most hardline. ASEAN opposes TRIMs, but has internal divisions. Mexico and Korea may be prepared to deal.	U.S. multinationals want TRIMs rules. Congress is indifferent, as long as agreement does not affect states' ability to attract foreign investors. (Despite industry support, Hill tends to see overseas investment as exporting jobs.)	May be headed toward modest agreement that (1) prohibits local content requirements (already GATT-illegal), (2) adds some new discipline over export requirements, and (3) contains some exceptions for LDCs.
Government Procurement -- Tokyo Round Code allows foreign companies to bid on certain govt. contracts.	Expand Code coverage, particularly to sectors that were not covered in Tokyo Round, e.g. European telecomm. and heavy electrical equipment (HEE).	EC -- Tabled broad and sweeping proposal to expand EC sectoral coverage, including telecomm., transport, and HEE. In return, wants U.S. to cover state procurement and public utilities.	Industry has longstanding interest in access to EC. USTR believes states may be receptive to inclusion, but may insist on the right to exit the Code in the future.	Could be a surprise selling point for UR. Need to work with states on coverage issue.
Tariff and Non-tariff Measures (NTMs) -- tariff and non-tariff barriers to trade. Agreement on target of 33 percent cuts.	Reduce high tariffs and NTMs, particularly in LDCs. Support specific request-offer approach, e.g. trade cuts on specific items. "Zero-for-zero" proposal for certain sectors, where all countries would go to zero tariff. Current U.S. proposal does not meet 33	All Developed Countries -- support formula cut, e.g. 33 percent cut for all products, with certain exceptions. Oppose request-offer. LDCs -- resistance to reducing or binding tariffs, which tend to be high.	Strong interest in zero-for-zero, e.g. semiconductors and steel. Strong opposition to trading off high U.S. tariffs, which are concentrated in agr., chemicals, and textiles. Light truck tariff (25%) is issue for U.S. car companies.	Request-offer is time-consuming. May be headed for formula cut, which could be negotiated more quickly. While not glamorous, tariff cuts generate surprising domestic support, because of direct impact on bottom line. Some U.S. tariff cuts



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	percent target, in part because of exclusion of agriculture and textiles.	Want U.S. textile tariffs.		highly sensitive.
Dispute Settlement -- GATT disputes now settled by rulings of panels of impartial experts. Procedures allow losing party to block adverse findings. Creates pressure to go outside GATT and use section 301.	Supports timely GATT dispute settlement system that assures automatic adoption of panel reports. Oppose restrictions on 301, but isolated internationally.	EC -- opposes automatic adoption of panel reports. All -- Support limits on U.S. "unilateralism," i.e. section 301.	Important issue for Congress, e.g. Senator Bentsen. Section 301 was centerpiece of 1988 Trade Act. Support for action against foreign unfair trade barriers. Some industries, e.g. telecomm. and motion pictures, may oppose limits on section 301 if rest of UR does not address their issues and believe can do better unilaterally.	Negotiations center on two issues -- automaticity and section 301, which could be headed for a trade-off. Sensitive political issue that depends on perceptions of overall UR package and limits on using 301 in sectors not covered by the GATT. <i>Key to Hill concern is effect of # on efforts to open Japanese market</i>
Antidumping -- Trade law remedy against unfairly priced imports that injure a U.S. industry. Most widely used remedy in U.S. trade law. Major issue for LDCs.	Advocate stronger AD remedies: (1) to address circumvention of AD orders and (2) increased penalties for repeat dumping. Support increased transparency, but oppose most reforms sought by LDCs and Japan.	EC -- similar to U.S. Japan, Korea, Hong Kong, and LDCs -- Support AD reforms. Want to reduce exposure to U.S. and EC AD measures. Nordics and Canada -- Similar to LDCs.	Steel, textiles, semiconductors, and other import-sensitive industries strongly oppose any weakening of unfair trade laws. Sympathy in the Congress because AD involves "unfair trade" practices.	Negotiating group is sharply split. LDCs pushing hard, but U.S. and EC oppose. Modest changes possible, but significant weakening would generate strong U.S. opposition. Potential deal-breaker if mishandled.

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<p>Subsidies -- GATT prohibits export subsidies for manufactured goods (but not agriculture). Governments can grant domestic subsidies, but importing country can impose countervailing duties (CVDs) on subsidized imports.</p>	<p>U.S. supports strengthened GATT subsidies discipline, particularly subsidies with trade impact. Also strengthen rules regarding targeting and natural resource subsidies. Oppose weakening of U.S. CVD laws. Red/yellow/green proposal intended to create clear categories for prohibited and permitted subsidies.</p>	<p>EC, Japan, Canada, and LDCs -- Oppose new limits on government subsidies. Support exempting certain subsidies, e.g. regional and structural adjustment, from CVD. EC insistent on exempting regional and structural adjustment subsidies from CVD.</p> <p>Japan -- Opposes targeting discipline.</p>	<p>U.S. industry supports discipline over subsidies and targeting. Opposes trade-offs involving CVD. Congress will oppose CVD changes, particularly if no progress on subsidies. Broad carve-outs for regional and structural subsidies are non-starters.</p>	<p>Little progress. Agreement likely to reflect <u>status quo</u>, i.e. limited GATT discipline over subsidies, but broad scope for CVD. May be some new limits on CVD, which will be controversial. If no agreement, UR would not be jeopardized.</p>
<p>1. Steel -- As part of VRA renewal, President committed to seek to negotiate international steel consensus to limit unfair trade practices and market access barriers in steel sector.</p>	<p>Because of lack of progress on generic subsidies discipline (above), U.S. proposing sectoral agreement to limit steel subsidies, tariffs, and quotas.</p>	<p>EC -- Interested in steel consensus. Concerned about treatment of past steel subsidies (Italy) under U.S. CVD law.</p> <p>Japan and Korea -- Interested in steel consensus, but want protection from steel AD/CVD actions.</p> <p>Brazil -- Wants exemption of past subsidies from CVD.</p>	<p>U.S. industry supports consensus if it does not weaken existing AD/CVD rights. Will oppose any restrictions on ability to pursue AD/CVD after VRAs expire in 1992.</p>	<p>Surprising foreign interest in sectoral steel consensus. Negotiators believe may be possible to finesse AD/CVD problem.</p>

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Textiles -- Textiles trade is covered by the Multi-Fiber Arrangement (MFA), which authorizes negotiated quotas to prevent market disruption. Textiles is the only type of trade benefiting from this special quota protection.	Support reintegrating textiles trade into GATT, <u>i.e.</u> phasing out protection over transition period. Support global quotas for transition mechanism, but prepared to discuss MFA-based transition. Need improved market disruption rules (<u>e.g.</u> , cumulate across countries).	EC -- Supports MFA reintegration, but strong resistance from EC industry. Unclear whether serious. Problem with Greece and Portugal. LDCs -- Want to phase out the MFA by increasing growth rates from current rate of 6 percent annually.	Textile quota bill has passed House and Senate by large margins. Ostensible goal is legislated quotas, but secondary objective is to disrupt GATT talks. Strong opposition to cutting U.S. textile tariffs.	Despite LDC support for phasing out MFA, unclear whether this position will stick. Many LDCs benefit from the MFA. Negotiation likely to focus on growth rates for MFA quotas, duration, and safeguard mechanisms. Could result in something similar to MFA, which would not generate undue Cong. opposition. MFN
Safeguards -- GATT contains "escape clause" allowing temporary protection to facilitate adjustment to import competition.	Has kept position fuzzy. Seeks mechanism that will reduce tendency to resort to VRAs.	LDCs -- Support safeguards discipline. EC -- Oppose new limits on safeguards.	U.S. -- Some support for greater discipline over VRAs, but not a high priority. Some labor union and industry interest in improving section 201, which implements GATT escape clause, but is hardly used in U.S.	Negotiations appear headed toward N.Z. compromise. Would increase our ability to use section 201, which could generate some domestic support. Would require phase-out of steel VRAs, which we have already promised to do.
1. MFN -- GATT safeguard measures, <u>i.e.</u> , tariff increased or quotas, must be applied on MFN basis to all suppliers.	Expressed some interest in MFN.	LDCs -- Want MFN requirement, which in effect would prohibit VRAs and VERs. Reject selectivity which would allow them to be singled out.	U.S. industry opposes unilateral selectivity.	May be headed for MFN. <i>[Signature]</i>

<u>Issue</u>	<u>U.S. Position</u>	<u>Foreign Position(s)</u>	<u>Domestic Implications</u>	<u>Outlook</u>
2. VRAs -- Many countries going outside GATT by negotiating VRAs or VERs.	Concern that GATT requirements are too hard to meet (e.g., compensation and thus encourage "grey area" VRAs.	EC -- Proposed amending GATT to allow selective, non-MFN quotas. New Zealand -- Compromise would provide greater flexibility to impose temporary safeguards measures, but tighten injury standards, set firm 2- to 3-year deadline for termination, and require MFN. No compensation.	U.S. has VRAs on steel and machine tools and VER with Japan on autos. Steel industry appears to accept VRAs end in 1992. Japan not filling auto VER.	U.S. can live with New Zealand proposal. Can also live with <i>status quo</i> with no agreement and continued consensual selectivity.
Balance-of-Payments (BOP) -- GATT rules are weak and allow LDCs to maintain long-term import quotas, ostensibly for BOP reasons. GATT BOP Committee, which is responsible for enforcing BOP rules, has been captured by LDCs.	Support stricter GATT review of BOP measures and improvements in rules to prevent abuse.	Developed Countries -- Support BOP reform. LDCs -- Strongly opposed. Have refused to negotiate. Claim BOP is not subject for UR discussion. Brazil, India, and Philippines are problems.	Industry and Congress are supportive, but not a high priority domestically.	LDCs playing hardball. May come around if concerns on textiles and safeguards are met. Outcome, if any, likely to be modest. In absence of agreement, might be able to use GATT dispute settlement to go after BOP abuses.

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<p>Implementation -- Key issue in UR is getting LDCs to accept new disciplines, particularly in IPR, services, and investment. Risk that if allow countries to pick and choose, LDCs will opt out of key agreements, creating "free rider" problem. USTR exploring "single protocol," i.e., new protocol covering all UR results would replace GATT. A country could either sign new protocol or opt out. No MFN obligation to provide trade concessions to non-signatories, since supersedes GATT.</p>	<p>Quad (EC, Japan, Canada, and U.S.) discussions showed common concern about LDC acceptance and free riders.</p> <p>LDCs -- Hardliners, e.g. India, unlikely to join certain agreements absent intervening event.</p> <p>GATT Secretariat -- Supports some form of universal application.</p>	<p>Industry wants progress with LDCs. Failure of sufficient LDCs to joint key agreements, e.g. IPR, will create problems and/or weaken domestic support.</p> <p>No inter-agency consensus. State likely to have foreign policy concerns about denying MFN to non-signatories who are U.S. allies.</p>	<p>Unclear. Could be EPC issue. Might be possible to couple single protocol with discretionary authority to provide (or deny) MFN to satisfy State.</p> <p><i>THW</i></p> <p><i>U.S. industry interested in</i></p> <p><i>access to LDC markets</i></p>	<p><i>Unclear</i></p>

Withdrawal/Redaction Sheet

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05. Memo	From Roger Porter to John Sununu Re: Political Strategy for the Uruguay Round (5 pp.)	8/8/90	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
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THE WHITE HOUSE

WASHINGTON

August 8, 1990

MEMORANDUM FOR GOVERNOR SUNUNU
FREDERICK D. McCLURE

THE CHIEF of STAFF
has seen 9/12/90

FROM: ROGER B. PORTER *RBP*

SUBJECT: Political Strategy for the Uruguay Round

It is important for the White House to develop a political strategy for the Uruguay Round of multilateral trade negotiations. We should not take Congressional approval of an Uruguay Round agreement for granted.

Our objective in the Uruguay Round is a major agreement that fundamentally reforms the multilateral trading system. By pursuing an ambitious negotiating strategy, we have also assumed certain political risks. A major Uruguay Round agreement could require politically sensitive changes in U.S. domestic policies, particularly in the farm sector, and in the levels of protection currently afforded to certain politically powerful U.S. industries. Domestic opposition groups already are mobilizing to head off U.S. concessions and, if necessary, fight a Uruguay Round agreement in the Congress. Consequently, there is potential for a divisive legislative battle over U.S. implementing legislation.

We must start building political support for an agreement now. In deciding to pursue a far-reaching agreement, we also chose to take on the political challenge of altering certain trade-distortive domestic policies and trade barriers. It would not be fair to leave the political burden to USTR, which needs and expects continued White House support and input. In short, we must ensure that our ambitious negotiating strategy is integrated with a comprehensive political and legislative strategy for building the requisite domestic political support to get the agreement through the Congress.

The attached paper describes possible elements of a successful political strategy.

Attachment

August 8, 1990

LEGISLATIVE STRATEGY FOR THE URUGUAY ROUND

It is important for the Administration to develop a political strategy for securing Congressional approval of a Uruguay Round trade agreement. This strategy must focus on two goals: (1) educating the Congress on the potential commercial benefits of the agreement, and (2) building a domestic political coalition to get the package approved.

1. We are pursuing a "big package" trade strategy in the Uruguay Round.

Our objective in the Uruguay Round is a major agreement that fundamentally reforms the multilateral trading system. We are seeking substantial reductions in agricultural subsidies and trade barriers, areas that have evaded effective GATT discipline for over 40 years. We want to expand GATT to cover trade in services, investment, and intellectual property rights (IPR). We have asked for sharp reductions in tariffs and trade barriers of less-developed countries (LDCs), a point of high sensitivity to the LDCs. Finally, we have made it clear that politically sensitive U.S. policies and trade barriers, including textiles and sugar, are on the negotiating table.

2. It is important to develop a political strategy for securing Congressional approval of an agreement.

We should not take Congressional approval of a Uruguay Round implementing bill for granted.

By pursuing an ambitious negotiating strategy, we have assumed certain political risks. Negotiating a major Uruguay Round agreement could require politically sensitive changes in U.S. domestic policies, particularly in the farm sector, and in the levels of protection currently afforded to certain politically powerful U.S. industries. These industries already are mobilizing to head off U.S. concessions, and if necessary, fight the Uruguay Round agreement on the Hill.

Consequently, there is potential for a divisive legislative battle over U.S. implementing legislation.

3. We must begin building a political coalition to get the agreement through the Congress.

We must begin raising the public visibility of the talks and building a political coalition to get an agreement approved. As the Senate textile bill vote showed, Congress has not paid much attention to the Uruguay Round and is skeptical about its potential to advance U.S. economic interests.

Potential sources of support for an agreement include the following:

- o Agricultural feedgrains. Significant reductions in European trade barriers and export subsidies would allow U.S. wheat, soybean, and corn producers to capture a bigger share of the global market. Strong support from the midwestern farm states will be required to defeat sectoral opposition to opening U.S. agricultural markets.
- o High-tech, pharmaceuticals, computer software, motion pictures, sound recordings, and book publishing. These industries would benefit from an IPR agreement. IPR is the key source of manufacturing sector support for the round.
- o Multinationals. U.S. multinationals, e.g., IBM and Caterpillar, have a major stake in an open trading system and can be expected to support a reasonable Uruguay Round agreement. These companies and their lobbying groups, e.g., the Business Roundtable and ECAT, have a lot of clout on trade issues.
- o Financial Services. The big U.S. banks and financial services providers, e.g., American Express, want increased access to foreign markets. The difficulty is that the services talks are moving slowly and small U.S. banks oppose increased foreign competition.

4. The Administration must handle certain issues with extreme care.

It is important to gauge accurately how far we can go on certain issues that could involve politically sensitive changes in U.S. domestic policy. Key pressure points include:

- o Textiles. The LDCs are pushing hard for liberalization of textile and apparel trade. It is possible, however, that the Uruguay Round could lead to relatively modest changes to the current Multifiber Arrangement (MFA). Many small LDCs benefit from the MFA and would be pushed aside by larger suppliers in an unregulated environment.
- o Section 337/Copyrights. We have promised to change section 337 of the Tariff Act of 1930 (which provides a trade remedy for enforcing U.S. patents and trademarks) because it was found inconsistent with

GATT last year. The Europeans are pressing for changes in U.S. copyright law. Both issues are sensitive.

- o Antidumping. The LDCs, Japan, and Canada are seeking major changes in the U.S. antidumping law, which provides a remedy against unfairly priced imports. The antidumping law has strong domestic support, including steel, textiles, semiconductors, and other import-sensitive industries. This is a potential deal-breaker.
- o Dairy, peanuts, and sugar. As part of an agricultural agreement, the U.S. could be required to phase out certain import restrictions and reduce current price support levels for certain commodities. Such measures will be opposed by U.S. producers of dairy, peanuts, citrus, sugar, and possibly meat.
- o Section 301. There will be strong Congressional resistance to weakening U.S. rights to retaliate unilaterally against unfair trade practices under section 301.

If the opposition groups coalesce, they could pose a formidable obstacle to Congressional approval of a Uruguay Round agreement.

5. The White House must continue to coordinate closely with USTR.

The Administration must integrate its trade and legislative strategies as the negotiations proceed. It is important to continue to coordinate closely with USTR. As the negotiations proceed, USTR will need White House input on key tactical and strategic decisions, particularly those with major political implications.

I plan to meet regularly with Ambassador Hills during the fall. In addition, Steve Farrar and Warren Maruyama have been working closely with Ambassadors Katz, Lavorel, and Yerxa, and USTR staff on Uruguay Round issues.

6. Bringing the Uruguay Round to a successful conclusion will require continued investments of the President's time and political capital.

The President demonstrated his commitment to the Uruguay Round in Houston. His leadership was the key to the successful resolution of the agriculture issue by the G-7. Continued investments of the President's time and political capital will

be necessary this fall. The agriculture negotiations, in particular, may require further Presidential involvement.

The President must convince the Congress that the Uruguay Round is a personal priority and a key element of the Administration's market-oriented economic policy. It is important to address congressional skepticism about our ability to deliver a good agreement and our willingness to engage in tough bargaining with foreign governments.

7. The President can emphasize that a Uruguay Round agreement will promote U.S. commercial interests and free and fair trade.

The President might consider using the following themes in discussions with the Congress:

- o Benefits to U.S. commercial interests. The President should emphasize the practical commercial benefits to American firms and workers of a Uruguay Round agreement. Congress is always skeptical about appeals to foreign policy or "free trade" theology.
- o Direct Presidential involvement. He should reiterate that he will be the ultimate judge of the agreement and is personally committed to getting a good one that promotes free and fair trade and U.S. commercial interests.
- o Willingness to walk away. He should emphasize his willingness to walk away if the agreement does not measure up. This will enhance our credibility with the Congress and increase our bargaining leverage with the foreigners.

In concluding trade agreements, it is often necessary for the participants to face the possibility of failure. It is quite possible that the Uruguay Round will reach an impasse sometime this fall. We should be ready for this possibility.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
06a. Memo	From Roger Porter to John Sununu Re: Helms Inquiry on Textiles Negotiations (1 pp.)	10/22/90	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: Uruguay Round (1990)

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

Date Closed: 12/13/2004	OA/ID Number: 29174-002
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)]

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- P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P-3 Release would violate a Federal statute [(a)(3) of the PRA]
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- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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THE CHIEF of STAFF
has seen

THE WHITE HOUSE

WASHINGTON

October 22, 1990

done 10/22/90

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: Helms Inquiry on Textiles Negotiations

This memorandum provides additional briefing for your call to Senator Helms regarding the U.S. offer to cut its textile and apparel tariffs in the Uruguay Round. Senator Helms is likely to appeal to you to exclude textile and apparel tariffs from the GATT negotiations.

The U.S. is submitting a revised Uruguay Round tariff offer today. Because the previous U.S. offer excluded textiles, agriculture, and other import-sensitive sectors, it fell well short of the Uruguay Round target of cutting tariffs by 33 percent. Given the lack of time, the U.S. must submit a credible offer if we are to achieve our objective of substantially reducing foreign tariffs on U.S. exports.

There has never been any commitment by the Administration to exclude textile tariffs from the GATT negotiations. The tariffs have not been included in previous offers for tactical reasons.

In preparing the latest U.S. offer, USTR worked closely with the American Textile Manufacturing Institute (ATMI). As a result, the U.S. offer has been revised significantly to address industry concerns. In particular, the offer originally proposed a ten (10) percent cut in certain apparel tariffs and a 33 percent cut in certain textile tariffs. After consultations with the industry, the cuts have been changed to six (6) percent and twelve (12) percent respectively. Also, the list of tariffs to be cut has been revised to reflect the industry's views on products that are import-sensitive.

Recommendation

That you tell Senator Helms that the Administration is committed to going ahead with its tariff offer, which includes cuts for textiles and apparel. You might emphasize that the offer has been discussed with ATMI and revised significantly to address industry concerns. Talking points are attached.

Attachment

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
06b. Paper	From Roger Porter to John Sununu Talking Points for Conversation w/Senator Helms Regarding Textile Tariffs (1 pp.)	10/22/90	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: Uruguay Round (1990)

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RESTRICTION CODES

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TALKING POINTS FOR CONVERSATION WITH SENATOR
HELMS REGARDING TEXTILE TARIFFS
(October 22, 1990)

- Jesse, I appreciate your calling the Uruguay Round tariff issue to my attention.
- I've discussed your concerns with Carla.
- I understand that USTR has revised the proposed Uruguay Round tariff offer to accommodate the industry's concerns. In particular:
 - The proposed cut for textiles has been reduced from 33 percent to 12 percent.
 - The proposed cut for apparel has been reduced from 10 percent to 6 percent.
 - The scope of the offer has been revised significantly to reflect the industry's views on products that are import-sensitive.
 - The industry has provided some very helpful advice on products that can be cut to zero. This will be useful, since we won't have to cut as much for other products that the industry cares about.

Proposed response if Senator Helms asks for total exclusion of textile and apparel tariffs from the Uruguay Round.

- I'm afraid that total exclusion is not possible. We cannot achieve our tariff-cutting goals in the Uruguay Round if we exclude textiles.
- There is pressure from other American industries to reduce foreign tariffs and increase our ability to sell abroad. We have to balance both sides of the equation.
- Jesse, the President is committed to doing everything within his power to help you. I hope that we can continue to work together on this textile trade issue in the next few months.
- USTR has revised the offer significantly to accommodate the industry.
- We cannot delay a decision. We have to go forward.