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*Last Updated: 08/30/2023*

*Chen*

THE WHITE HOUSE  
WASHINGTON

February 28, 1985

MEMORANDUM FOR JOHN A. SVAHN

FROM:

MICHAEL A. DRIGGS *mad*  
JOSEPH A. MASSEY *JM*

SUBJECT:

Review of Presidential Trade Issues in 1985

This memo has been developed in the course of planning our work schedules for the remainder of the year. It sets out those trade issues in which the President is likely to be involved.

We undertook the task because no other comprehensive trade schedule exists. Although we probably have not captured everything, we were surprised by the number of trade items which could demand the President's time during a "quiet" trade year.

Over the next ten months, there are a number of issues of Presidential interest. They vary in importance and in the amount of the President's time that they will require. They are presented here in four categories of ascending Presidential discretion:

- I. Trade law actions with statutory requirements for a Presidential decision;
- II. Legislative actions in which the President may have to become personally involved and conceivably exercise his veto power;
- III. Meetings with foreign leaders in which trade issues may need to be raised by the President or may be raised by the other leader; and
- IV. Major policy issues in which the President's involvement is discretionary.

In addition to issues which directly involve the President, there is also a wider set of issues that will involve Cabinet officials, the Cabinet Council on Commerce and Trade, and the Trade Policy Committee. We shall follow those issues and keep you apprised as appropriate.

Because of the number of issues involved, we have attached to the memo a calendar that summarizes currently known or predictable dates that will involve the President in trade policy issues through October.

## I. TRADE LAW ACTIONS

### Section 201 of the Trade Act of 1974

Two cases are presently before the ITC under Section 201 of the Trade Act of 1974. The ITC must decide within six months of the submission of a case whether increased imports are a substantial cause of injury or threat of injury to a domestic industry. The President then has sixty days to decide whether import relief is in the national interest. He may order increased tariffs, quotas, tariff-rate quotas, or orderly marketing agreements, for a period not to exceed five years initially. The relief can be extended for three years.

#### Footwear

The ITC initiated an investigation on January 22 to determine whether increasing imports of nonrubber footwear are injuring the U.S. footwear industry. This investigation was requested by the Senate Finance Committee after the Trade Act of 1984 lowered the standards for injury. In June 1984, the ITC issued a negative finding in a similar 201. The statutory deadline for the ITC finding is June 22. A finding of injury is expected because of the new standard. If so, the President will have to decide within sixty days (that's by August 21 at the latest) whether and what import relief should be provided. If the ITC again rules negatively, new attempts to enact quota legislation are likely. Such attempts failed last year.


#### Potassium Permanganate

A petition was filed with the ITC on behalf of CARUS Chemical Co., the sole U.S. manufacturer of this chemical, on November 30, 1984. The statutory deadline for the ITC decision is May 30. The industry has already been granted relief under the antidumping statute. In 1983, the Department of Commerce found that imports from the People's Republic of China and Spain were being sold at less than fair value in the U.S. and the ITC found that the U.S. industry was being injured. As a result, antidumping duties were imposed on imports from these countries beginning in May 1983. This 201 petition alleges that those duties have failed to stem the flood of imports, and that further relief is needed to remedy the resultant injury. The case would not appear to be very strong, and in our view it is unlikely that the ITC will rule positively. Hence, a Presidential decision will probably not be required. If the ITC does act, the President's deadline would be July 29.

### Section 232 of the Trade Expansion Act of 1962

Section 232 provides for investigation by the Secretary of Commerce of cases where imports threaten to impair the national security. The Secretary then makes a recommendation to the


President, who may take such action as is necessary to adjust imports so they no longer impair the national security. The investigation has a one-year deadline. There is no deadline for the President. Only one case, machine tools, should come before the President this year.

 Machine Tools

On March 14, 1983, the National Machine Tool Builders Association submitted a petition to commerce alleging that the level of imports of Japanese machine tools has risen to the extent that it threatens to impair the national security. Commerce completed its initial investigation and delivered its report in a letter from Secretary Baldrige to the President on February 27, 1984. Commerce recommended action on selected types of machine tools. The letter went to National Security Advisor McFarlane. He returned the report to Commerce asking that the policy recommendations in the report be reviewed in the light of the strategic stockpile study. In July 1984, NSC requested that an interagency group be established, comprising CEA, OMB, NSC, State, DoD, and Commerce, to incorporate the policy decisions from the strategic stockpile study into the report on the machine tool 232. That process is continuing. The interagency group is expected to work out the remaining issues and forward a revised recommendation to the President for a decision sometime in May or June. Late last year, some Congressional interest in a faster review was evidenced.

Section 301 of the Trade Act of 1974

Section 301 addresses foreign trading policies and practices that are inconsistent with any trade agreement, or that burden or restrict U.S. commerce. USTR investigates and makes recommendations to the President. The President may direct USTR to seek elimination of the practice by engaging the other country in dispute settlement procedures at the GATT or one of its associated Codes. If negotiations fail, the President may take all feasible actions against the products and services of the country to obtain elimination of the practice. These include denying trade concessions or imposing import restrictions including tariffs or quotas. Deadlines for USTR's recommendation vary with the kind of case: seven months for export subsidy cases; eight months for other subsidies; thirty days after a GATT decision on a non-subsidy issue; twelve months for non-trade agreement matters. In each case, the President has 21 days after receiving the recommendation to make a decision. There are two 301 cases likely to come to the President this year, citrus and satellite launching services.

 Citrus

The California and Florida citrus industries brought a petition on November 12, 1976 alleging that the EC's preferential import duties on orange and grapefruit juices and fresh citrus fruits from certain mediterranean countries have an adverse effect on U.S. citrus producers.

This allegation has been at issue between the U.S. and EC for some 15 years. In the course of this dispute, the EC has made some tariff concessions. However, these have failed to resolve the problem and, after lengthy but fruitless bilateral consultations, the U.S. took the issue to a dispute settlement panel at the GATT in 1982. The panel found in favor of the U.S. and the panel report is on the agenda of the GATT Council for March 12. The EC has advised us that they intend to block the decision (all decisions of the GATT are by unanimous consensus of the GATT Council, so that any one objection can block a decision). A recommendation will be brought to the President about April 11 (thirty days after whatever decision - or non-decision - is made by the GATT Council). The deadline for the President's decision is 21 days thereafter - approximately May 2.

#### Satellite Launching Services

A petition was filed July 25, 1984, by Transpace Carriers, Inc. alleging that member governments of the European Space Agency (ESA) subsidized satellite launching services offered by Arianespace. USTR held consultations with ESA in November, December and February. A final consultation probably will be held in early April. The recommendation will be brought to the President on or before July 9. The statutory deadline for his decision is twenty one days thereafter - approximately July 30.

Concurrently, the NSC is developing recommendations on NASA's shuttle pricing plan. The outcome of that issue will substantially influence this case.

#### Other 301 Cases

A number of other 301 cases are pending which are not expected to come to the President. They include a number of agricultural cases with the EC and others that are currently the subject of GATT consultations, and one on Japan's leather quotas which have already been ruled to violate the GATT. We shall be tracking these through the 301 Committee at USTR.

#### Section 337 of the Tariff Act of 1930

Section 337 provides a remedy against unfair methods of import competition (usually patent infringement; less frequently, trademark infringement) that cause "substantial" injury to a U.S. industry "efficiently and economically operated," or that prevent the establishment of such an industry. The ITC has 12 to 18 months to conduct the investigation of cases and may, upon determining that unfair practices exist and a U.S. industry is injured, exclude articles concerned from entry into the U.S., or issue a cease and desist order. The President has 60 days within which to disapprove the ITC decision.

If the President concurs or takes no action, the ITC remedy takes effect. If the President disapproves, the case is terminated. Presidential disapproval is rare - only four cases out of a total of over two hundred filed. The most recent disapproval was in the DURACELL case.

The ITC currently has some two dozen Section 337 cases pending. All of these will come to the President with a recommendation from USTR. In most cases, the routine recommendation is to do nothing. We will be following those cases to identify any that might be non-routine and that could involve Presidential action.

Section 247 of the Trade and Tariff Act of 1984 (Copper)

This section of the Act is a direct response to the President's decision last year to deny Section 201 import relief to the copper industry. It is a sense of Congress resolution that the President should negotiate voluntary restraint agreements (VRA's) with the principal copper producing countries. It directs the President to submit to Congress by October 30, 1985, a report that either explains the results of those negotiations or gives the reasons why he thought it inappropriate or unnecessary to undertake such negotiations.

An interagency group studying the question is in the final stages of preparing a recommendation to the Trade Policy Committee. The recommendation will be a report to Congress indicating that the negotiation of VRA's is not feasible, and why. USTR expects that the TPC will approve the recommendations and a report to Congress could be available for the President's signature as early as mid-April.

II. LEGISLATIVE ISSUES WHICH MAY REQUIRE PRESIDENTIAL INVOLVEMENT

Background: Trade in the 99th Congress

With passage of the Omnibus Trade and Tariff Act of 1984, much protectionist pressure was dissipated. It will take at least two years for it to build again to such a serious degree in as broad range of sectors as was seen in 1983 and 1984. Nonetheless, there will be pockets of protectionism in various areas. "Buy America" requirements, agricultural export subsidies, and import quotas for specific products, especially textiles and footwear will reappear. This means that the Administration will be spending much of its time fending off negative legislation.

In addition to specific protectionist proposals, Congress is expected to focus on the general issue of the growing U.S. trade deficit, especially with respect to Japan. Several Congressional committees are likely to hold hearings. The idea of an "import surcharge" appears to be gaining interest on the Hill because it would 1) raise a large amount of revenue quickly, and 2) limit imports by raising their price. Such a proposal would have a negative effect for consumers and U.S. exports, but this "quick-fix" may gain some serious proponents in Congress.

## Administration Initiatives

Each of the following is likely to receive Congressional approval and will require the President's signature.

### Export Administration Act

The EAA statute expired in March 1984, since which time export contracts have been extended temporarily by the President under the International Emergency Economic Powers Act. Congress will shortly take up a modified version of the EAA bill which nearly passed late in the session last year.

### U.S. - Israel Free Trade Agreement

Negotiations have been concluded with Israel on establishing a two-way free trade agreement between our two countries. USTR will have the implementing legislation ready to send to Congress in the first week of March. Under Section 151 of the Trade Act of 1984, which provides for "fast track" treatment, Congress will have ninety days in which to vote the agreement up or down. No modifications are possible. The agreement is expected to be approved by an overwhelming majority. It will probably come to the President's desk for signature in late May or early June.

### Bilateral Investment Treaties

A package of Bilateral Investment Treaties (BIT's), has been negotiated by USTR with a variety of nations including Egypt, Panama, Senegal, Zaire, and Haiti. The package of BIT's is expected to be submitted to the Senate Foreign Relations Committee for ratification in March.

### Possible Protectionist Bills

While most protectionist legislation introduced into Congress this year is unlikely to garner sufficient support to pass both Houses, pressure on the White House is likely in some degree in connection with the following issues. We shall be keeping close watch on these in conjunction with Congressional Liaison and with USTR and Commerce.

### Import Surcharge

Motorola Corporation has been the principal advocate of an import surcharge. So far there is growing interest in the idea but no clear consensus among U.S. business. The National Association of Manufacturers has formed a working group to develop a position. In the Congress, Representative Schulze (R-PA) has introduced a bill that would slap a 20% surcharge on imports from all countries except those who have free trade agreements with us. The bill has so far gained very little support. More significant, perhaps, is the fact that Senator Danforth (R-Mo) is considering legislation calling for a 20% surcharge that would decline as other measures are taken to reduce the budget deficit.

Danforth has asked the Congressional Budget Office to study the surcharge idea. He plans hearings on this in March. Early indications suggest that little momentum has built up for the idea in Congress so far.

However, the proponents of a surcharge project that the first year's revenue will exceed \$50 billion. The attractiveness of this concept to the Congress is inversely related to progress on the budget deficit.

Textiles

The prospect that final changes in textile rules of origin will be made this year, and that the Multifiber Agreement (MFA) which governs textiles trade will expire next year, are likely to cause substantial Congressional ferment.

Interagency recommendations for the final changes in the rules of origin are expected to be presented to the Trade Policy Committee for approval in March. They will cause controversy, whatever they contain. If they continue to be as restrictive as previously announced, the retailers will demand they be relaxed. If they are changed to be less restrictive, the textile and apparel industries will demand they be stricter. In the latter case, significant pressure on the White House can be expected from influential Republicans in Congress, including Senator Helms, Representative Broyhill, and others.

This focus on the rules of origin is only a prelude to a larger battle. The MFA expires in 1986. The textile industry is trying to position itself better in the negotiations over MFA renewal, but is internally divided. It has fallen far short of its goal for co-sponsors on new quota legislation. As a result it has scrapped an initial draft bill it had intended to introduce that would have rolled back imports to 1981 and 1982 market share levels, and is drafting a new version. There is, however, no question that legislation will be introduced proposing that textile imports be limited to a fixed share of U.S. domestic consumption or be strictly tied to the growths in the U.S. industry.

Congressional hearings on the textile industry begin March 6, with the House Government Operations Subcommittee on Commerce, Consumer, and Monetary Affairs. The Trade Subcommittee of the House Ways and Means Committee will begin a major series of hearings in late March or early April.



Steel

The likelihood of significant steel quota legislation being introduced this year hinges on the success of USTR at negotiating the voluntary restraint agreements (VRA's) directed by the President's September 18, 1984, decision. Senator Heinz has introduced legislation that would enable USTR unilaterally to allocate the aggregate limit on Japanese steel imports among 25 subcategories if negotiations with Japan are not successfully completed within 30 days of the enactment of the legislation. The bill is intended to serve as leverage during the current steel negotiations with the Japanese, which have been dragging on due to Japan's unwillingness to agree to subcategory limits. No action on the legislation is expected in either the Senate or the House.

Footwear

As noted above, if the ITC finds no injury to the U.S. industry from imports, quota legislation is likely to be introduced. Many Members of Congress will be following the ITC investigation including Senator Danforth who represents a large shoe-producing state and who chairs the Trade Subcommittee of the Senate Finance Committee.

Telecommunications

Senator Danforth may also press for passage of legislation to secure greater foreign market access for U.S. telecommunications equipment. His proposal is not yet final, but its broad outlines would call for increased U.S. tariffs on telecommunications equipment from countries which impose barriers against U.S. telecommunications exports. The bill will be controversial, but may gain substantial backing if the current U.S. - Japanese MOSS negotiations on telecommunications do not result in significantly lowered Japanese barriers. The Administration still has no official position on the legislation, but has made it known that problems exist with the bill. It is likely that a revised version of the Danforth concept will be supported by the Administration.

Auto Quotas

Domestic Content, which passed the House in the 97th Congress and 98th Congress, will probably resurface early in 1985. If it does, the measure will have little chance of being enacted, regardless of the future of voluntary export restraints on autos from Japan. On the other hand, an auto quota bill could present a difficult problem for the Administration if voluntary restraints end, because it will be viewed as preserving the status quo.

III. MEETINGS WITH FOREIGN LEADERS

*\* Extend through year*

At present, meetings between the President and more than a dozen other world leaders have been scheduled through July. They are as follows. The most significant from a trade perspective are starred.

<u>Date</u>	<u>Country and Leader</u>	<u>Major Trade Issues</u>
3/5	Italy - Pres. Craxi	New Round, U.S. Farm Bill, Steel
3/12	Egypt - Pres. Mubarak	Bilateral Investment Treaty, Eximbank, Financing of Nuclear Reactors, Textiles
3/17	*Canada - PM Mulroney	Joint Trade Declaration, Free Trade Arrangement, New Round
3/19	Argentina - Pres. Alfonsin	Steel, Air Courier Service, Intellectual Property Rights
4/2	Turkey - PM Ozal	Ad Ref Subsidies Agreement, Possible Free Trade Agreement?
4/4	Colombia - Pres. Betancur	Customs, Countertrade
4/17	Algeria - Pres. Bendjedid	Energy
4/23	*EC - Jacques de Lors	Dollar, New Round, Steel, Agriculture, High-Tech Policy, FISC, Satellite launch services, GATT dispute settlement
4/26	Korea - Chun	New Round, Insurance, Steel, Textiles
5/2-5/4	*Bonn Summit	New Round, Japan and EC Trade Issues
5/21	Honduras - Pres. Suazo	United Fruit Pullout
6/12	*India - PM Gandhi	New Round, Textiles, Technology Transfer,
7/23	*PRC - Pres. Li	Overall Bilateral Trade Relations, Textiles

IV. MAJOR POLICY ISSUES FOR THE PRESIDENT'S DISCRETIONARY INVOLVEMENT

Canada

The President meets with Prime Minister Mulroney in Quebec City on March 17 and 18. Trade issues will be an important part of the agenda for that meeting. The U.S. and Canada are each other's largest trading partners. Our 1984 two-way trade exceeded \$100 billion, with Canada recording a \$20 billion surplus.

Despite our growing bilateral trade deficit with Canada, trade irritants between us are few in number and generally appear manageable at present. The new Canadian Government has made several public pronouncements that it seeks liberalized bilateral trade with the U.S. and wishes to make Canada a better place to do business.

The primary focus of US-Canada trade relations over the past year has been on a Canadian initiative to examine the possibility of negotiating bilateral free trade arrangements in selected sectors. The Canadian Government is now actively reviewing its options vis-a-vis expanded trade with the U.S. Its officials are holding consultations with business, labor and the provinces, and a decision is expected by summer on what new approach Canada should take.

The President's meeting will play an important role in increasing momentum toward freer trade both bilaterally and world-wide. A joint declaration by the President and Prime Minister is being prepared for issuance on March 18. The declaration will state the agreement of the U.S. and Canada to give highest priority to trade over the next twelve months. They will charge their trade ministers to begin intensive talks to find mutually acceptable ways to reduce or eliminate existing trade barriers and to avoid introducing new ones. And they will call upon all nations to join Canada and the U.S. in beginning a New Round at the GATT soon.

One potentially troublesome issue that is likely to arise is steel. U.S. finished steel imports from Canada are now at an historic high. Canadian cooperation in scaling back their exports will be necessary if the President's steel program target is not to be exceeded by a wide margin. Members of the Congressional Steel Caucus and U.S. steel industry representatives are likely to seek a meeting with the President before his Canadian trip to ask that he raise the issue with Prime Minister Mulroney.

EC

We have many shared interests with the European Community. But in trade we also have many contentious issues with them.

The EC has so far been lukewarm toward getting a New Round of GATT negotiations underway next year. What is even more troublesome, however, is their increasingly cavalier attitude toward the existing GATT commitments. When the EC acts, as they recently have, to block a GATT Council decision ruling that an EC policy violates the GATT, the effectiveness and integrity of the GATT as a dispute settlement mechanism is threatened. When the EC acts, as they recently have and are planning to do again, to raise tariffs on high technology products, the whole purpose of a New Round of multilateral trade negotiations to lower tariffs is called into question. While we have many specific issues with the EC, the thrust of the President's trade agenda in this meeting should be a clear and direct call for the EC not to abandon its historic role and responsibility as one of the pillars of the multilateral trading system.

Japan

At the January meeting in Los Angeles, the President and Prime Minister Nakasone agreed that negotiations should begin at once on trade barriers in four sectors of major export interest to the U.S. (telecommunications, electronics, medical equipment and pharmaceuticals, and forest products). They charged Secretary Shultz and Foreign Minister Abe to report back to them on progress before the Bonn Summit. The Summit will be the next time when the two leaders will meet. Early indications are that the negotiations may not produce much in the way of actual market opening in Japan by that time. If that is correct, the President's raising the lack of progress with Nakasone at their bilateral meeting at the Summit will be crucial to the success of the negotiations thereafter.

The People's Republic of China

The President's meeting with President Li of China will have an important trade dimension. China is the largest non-market economy that seeks to trade with us. That poses important problems and questions for U.S. trade policy. In particular, it means we must re-examine the adequacy of our trade laws for dealing with imports from non-market economies. We must find a way to balance the legitimate concerns of U.S. producers about unfair competition with imports from state enterprises on the one hand, with U.S. foreign policy interests in maintaining positive relations with the Chinese on the other. We need to carry on not only an internal USG review of the issue, but also, within appropriate limits, a cooperative dialogue about it with the Chinese.

The President's meeting with President Li provides an excellent catalyst to such a policy review, as well as an opportunity to begin such a dialogue. Ground work for that discussion can be laid in the Presidential Trade mission Secretary Baldrige will be leading to the PRC and India in May.

One specific issue that is likely to arise in the meeting is textiles. The Chinese have been upset at the tightening of U.S. textile rules of origin. They can be expected to express their concerns over those rules, and about the upcoming renegotiation of the Multifiber Agreement as well.

### The New Round

At the Williamsburg Economic Summit in 1982, President Reagan and the heads of government of other major trading nations agreed to the preparation of a new negotiating round in the GATT. The launching of new multilateral trade negotiations has become one of the key trade policy objectives of the United States, as the President confirmed in the State of the Union Message. Issues that are to be included in the negotiations include: services trade, high technology trade, agriculture trade, counterfeiting, trade-related investment problems, and market-access problems.

A number of advanced developing countries, notably Brazil and India, have opposed a New Round because it could hamper their infant industry policies in high technology and services. Moreover, some key European states, France and Italy in particular, see such a Round as a threat to some of their trade barriers and subsidies.

In the President's meeting with the Indian Prime Minister, and with the heads of other developing countries, his re-affirmation of the importance of the New Round and urging of their support for it will be important. At the Bonn Summit, it will be even more important that he place major emphasis in both his multilateral and bilateral meetings on the need for positive support from the other major trading nations, particularly the EC and its member states, to get the Round started next year.

### Steel

In order to implement the President's September 18, 1984 decision, USTR has been engaged in negotiations aimed at reaching voluntary restraint agreements on the steel exports of some fifteen countries to the U.S. USTR expects that within the next several weeks all of the major suppliers will have signed agreements. Six countries have already signed, Mexico and Brazil being the most recent. Agreement in substance has been reached with Korea; USTR expects the agreement to be signed next week. The negotiations with Japan however, have still not produced final substantial agreement on all of the details. The negotiations will resume shortly.

It appears at this point that the overall outcome of these various negotiations will be an import penetration share higher than the 18.5% target. How much higher will depend in part on whether Canada agrees to cut back its exports, as was noted above. The more that the overall figure exceeds the 18.5% target, the more likely that the program may fail to keep the U.S. industry from going back to Congress for legislation mandating import quotas. Such a failure would be likely to require the President to get involved again.

USTR is confident that the negotiations will succeed. They have been in close touch with the U.S. industry who have expressed support for the agreements negotiated so far, and who have told USTR that they would rather have the agreements signed as soon as possible even if that means the target figure is exceeded.

Trade Reorganization

A Presidential decision will be needed as to whether the Administration should again support legislation to create a Department of International Trade and Industry. A related decision is whether and how to revamp the present system of Cabinet-level Committees that have competing claims on trade policy issues.

VRA

The joint CCCT/TPC meeting of February 19 unanimously recommended to the President that Japan's automobile voluntary export restraint be allowed to expire. The meeting did not, however, produce a clear recommendation as to how that U.S. position, if accepted by the President, should be announced or if it should be announced at all. The President will have three decisions to make: whether to let the VRA expire; whether any statement should be made regarding that decision, and if so, by whom.

cc: Roger B. Porter

KEY PRESIDENTIAL DATES FOR TRADE POLICY

March

- 5 Prime Minister Craxi of Italy
- 12 President Mubarak of Egypt
- GATT Council decides on panel report regarding citrus dispute; 30 day review begins for USTR recommendation
- 17-18 Prime Minister Mulroney, in Canada
- 19 President Alfonsin of Argentina
- 31 (Japanese auto VRA expires)

April

- 1 (Japan's new telecommunications laws take effect)
- 2 Prime Minister Ozal of Turkey
- 4 President Betancur of Colombia
- 11 USTR deadline for recommendation to President on Citrus 301
- 11-12 (OECD Ministerial meeting. Cabinet Ministers involved in trade and finance from 24 OECD countries meet. New Round a major agenda item. Secretaries Shultz, Baker, Baldrige and Ambassador Brock will represent the U.S.).
- Mid-Apr (Secretary Shultz meets Japanese Foreign Minister Abe to review progress of trade negotiations; date to be scheduled).

TPC sends recommendations on copper report to President

- 17 President Bendjedid of Algeria
- 23 President de Lors of the European Commission (EC)
- 26 President Chun of Republic of Korea

May

- \* (Secretary Baldrige leads Presidential Trade Mission to PRC and India; dates to be scheduled).
- 2 Presidential deadline on citrus 301 case (approx. date)
- 2-4 Bonn Summit
- 21 President Suazo of Honduras
- 30 ITC deadline on Potassium Permanganate 201; 60 day Presidential review begins.

May/June Congressional approval expected in late May or early June on U.S. - Israel Free Trade Agreement. President signs into law.

Machine tools 232 recommendation expected to come to the President for a decision sometime in May or June.

June

11-12 (Stockholm Ministerial meeting. Swedish Trade Minister hosts a meeting of trade ministers from all key developed and developing countries. A crucial meeting for deciding whether potential consensus exists on a New Round).

12 Prime Minister Gandhi of India

22 ITC deadline on footwear 201 ruling; 60 day Presidential review begins.

July

Early (Quadrilateral Trade Ministers meeting. Ambassador Brock and the trade ministers of Canada, Japan and the EC meet in Canada. Another key meeting to prepare for the New Round.)

9 USTR deadline for recommendation to President on Satellite Launching Services 301.

23 President Li of the People's Republic of China

29 Presidential deadline on Potassium Permanganate 201 relief.

30 Presidential deadline on Satellite Launching Services 301.

August

21 Presidential deadline on Footwear 201 relief

October

30 Presidential deadline for copper report to Congress.



THE WHITE HOUSE

WASHINGTON

May 23, 1985

MEMORANDUM FOR JOHN A. SVAHN

FROM: MICHAEL A. DRIGGS  
JOSEPH A. MASSEY *JAM*

SUBJECT: Ninety Day Plan

Our memo of May 8 on the same subject provided the schedule of known or predictable events relating to trade that will involve Presidential or other White House action or attention over the next ninety days. In addition, we would propose the President's involvement in several other areas, as follows.

I. Presidential Trade Policy Initiative

The background on this initiative is contained in an earlier memo (attached). Our thinking on the initiative has developed further since then, as we have exchanged ideas with David Scott, Chairman of the President's Export Council. To summarize briefly, the initiative would consist in three steps involving Presidential action over the next ninety days (with further involvement to follow, as details of the initiative are developed):

1. A Major Presidential address in which the President would give a comprehensive statement of his trade policy, and announce a new national goal of reducing the trade deficit by a significant increase in U.S. exports. The address would be made before a national organization so as to emphasize its policy significance, and given in June so as to ensure that the initiative in trade policy remains in the President's hands;
2. A Presidential meeting with the newly reconstituted President's Export Council (PEC). The new PEC would be launched with a high visibility ceremony, re-emphasizing the importance the President places upon trade and U.S. exports. The launching ceremony would take place at the White House in June.

3. A "National Trade Summit" would be convened. The President would call together the new PEC plus representatives from other Presidential Commissions (Industrial Competitiveness, International Private Enterprise), plus possibly other leaders from private industry, the Administration, and conceivably the Congress. This group, with PEC as the core and coordinating agency, would be charged with developing an action plan to implement the objectives of the new trade initiative and report back its recommendations to the President within 60 days.

## II. Japan

In mid-July, the Japanese Government will announce its "Action Program" for imports. We would propose that soon after, in late July, the President meet with U.S. business leaders from the four "MOSS" sectors to get their assessment of the Japanese Action Plan. The meeting would demonstrate - to Congress, who will be scrutinizing the plan and our response with great interest, as well as to U.S. business and, not least the Japanese themselves, - the continued importance to the President and the Administration of U.S. access to the Japanese market. The meeting would also help in framing our planning for subsequent strategy.

Attachment

cc: Roger B. Porter

May 8, 1985

## Presidential Trade Policy Initiative

- I. The President makes a major address on his trade policy.
  - A. He has never made a comprehensive statement of his trade policy.
    1. The Administration is accused of not having a policy. U.S. industry has begun in Congress to question the priority we give trade.
    2. The trade deficit will grow in 1985, up from \$123 billion in 1984, to \$140-150 billion.
    3. The French reaction in Bonn is being portrayed as a "setback". A meeting of LDC trade ministers on June 8 with their counterparts from the developed countries (including France) offers the same potential.
    4. The Administration is responding piecemeal to various trade issues (steel, textiles, etc).
    5. If the economy weakens in late '85 or '86, cries for protection will only increase -- putting the Administration on the defensive (beyond current steel, textile, and footwear issues).
  - B. The policy statement would combine several previous actions, always discussed independently before, and a new element.
    1. Address major cause of trade deficit, the strong dollar, by reducing government spending.
    2. Address the framework for resolving trade disputes -- to avoid market closing measures and "trade wars" -- a new round of multilateral negotiations.
    3. Revamp the mechanisms to protect against unfair trade practices -- antidumping and countervailing duty regulations.
    4. Deal with America's competitive strengths -- expand exports (new item).
  - C. The policy statement should be a major address, before a national group, and given in May or June to take the initiative.

II. The new presidential program would contain several elements.

A. Establish a national goal to reduce the trade deficit through an increase in exports.

B. The President's Export Council (PEC)

1. Reconstituted at a higher level - perhaps in a White House ceremony.

2. The PEC would be charged with:

a) Report to the President by October 1, 1985, on its assessment of informational or procedural barriers to firms wishing to begin exporting, exclusive of exchange rate. The report of the President's Commission on Industrial Competitiveness will be used as a starting point.

b) Attack the barriers by:

1) Recommending what governmental action, if any, would be appropriate to increase the number of firms that export.

2) Acting, on behalf of the President, to organize or promote private sector efforts to increase exports. The objectives would be to increase public awareness and foster private activities.

c) Report to the President in time for preparation of the FY 1987 budget (October 1, 1985) an assessment of the effectiveness of federal export activities. Recommend specific actions to improve effectiveness and productivity. Areas would include:

1) industrial and market analyses;

2) export promotion (catalogs, fairs, and missions);

3) U.S. field offices;

4) commercial representation in U.S embassies; and

5) administration of export licensing.

- C. Designate the Vice President as chairman of an Administration task force to "harness American competitive strengths". Specific activities could include, for example:
  - 1. The Vice President, supported by Secretary Baldrige, could help identify and increase public awareness of those sectors of the economy that are highly competitive because of quality, innovation, or efficiency.
  - 2. Secretary Brock could convene a conference of labor leaders to elicit their support for an export drive. In effect, to begin a "sell America" campaign.
- D. Meet with Congressional leaders to discuss this comprehensive approach to the trade deficit.
- E. Announce plans to:
  - 1. Include business and labor leaders in U.S. delegations to international meetings and in Presidential trips abroad.
  - 2. Initiate a series of White House trade missions, headed by a personal envoy of the President (senior White House staff, for example) to promote sales in key markets.



UNITED STATES DEPARTMENT OF COMMERCE  
The Under Secretary for International Trade  
Washington, D.C. 20230

July 10, 1985

MEMORANDUM FOR CHAIRMAN BERYL SPRINKEL  
COUNCIL OF ECONOMIC ADVISERS

FROM: BRUCE SMART  
UNDER SECRETARY-DESIGNATE *BSS*

SUBJECT: PENDING PROTECTIONIST BILLS

Attached are several copies of a compilation of pending protectionist bills in Congress which is more fully explained by Kristin Paulson's memo to me of July 9, which is the cover sheet for the attachments.

I think the material is both comprehensive and informative. We have covered not only bills of interest to Commerce but those of interest to Agriculture.

I will leave it up to you to distribute this material as you see fit. You will note that I am sending a copy direct to Mike Smith, whose office has collaborated with us in pulling this material together, and so you should consider it a joint submission of USTR and Commerce.

Attachments

cc: Amb. Mike Smith, USTR





July 9, 1985

MEMORANDUM FOR: Bruce Smart

FROM: Kristin Paulson 

SUBJECT: Compilation of Pending Protectionist Bills in Congress

As you requested, attached is a compilation of protectionist measures currently pending before the 99th Congress. I have arranged a summary of each bill, first, with USTR's input on the measures which are likely to receive action by the Congress before adjournment that are major bills. Second, attached are summaries of all protectionist bills grouped by major issue areas such as Japan, Canada, Trade Law Reform, Energy, Agriculture, Miscellaneous Tariff Measures, etc. to give you an indication of the perspective by the Congress of the main trade problem areas.

I have also attached a tally of each grouping of bills to show the magnitude of concern in each trade issue area and a grand total of 152 bills for the 99th Congress that are protectionist in nature. It should be noted that at the end of the 98th Congress, protectionist bills numbered about 100. We are only slightly past the midpoint of the Congressional Session and the number of bills is already well beyond last year's total. I have also identified the sponsors of each bill by name and party affiliation to indicate that the sentiment for protectionism crosses all party and regional lines. Many of the sponsors of these bills are the traditional "free traders" on the Hill and are in positions of leadership on trade Committees where they have an ability to move legislation of this type.

The last section of this report lists major complaints by the Congress of the administration of trade policy. The list was drawn from Congressional Record statements from January, 1985 to the present. Members of Congress are identified and the page number from the Congressional Record is also indicated should you want to have the entire text.

cc: McKiernan  
Goldfield  
Dennin  
George  
Archey



JAPAN - 30

Automobiles	- 8
Steel	- 2
Surcharges	- 7
Telecommunications	- 3
Textiles	- 2
Trade Imbalance/ Barriers	- 8

CANADA - 13

Meat	- 5
Softwood Lumber	- 5
Tourist Literature	- 2
Trade Resolution	- 13

IMPORT RESTRICTION - 18

Surcharges	- 8
Trade Law Reform	- 10

TEXTILES/FOOTWEAR - 4

Textiles	- 2
Footwear	- 2

ENERGY - 12

Ethyl Alcohol	- 5
Natural Resources	- 2
Coal	- 4
Natural Gas	- 1

ORES - 10

Copper	- 4
Ferroalloys	- 2
Steel	- 2
Natural Resources	- 2

AGRICULTURE - 53

MISCELLANEOUS TARIFF BILLS - 23

TOTAL - 152



July 10, 1985

Trade Policy Legislation

The following is a brief outline of pending trade legislation which may be the subject of significant Congressional action in the upcoming months:

1. Japanese Unfair Trade Practice Bill (S. 1404, no House version): Introduced by Packwood on July 9. This bill is a Finance Committee mark-up of S. Con. Res. 15 which passed the Senate 92-0 in the spring. The bill would require mandatory retaliation against Japan using Section 301 authority. Administration does not yet have a position, however President in past has opposed mandatory retaliation. Increasing chance that this bill may come to floor before August recess. Democrats may introduce their own Japan bill in both Houses to either attach themselves to S. 1404, or to pre-empt it. The Democratic bill will probably be introduced by Bentsen and Gephardt and may attract considerable support, including that of Rostenkowski. No drafts or further details on this bill are available.
2. Natural Resources Subsidies (H.R. 2451; Senate version contained in Heinz's S. 1356): Discussed at the Economic Policy Council on June 3. The bill would authorize countervailing duties against imported articles made from subsidized raw materials (Current law and GATT only allow retaliation if production of article itself was subsidized). The Administration opposed a similar bill which passed in House by wide margin (259-95) during consideration of Trade and Tariff Act of 1984. The new version of bill makes provision for softwood lumber. Current Administration position is to oppose the bill, but to work with sponsor Sam Gibbons to resolve objections. Ways and Means trade subcommittee hearing was held on June 6, with Acting U.S. Trade Representative Smith testifying. No Senate action scheduled. However, LICIT bill introduced in Senate by Heinz (S. 1356) (see below) on June 25 contains provisions similar to Gibbons bill.
3. Telecommunications (S. 942; no House version): The bill would provide authority to negotiate telecommunications trade agreements and requires retaliation if trade agreements are violated or if foreign practices are deemed unfair. The Administration opposed a similar bill in 1984. Senator Danforth, the bill's sponsor, is pressing for a mark-up. No House version likely until there is some progress on Senate bill.

4. Textiles (S. 680; H.R. 1562): The bill would limit annual growth in textile imports to 1 1/2% for "major" exporting countries, and 6% for other countries. Administration sent letter opposing bills to all Members on June 13. The bill currently has 53 co-sponsors in the Senate, 290 in the House. Senate Finance Committee hearings scheduled on July 15 with Yeutter and Baldrige testifying. Ways and Means hearings at same time on same day, without Administration witnesses.

#### Other significant legislation

1. Trade Law Modernization Act of 1985 (S. 1356, Heinz; H.R. 1950, Guarini): Action on this bill is not likely in current session, but may be an issue in 1986. The Administration opposed portions of this bill during consideration of the 1984 Trade Act. The bill would, among other things, require an annual trade agenda, transfer authority for section 201 from the President to USTR, increase President's authority to impose import surcharges and creates new vehicles for relief from import of foreign industrial targeting. As stated above, the Heinz bill contains provisions that will provide a potential Senate companion to Gibbons natural resource subsidies bill. No immediate schedule for consideration by either House.
2. Softwood Lumber: Various House and Senate bills (H.R. 1088, 1648, S. 1224) aimed at protection for U.S. softwood lumber industry, especially from imports from Canada. Increased activity with regard to natural resource subsidy legislation, which now contains a provision benefitting lumber, has forestalled Congressional consideration of these bills.

July 5, 1985

Trade Policy Legislation

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2. Telecommunications: (S. 942; no House version). The bill would provide authority to negotiate telecommunications trade agreements and requires retaliation if trade agreements are violated or if foreign practices are deemed unfair. The Administration opposed a similar bill in 1984. Senator Danforth, the bill's sponsor, is pressing for a mark-up. No House version likely until there is some progress on Senate bill.
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4. Japan Trade Bills:

- (a) Congressional Resolutions: (S. Con. Res. 15, Danforth, Passed 92-0; H. Con. Res. 107, Gibbons, passed 394-14) Resolutions expressed sense of the Congress that President should use his authority to retaliate against Japanese trade.
- (b) "Danforth bill": (Unnumbered) This bill is a mark-up of S. Con. Res. 15, which would require mandatory retaliation against Japan. Administration does not yet have a position, however President in past has opposed mandatory retaliation. This, like other Japan trade bills is currently on hold pending outcome of Nakasone trade announcements in late July.
- (c) Import Surcharge: (S. 770; Heinz) This bill would provide 20% import surcharge aimed at Japanese imports for 2-3 year period. No Administration position at this time.
- (d) "Bentsen-Gephardt": A Japanese import surcharge bill that may be introduced in the next few weeks.

Other significant legislation

1. Trade Law Modernization Act of 1985

(S. , Heinz; H.R. 1950), Guarini;

Action on this bill is not likely in current session, but may be an issue in 1986. The Administration opposed portions of this bill during consideration of the 1984 Trade Act. The bill would, among other things, require an annual trade agenda, transfer authority for section 201 from the President to USTR, increase President's authority to impose import surcharges and creates new vehicles for relief from import of foreign industrial targeting. As stated above, the Heinz bill contains provisions that will provide a potential Senate companion to Gibbons natural resource subsidies bill. No immediate schedule for consideration by either House.

- 2. Softwood Lumber: Various House and Senate bills (H.R. 1088, 1648, S. 1224) aimed at protection for U.S. softwood lumber industry, especially from imports from Canada. Increased activity with regard to natural resource subsidy legislation, which now contains a provision benefitting lumber, has forestalled Congressional consideration of these bills.

SUMMARY OF ALL PROTECTIONIST LEGISLATION PENDING BEFORE THE 99TH CONGRESS

PROTECTIONIST BILLS RELATING TO JAPAN

Autos: (H.R. 1004; Donald Pease (D-OH) and 15 co-sponsors). The bill would amend the National Traffic and Motor Vehicle Safety Act of 1966 to establish procedures under which any person may petition for an investigation (including testing and inspection) regarding any automobile manufacturer's certification of compliance with vehicle safety standards, and to permit suspension of importation of vehicles pending the outcome of such investigation. Congressman Pease contends that the Japanese government's failure to establish a self-certification system comparable to the U.S. system serves as one of several unfair barriers to U.S. automobile imports into Japan. This bill has been referred to the House Committee on Energy and Commerce and the House Committee on Ways and Means; no hearings have been scheduled in either committee. However, John Dingell's (D-MI) amendment to H.R. 2248, the Motor Vehicle Safety Authorization Act of 1985, which was passed by the Subcommittee on Telecommunications, Consumer Protection and Finance, House Committee on Energy and Commerce, also seeks reciprocity of self-certification procedures. The Administration opposes H.R. 1004 because it would create an unnecessary regulatory burden on U.S. industry; the bill could be used to restrict U.S. commerce in a discriminatory manner; and the bill could be subject to abuse and applied in a way that discriminates against foreign manufacturers that sell automobiles in the U.S.

Autos: (H.R. 2248; Timothy Wirth (D-CO) and 12 co-sponsors). The bill authorizes appropriations for the National Highway Traffic Safety Administration, and for other purposes. On June 18, the House Subcommittee on Telecommunications, Consumer Protection and Finance had a mark-up session on H.R. 2248. At the markup, Congressman John Dingell (D-MI), the full committee chairman, introduced an amendment requiring reciprocity of self-certification procedures. Congressman Dingell stated that his amendment is intended to encourage the Japanese government to reciprocate in the area of vehicle safety compliance requirements. The U.S. lets foreign auto manufacturers self-certify that their cars meet U.S. safety standards; the government of Japan practice has been to inspect all auto imports individually for safety compliance. The Dingell amendment was accepted, and H.R. 2248 was reported to the full committee (House Committee on Energy and Commerce). No hearings have been scheduled to date. The House Ways and Means Committee has asked the Parliamentarian for sequential referral of H.R. 2248 for that committee's review. The Administration opposes the Dingell amendment because it would violate U.S. obligations under GATT.

Autos: (H.R. 1050; John Dingell (D-MI) and 58 co-sponsors). The bill would restrict temporarily the quantity of imported motor vehicles that may be introduced into interstate commerce during any calendar year after 1985 to no more than 15 percent of new motor vehicles manufactured or assembled within the U.S. and new imported motor vehicles that were introduced into interstate commerce for sale at retail during the base year. Dingell's intent is to prevent or remedy "the existing and threatened serious injury to the U.S. motor vehicle industry."

Autos: (H.R. 1892; Marcy Kaptur (D-OH)). The bill would establish an independent commission to identify and analyze the extent and nature of the motor vehicle and other key product areas that account for the major trade imbalance between the U.S. and Japan; asks the commission to make recommendations to Congress 180 days after enactment and prohibits, during that 180-day time period, U.S. Government representatives from negotiating with GOJ. Referred to House Ways and Means Committee; no hearings have been scheduled.

Autos: (H. Con. Res. 63; Bob Michel (R-IL)). Prohibits ending the voluntary restraint on imports of Japanese autos until the U.S. exports to Japan are substantially increased and the U.S. trade deficit with Japan is substantially reduced.

Autos: (H.R. 1060; Stan Lundine (D-NY) and 12 co-sponsors). The bill would impose a quota on the number of vehicles (unspecified) produced in Japan that may be imported into the U.S. between April 1, 1985 and March 31, 1986. The bill would also establish an Auto Strategy Council to examine U.S. auto manufacturers' competitiveness, and would base future quota restrictions on the Council's report, due December 1985. This bill is still pending in the House Ways and Means Trade Subcommittee. The Administration historically opposes all legislation imposing quotas.

Autos: (H.R. 2006; Marcy Kaptur (D-OH)). The bill would impose quotas on Japanese-made motor vehicles until U.S. producers are given equitable and fair access to Japanese markets. This bill is pending in the House Ways and Means Committee; no hearings have been scheduled. The Administration opposes legislation imposing quotas.

Autos: (H. Con. Res. 93; Richard Durbin (D-IL) and 15 co-sponsors). A concurrent resolution urging the extension of the voluntary restraint agreement affecting imports of Japanese-built motor vehicles. Referred to the House Ways and Means Committee. The President has already lifted the VRA.

Steel: (H.R. 539; John Murtha (D-PA) and 142 cosponsors). The bill relates to certain bilateral arrangements, and would limit the importation of steel products into the United States. The bill was referred to the House Committee on Ways and Means, Subcommittee on Trade; since a steel agreement has been reached with Japan, it is unlikely that there will be any action on this bill. Admin. opposes.

Steel: (S. 11; John Heinz (R-PA) and 44 co-sponsors). The bill would amend the Steel Import Stabilization Act to direct the USTR, in negotiating with Japan and South Korea on steel products imports limits, to negotiate the apportionment of the aggregate limit among specified subcategories of steel products. The bill would direct the USTR to apportion the aggregate limit if such negotiations are not successfully concluded within 30 days of enactment of the bill. S. 11 has been referred to the Senate Finance Committee; since a steel agreement has been reached with Japan, there may be no further action on this bill.

Import Surcharge: (H.R. 1139; Richard Schulze (R-PA)). The bill would impose a 20 percent surcharge on U.S. imports from all countries; the surcharge would only remain in place with respect to countries that fail to negotiate a bilateral free trade agreement with the United States. The bill would also create a greater congressional role in trade policy by establishing a Trade Consultation Group consisting of the Trade Subcommittees of the Senate Finance and House Ways and Means Committees, which would coordinate the trade consultations with each interested country. H.R. 1139 has been referred to the House Ways and Means Committee; no hearings have been scheduled. The Administration opposes legislation imposing an import surcharge because they violate GATT, and because of potential retaliatory action by our trade partners.

Import Surcharge: (H.R. 1944; Elwood Hillis (R-IN) and 3 co-sponsors. The bill would impose a surcharge on the importation of Japanese products until such time as the President determines that Japan has made significant progress in eliminating its non-tariff barriers to American products. The bill has been referred to the House Ways and Means Committee; no hearings have been scheduled. The Administration opposes legislation which singles out one country, and which imposes an import surcharge because of U.S. obligations under GATT, and because of potential retaliatory action.

Import Surcharge: (H.R. 2015; Ralph Regula (R-OH) and 6 co-sponsors. The bill would authorize the President to impose a tariff surcharge on the products of certain countries in order to offset the expense of providing U.S. defense assistance to such countries. Referred to the House Ways and Means Committee; no hearings have been scheduled. In general, the Administration is opposed to any legislation imposing an import surcharge because of GATT.

Import Surcharge: (H.R. 2120; Stan Lundine (D-NY) and 2 co-sponsors. The bill would impose, during a 2-year period, import surcharges of 20 percent initially, and subsequently reduced to 15 percent and then 10 percent if certain deficit reduction goals are met. The bill also authorizes the President to waive or reduce the import surcharge with respect to certain developing countries if the President considers that such action is necessary to alleviate the international trade and debt problems of such a country that threatens the stability of the international financial system; and if that country has given assurances that, as a condition of such reduction or exemption, it will provide equitable and reasonable access to its markets and resources and will refrain from engaging in unreasonable import practices. The bill has been referred to the House Ways and Means Committee; no action has been scheduled. In general, the Administration opposes legislation imposing an import surcharge because of GATT.

Import Surcharge: (S. 761; Frank Murkowski (R-Alaska). The bill would authorize the President to impose a surcharge duty on products of foreign countries: if any country runs a current account surplus with the U.S. above \$16 billion each year for 3 years in a row, there would be a 20 percent surcharge on imports from that country for one year. If any had a current account surplus with the U.S. greater than \$24 billion for three years in a row, the import surcharge would be 35 percent for one year. The Bill has been referred to the Senate Finance Committee; no hearings have been scheduled. The Administration opposes the bill because while Japan is not singled out in the bill, the practical effect would be to put an import surcharge only on Japan. The Administration's policy is to correct the bilateral trade imbalance by increasing market access in Japan for U.S. exports, rather than by restricting imports. The bill would also violate the GATT, and would invite retaliation.



Import Surcharge: (S. 770; John Heinz (R-PA) and 2 co-sponsors). The bill would amend the Tariff Schedules of the United States to impose a tariff surcharge on all imports from Japan. The bill has been referred to the Senate Finance Committee; no hearings have been scheduled. The Administration opposes legislation that imposes an import surcharge because of potential GATT violation.

Import Surcharge: (S. 906; Slade Gorton (R-WA) and 2 co-sponsors). The bill would impose an import surcharge of 20 percent on Japan, and would allow the President to impose a similar surcharge on other countries that engage in restrictive trade practices similar to Japan. The 20 percent surcharge would increase as the U.S.'s trade deficit with Japan increases. S. 906 has been referred to the Senate Finance Committee; no hearings have been scheduled. The Administration opposes legislation that singles out a country, and that imposes an import surcharge because of potential GATT violation.

Telecommunications: (H.R. 2037; Matthew Rinaldo (D-NJ)). The bill would amend the Communications Act of 1934 to direct the Federal Communications Commission to establish and enforce uniform technical standards for telephone terminal equipment, and authorizes the FCC to use its licensing authority for telephone terminal equipment as an instrument of trade policy. The bill exempts equipment manufactured in any foreign country which the President determines does not impose discriminatory requirements on imported U.S. equipment. (The FCC's current licensing procedure requires that an application be accompanied by a statement that the terminal equipment complies with the FCC's conditions for registration and that the equipment complies with the FCC standards.) The bill has been referred to the House Committee on Energy and Commerce; no hearings have been scheduled. The Administration would oppose this bill because any attempt by the FCC to use the licensing requirements authorized by H.R. 2037 to restrict imports of telephone terminal equipment into the U.S. would violate U.S. obligations under the GATT.

Telecommunications: (S. 728; John Chafee (R-RI) and one co-sponsor). The bill would prohibit the entry of Japanese telecommunications products into the U.S. until Japanese markets are open to U.S. telecommunications products. S. 728 has been referred to the Senate Finance Committee; no hearings have been scheduled. The Administration's position is to resolve trade imbalances through negotiations, and not through restricting imports, which violates GATT.

Telecommunications: (S. 942; John Danforth (R-MO) and 10 co-sponsors). The bill directs the USTR to identify and analyze all foreign trade barriers that deny U.S. telecommunications firms competitive opportunities, and to determine which foreign policies or practices deny trade agreement benefits to the U.S.; directs the President to begin negotiations with those countries who deny U.S. telecommunications firms substantially equivalent competitive opportunities as exist in the U.S.; requires the President to take action if, after two years, negotiations have not been successful. (The President currently has discretionary authority to take action to solve trade problems.) The bill has been referred to the Senate Finance Committee; no hearings have been scheduled, but it is anticipated the committee will markup the bill sometime in September. The Administration does not yet have a position.

Trade Imbalance: (H. Con. Res. 103; Doug Bereuter (R-NB)). Expresses the sense of the Congress that the President enforce U.S. rights under international agreements to which Japan is a party and secure the elimination of Japanese acts and policies which deny benefits to the U.S. under such international agreements and which burden or restrict U.S. commerce. Referred to the House Ways and Means Committee; no hearings have been scheduled.

Trade Imbalance: (H. Con. Res. 105; Bob Michel (R-IL)). Virtually to H. Con. Res. 103, listed above. Referred to the House Ways and Means Committee; no hearings have been scheduled.

Trade Imbalance: (H. Con. Res. 106; John Dingell (D-MI)). Very similar to H. Con. Res. 103 and H. Con. Res. 103, listed above, expressing the sense of the Congress that the President take action to respond to those trade practices of Japan which are adversely affecting U.S. interstate commerce. Referred to the House Ways and Means Committee; no hearings have been scheduled. This bill has 48 co-sponsors.

Trade Imbalance: (H. Con. Res. 107; Dan Rostenkowski (D-IL) and 19 co-sponsors). Expresses the sense of Congress that the President shall take appropriate action to (1) develop a plan for reducing the trade deficit by attacking its causes; and (2) secure the elimination of Japanese acts and policies which are inconsistent with or deny the U.S. the benefits of trade agreements to which Japan is a party and which are unjustifiable, unreasonable, or discriminatory. The House passed this resolution on April 2, 1985, by a vote of 394-19.

Trade Imbalance: (H. Con. Res. 108; Peter Kostmayer (D-PA)). Virtually identical to H. Con. Res. 103. The bill has been referred to the House Ways and Means Committee; no hearings have been scheduled.

Trade Imbalance: (S. Con. Res. 15; John Danforth (R-MO) and 38 co-sponsors). Expresses the sense of Congress that the President enforce U.S. rights under trade agreements to which Japan is a party and obtain the elimination of Japanese acts and policies which are inconsistent under such trade agreements and which burden or restrict U.S. commerce. The Senate passed this resolution on March 28, 1985, by a vote of 92-0.

Trade Imbalance: (S. Con. Res. 23; Max Baucus (D-MT) and 12 co-sponsors). Expresses the sense of Congress that Japan should substantially reduce tariff barriers on processed forest products and warns that inaction will be taken into account when Congress considers other issues affecting U.S.-Japan relations. The resolution has been referred to the Senate Finance Committee; no hearings have been scheduled.

Trade Imbalance: (S. 774; Lawton Chiles (D-FL) and 2 co-sponsors). The bill authorizes the President to negotiate with Japan on the reduction of trade barriers which, if they fail, authorizes the imposition of import restrictions and non-tariff trade barriers on Japanese goods and services.

CANADA

Pork

H.R. 61, Bedell (D-IA): A bill to require the Secretary of Agriculture to determine if the Canadian government provides subsidies to swine producers greater than U.S. subsidies provided to U.S. swine producers. If Canadian subsidies are greater, the bill would impose an additional duty on Canadian swine and pork products equal to the excess benefits conveyed to Canadian producers.

H.R. 1084, Volkmer (D-MO): This bill provides for a quarantine of Canadian swine and swine products equivalent to quarantines imposed by Canada on swine imports from the U.S.

H.R. 1085, Volkmer (D-MO): Similar language to H.R. 61.

S. Res. 92, Kasten (R-WI): A resolution calling for the imposition of counter-vailing duties on Canadian pork imports until Canada stops subsidizing its pork production.

NOTE: The Department of Commerce has issued a final determination ruling that Canada does subsidize pork and pork products. Therefore, H.R. 61, H.R. 1085, and S. Res. 92 are no longer of urgent concern.

Beef/Veal

H. Con. Res. 55, Brown (R-CO): A resolution urging the President to pursue discussions with Canada on Canadian quotas on imports of beef and veal from the U.S. If satisfactory progress in these discussions is not achieved, the U.S. should seek relief through U.S. trade laws.

Softwood Lumber

H.R. 1088, Canadian Softwood Import Control Act, Weaver (D-OR): A bill to place a five-year import quota on a range of softwood products. The quota would be based on the Canadian historical share of the U.S. market, approximately 20 percent.

H.R. 1648, Wood Products Trade Act, Bonker (D-WA): A bill to require the President to negotiate a VRA on Canadian lumber imports, and/or a modification of Canadian stumpage pricing practices within one year. If this is not achieved, the bill would automatically impose a 10 percent tariff on softwood imports from Canada, and would change the definition of "subsidy" in CVD cases to include Canadian stumpage pricing practices.

S. 982, Wood Products Trade Act, Baucus (D-MT): Similar language to H.R. 1648.

S. 1224, Softwood Stabilization Act of 1985, McClure (R-ID): A bill to impose a five-year import quota on a range of softwood products. The quota would be superceded by a negotiated agreement between Canada and the U.S.

Sense of the Senate Resolution, Symms (R-ID): A resolution calling for the USTR, the Secretary of Agriculture and the Secretary of Commerce to aggressively pursue discussions with the Canadian government directed toward an immediate reduction in Canadian exports of softwood timber to the U.S. This resolution passed the Senate unanimously on May 15, 1985, as an amendment to S. 960, the Foreign Assistance Act.

#### Tourist Literature

H.R. 1002, Hughes (D-NJ): A bill to impose a 10 percent duty on tourist literature relating to Canada.

H. Con. Res. 48, Reid (D-NV): A resolution expressing the sense of the Congress that the President should urge the Canadian government to discontinue its practice of imposing taxes on travel literature imported from the U.S., and that a reciprocal tax on Canadian literature may be appropriate if Canada continues this practice.

#### Trade Resolution

H. Con. Res. 136, McKernan (R-ME): A resolution stating that the President should augment negotiating efforts with the Canadian government to achieve a reciprocal trading relationship, and that this should be achieved within one year.

Surcharges and other Import Restrictions  
(Not Specifically Japan)

HR 1069: Moorhead (R-CA) Prohibits the importation of goods into the U.S. when made with a U.S. patented process when not authorized to do so. Places the burden of proof on party alleging that good was not made with a patented process.

TRADE LAW REFORM

Reciprocal Treatment - (H.R. 1729 - Gaydos (D-PA)). The bill amends the Trade Act of 1974, to direct the President to recommend legislation to the Congress terminating or denying trade agreement concessions to any major industrialized country that does not provide competitive opportunities equal to that country in the U.S. The President could also impose increased tariffs or other import restrictions as appropriate. Referred to the Committee on Ways and Means on March 28, Subcommittee on Trade. No Action.

Trade Law Reform and Enforcement Act - (H.R. 1859 - Lundine (D-NY)) Transfers relief authority under Section 201 from the President to the USTR; authorizes the establishment of adjustment plans for industries injured by import competition which if not implemented would allow the USTR to terminate relief; amends Section 301 to allow the USTR to enforce U.S. rights under trade agreements and respond to industrial targeting practices and establishes mandatory actions by USTR to offset fully the material injury, threat of material injury or the material retardation of its establishment or growth. Legislation to implement the proposed administrative actions would be considered on a fast-track basis.

LICIT - (S. 1356 - Heinz (R-PA)) Omnibus trade legislation supported by the Labor-Industry Coalition on Trade (LICIT) making changes in trade remedies available to U.S. producers regarding unfair and injurious foreign trade practices. Similar to H.R. 1950 outlined below.

Trade Law Modernization Act - (H.R. 1950 - Guarini (D-NY)) . The omnibus trade bill seeks to clarify the goals of U.S. trade policy and to expand the opportunities for obtaining relief under Sections 201, 301 and the AD and CVD authorities. The bill is supported by the Labor-Industry Coalition on International Trade. It would authorize the President to impose an import surcharge under Section 122 of the Trade Act; changes the definition of injury under 201 procedures; expands the scope of trade law to reach injurious industrial targeting practices; requirements relating to "country under the agreement", to commit to eliminate export subsidies; adds a new definition of subsidy to extend the CVD law to reach natural resource subsidies; allows the Commerce Department to add the benefit of government R & D programs in calculating the cost of production in dumping cases; adds a new provision to address export targeting practices applicable to threat of injury. The bill was referred to both the Committee on Energy and Commerce and the Committee on Ways and Means. Senate version introduced by John Heinz (R-PA), referred to the Committee on Finance. Senate action possible in September by the Finance Committee.

Natural Resource Subsidies - (H.R. 2451 - Gibbons (D-FL); S. 1292 - Baucus (D-MT)) The bill would authorize countervailing duties against imported articles made from subsidized raw materials. It also makes provision for softwood lumber. The Labor-Industry Coalition on International Trade (LICIT) bill contains provisions similar to the Gibbons bill.

Natural Resource Subsidies - (H.R. 2345 - Moore (D-LA)) The bill would define natural resource subsidies for purposes of the countervailing duty laws.

Trade Expansion Act - (S. 234 - Roth (R-DE)) The bill expresses the sense of Congress that the President should initiate trade negotiations as soon as possible and sets forth the principle objectives including rules governing agriculture and strengthening safeguard provision of GATT; trade adjustment assistance for workers is modified to create a job training voucher system and establishes a Trade Adjustment Assistance Fund within the Treasury funded by a small uniform duty on all imports; amends the Trade Act of 1974 to require the ITC to examine factors other than imports which are a cause of injury or threat of injury; requires the ITC and the President to report to Congress on the effectiveness of import relief; amends CVD law to require imposition of duties if the ITC determines injury has occurred because of a subsidy; amends AD law to require imposition of duties if the ITC determines injury has occurred because of sales at less than fair value; sets forth the precedence of certain cases in the Court of International Trade; and provides for the election of expedited procedures for AD and CVD investigations. No action.

Trade Law Judicial Remedy - (S. 236 - Specter (R-PA)) To provide a judicial remedy for U.S. industries injured by dumped imports. Similar legislation has been defeated on the Senate floor three times since first introduced in 1982. The legislation would provide for monetary damages through the U.S. District Court for the District of Columbia where imports are dumped. Specter believes current administrative remedies are too lengthy and believes going to court for a judicial remedy under the antitrust laws would be a faster, more effective and less expensive remedy. No action.

Revocation of "Country Under the Agreement" Status - (S. 688 - Heinz (R-PA)) Amends the Tariff Act of 1930 to provide for the revocation of "country under the agreement" status if any country having an agreement with the U.S. on subsidy or countervailing duty measures, or equivalent obligation either announces that it does not intend or is not able to honor its obligations with the U.S. or does not honor such obligations. No action.

Injury Test Limitation - (S. 695 - Long (D-LA)) Limits the injury test to those countries that are signatories to both the Agreement on Subsidies and Countervailing Measures and the GATT, or that has assumed similar obligations with the U.S. before March 18, 1985. No action.

Textiles and Footwear

HR 1562/S 680: Jenkins (D-GA)/Thurmond (R-SC) Identical bills. Would establish quotas on all imports of textiles, apparel, textile products, and man-made fibers, except for goods from the EC and Canada. Exporting countries are divided into major exporters and smaller exporters. Major exporting countries are those which supplied more than 1.25% of U.S. textile product imports in 1984. Import restrictions would be more stringent for the 12 "major" countries. Taiwan, Korea, Hong Kong, the PRC and Japan would be most heavily effected. The Administration has sent a letter signed by the Economic Policy Council membership to all Members opposing the bills. Secretary Baldrige and Ambassador Yeutter will testify before the Senate International Trade Subcommittee on July 15 on S. 680.

HR 1973/S 848: Snowe (R-ME/Cohen<sup>?</sup> (R-ME) Identical bills. Limits imports of non-rubber footwear to 45 million pairs/year for 8 years. Directs the Secretary of Commerce to allocate limitations based on 1978-82 imports, taking into account unfair trade practices on footwear, and other factors which the Secretary may deem appropriate. The International Trade Commission recently determined that the U.S. footwear industry is being harmed by imports and has recommended to the President that quotas be imposed and that the quotas be auctioned. The President must decide by September 1 to accept, reject or modify the ITC's recommendation.



ENERGY

Ethyl Alcohol

H.R. 1720, Congressman Durbin (D-IL): A bill to require payment of a 60¢ per gallon tariff on fuel grade ethyl alcohol (ethanol) either in a pure state or in a mixture for fuel use. The bill would also eliminate duty free treatment under the Caribbean Basin Economic Recovery Act (CBERA) for fuel grade ethyl (ethanol), in pure or mixture form, that had been merely upgraded from ethyl alcohol produced outside the CBERA area.

H.R. 1566, Congressman Leach (R-IA): A bill to require payment of a 60¢ per gallon tariff on fuel grade ethyl alcohol (ethanol) either in a pure state or in a mixture.

H.R. 1567, Congressman Leach (R-IA): A bill to eliminate duty free treatment (under the Caribbean Basin Economic Recovery Act - CBERA) any fuel grade ethyl alcohol (ethanol), in pure or mixture form, that has duty free status merely by virtue of having been denatured or distilled to anyhdrous alcohol in a CBERA country.

S. 575, Senator Dole (R-KS): Similar language to H.R. 1566.

S. 576, Senator Dole (R-KS): Similar language to H.R. 1567.

Subsidies

H.R. 2345, Congressman Moore (R-LA): A bill to define natural resource subsidies for purposes of the countervailing duty laws.

H.R. 2451, Congressman Gibbons (D-FL), (33 co-sponsors): A bill to authorize countervailing duties against imported articles made from subsidized raw materials, bill makes provision for softwood lumber. (Current law and Gatt only allow retaliation if production of article itself was subsidized).

Coal

H.R. 1905, Coal Trade Equalization Act of 1985, Congressman Rahall (D-WV) (Pending House Action): A bill to place a duty of \$8.00 per ton on imported coal to compensate for the competitive disadvantages United States producers have because of stringent government regulations. Exempted from the duty would be imports from any country which is a net importer of United States coal and Colombian coal imported into the Commonwealth of Puerto Rico.

H.R. 422, Imported Coal Tariff and Trade Equilization Act of 1985, Congressman Rahall (D-WV): A bill to impose a tariff of \$8.00 per ton on imported coal in excess of U.S. coal exported to that country, with tariff adjusted to offset differences in production costs incurred to meet health, safety and environmental standards.

S. 946, Federal Competitive Coal Leasing Amendments Act of 1985, Senator Ford (D-KY): A bill to restrict the granting of mineral leases to U.S. companies engaged in production and importation of foreign coal reserves into the U.S.

S. 1248, The National Coal Imports Reporting Act, Senator Byrd (D-WV): A bill directing the Department of Energy to issue quarterly reports devoted exclusively to U.S. coal imports.

### Natural Gas

H.R. 294, National Gas Consumer Relief Act, Congresswoman Collins (D-IL): A bill to amend the Natural Gas Policy Act of 1978 to declare that contractual take-or-pay clauses which apply to natural gas sales to interstate or intrastate pipelines are against public policy and unenforceable. (A "take-or-pay clause" is any contract provision which requires payment for the minimum quantity of natural gas contracted for if the purchaser fails to take delivery.)

ORES

Ferroalloys: (H.R. 976; Miller (R-OH) and 34 cosponsors, also S. 262; Byrd (D-WV) and 1 cosponsor). Amends the Tariff Schedules of the United States to replace certain ferroalloys with a tariff equal to the fair price differential. Directs the Secretary of Commerce to define and publish annually the fair price for such ferroalloys.

Steel: (H.R. 539; Murtha (D-PA) and 142 cosponsors, also S. 11; Heinz (R-PA) and 45 cosponsors). Amends the Steel Import Stabilization Act to direct the United States Trade Representative, in negotiating with Japan and South Korea on steel products' import limits, to negotiate the apportionment of the aggregate limit among specified subcategories of steel products.

Copper: (H.R. 1520; Udall (D-AZ) and 21 cosponsors, also S. 627; Domenici (R-NM) and 5 cosponsors). H.R. 1520 calls for negotiations with other major copper producing countries in order to reach agreements on voluntary restraints and, failing such agreements, the United States would impose a 15 percent surcharge on copper imports. This bill was amended in Subcommittee to include copper wire cable under the provisions of the bill. An amendment was added by Morris Udall in Committee which changed section 7 of the bill to require the net cash flow of the Copper industry to be reinvested in the industry or spent to relocate and retrain workers. The industry is subject to annual review by the President, failure to meet the reinvestment requirement would result in the suspension of the tariff. The bill was approved by the House Committee on Interior and Insular Affairs and then referred to the House Ways and Means Committee. The Senate bill has been referred to the Senate Committee on Finance. No action has been scheduled.

Copper: (S. 351; DeConcini (D-AZ) and 1 cosponsor). Requires the Secretary of Treasury to impose limits on the amount of certain copper articles provided for in the Tariff Schedules of the United States that may be entered into the United States during the 5 year period after the enactment of this Act and during any quarter of a year therein. Requires the Secretary of Treasury to equitably allocate the aggregate quantities of copper articles among foreign countries.

Copper: (S. 353; DeConcini (D-AZ) ). Amends the Tariff Schedules of the United States to add an additional duty to the duties already imposed on copper and copper bearing ores. Directs the President to adjust such additional duty based upon the environmental costs of production in the United States and in foreign countries. Amends the Trade Act of 1974 to prohibit the President from designating the copper articles subject to the additional duty as eligible for duty free treatment.

AGRICULTURE

Beekeeper's Preservation Act: (HR 2382; Chappie (R-CA) and 23 cosponsors- also, S 1025; Pressler (R-SD) and 16 cosponsors). Requires the ITC to investigate the effect of honey imports on the United States beekeepers and to report findings to the President, who will decide upon appropriate action.

Export Subsidy: (HR 999; English (D-OK) and 4 cosponsors and numerous similar pieces of legislation- HR 201; Siljander (R-MI), HR 914; Breaux (D-LA), HR 1560; Huckaby (D-LA), HR 1766; Dorgan (D-ND), HR 2104; Skelton (D-MO), HJR 215; Whitten (D-MS), S 171; Quayle (R-IN), S843; Cochran (R-MS)). Authorizes the Secretary of Agriculture to use the funds of the Commodity Credit Corporate to subsidize the export sale of domestic agricultural commodities in reciprocation for subsidies paid by foreign governments to export foreign agricultural commodities into the United States.

Fishing: (HR 1218; Heftel (D-HI)- also, S 152; Inouye (D-HI)). Amends the Foreign Trade Zones Act to allow the admission of certain fish into foreign trade zones of Hawaii.

Fresh Vegetables and Potatoes: (HR 110; Gilman (R-NY) and 7 cosponsors). Adds a provision to the Tariff Schedules which enables producers of fresh vegetables and potatoes to petition for increased tariffs on products. New tariff rates are contingent on producers' proof of injury by foreign imports. Producers must apply to the Secretary of Agriculture and allow for a seven day computation period for the determination of the new tariff.

Fruits and Vegetables: (HR 2834; Panetta (D-CA) and 16 cosponsors). Amends the Trade Act of 1974 to create an interim relief provision from injury caused by foreign competition for certain perishable commodities (fruit and vegetables).

Grapefruit Juice: (HR 2362; MacKay (D-FL) and 17 cosponsors- also, HR 1249; De La Garza (D-TX), and S 1111; Chiles (D-FL)). Amends the Tariff Schedules of the United States to establish equal and equitable classification and duty rates for imported grapefruit juice. This bill creates the same provisions as were created for orange juice last Congress.

Japan: (HR 2156; Hunter (R-CA) and 12 cosponsors). Requires Japan to remove quotas on beef, citrus, and vegetable imports from the United States and to review non-tariff barriers to United States imports. Six months after the President signs the bill into law, the Secretary of Agriculture is to verify to Congress that Japan has modified its trade policy. If Japan has not opened its agriculture markets and lowered its non-tariff barriers, then the United States will place a ceiling on Japanese automobile imports at ten percent lower than the previous year's total, not to be removed until Japan has opened its markets.

Meat: (HR 2379; Bedell (D-IA)). Prohibits the importation of meat or meat products from any nation that does not have standards as stringent as those of the United States for the use of two antibiotics (coloranphenicol and dimetridazole) in those food-producing animals. This legislation is directed at Canadian pork. Similar legislation directed against Canadian pork imports are HR 61; Bedell (D-IA), HR 1084; Volkmer (D-MO), HR 1085; Volkmer (D-MO), SRES 92; Kasten (R-WI).

Meat: (HCR 55; Brown (R-CO) and 11 cosponsors). Concurrent Resolution urging the President to pursue discussions with Canada on Canadian quotas on imports of United States beef and veal. If such negotiations do not result in satisfactory progress, then the United States should seek relief under United States and international trade law.

Milk Biproduet - Casein: (HR 1629; Rose (D-NC) and 30 sosponsors). Amends the Agricultural Act of 1949 to limit the importation of Casein. (Casein is a substitute for non-fat dry milk stocks.) There has been a recent hearing on HR 1629 in the Dairy and Poultry Subcommittee.

Milk Biproduet - Casein: (HR 431; Roth (R-WI) and 25 cosponsors). Directs the President to impose a 50 percent quota on the amount of Casein imported into the United States.

Mushroom containers: (HR 839; Schulze (R-PA)). Requires that mushroom containers have a country of origin named on the label.

Plums: (HR 2278; Heftel (D-HI)). Provides for the reclassification of salted and dried plums in the Tariff Schedules.

Reverse Cargo Preferences: (HR 1939; Evans (R-IA) and 5 cosponsors- also numerous similar bills -- HR 1301; Donnelly (D-MA), HR 1313; Huckaby (D-LA), HR 1464; Evans (R-IA), HR 1466; Evans (R-IA), HR 1466; Evans (R-IA), HR 1517; Smith (R-NE), HR 1612; English (D-OK), HR 1702; Bentley (R-MD), HR 1760; Bereuter (R-NE), HR 2357; Brown (R-CO), HR 2538; Leach (R-IA), S 106; Matsunaga (D-HI), S 185; Inouye (D-HI), S 186; Inouye (D-HI), S 187; Inouye (D-HI), S 189; Inouye (D-HI), S 664; Nickles (R-OK), S 721; Boren (D-OK), S 930; Nickles (R-OK). Provides for shipment of at least fifty percent of all imported agriculturally related products on vessels of United States registry.

Roses: (HR 1701; Panetta (D-CA) and 16 cosponsors). Amends the Tariff Schedules of the United States to provide for rates of duty on imported roses consistent with those maintained by the European Economic Community on imports of roses from the United States.

Tobacco: (HR 1022; Boucher (D-VA) and 22 cosponsors - also S 67; Gore (D-TN) and 6 cosponsors). Amends the Agricultural Adjustment Act of 1938 to prohibit the importation of tobacco which has been grown or processed using pesticides and other chemicals whose use has been prohibited in the United States for health reasons.

Tobacco: (HR 1137; Rogers (R-KY)). Imposes a fifty percent quota on imports of tobacco as an emergency relief measure for United States tobacco producers.

MISCELLANEOUS TRADE BILLS -- January-May 13, 1985

Of the approximately 80 bills for which the House Ways and Means Committee has requested Administration comments by June 28, 1985, the following have been deemed to be protectionist either in part or wholly: (Committee markup is expected to take place in September)

H.R. 110; Benjamin Gilman (R-NY) and 7 co-sponsors. This is a duty increase bill, to provide equitable treatment for certain fresh vegetables produced in the United States. The Administration opposes the bill because of potential GATT violation.

H.R. 209; Robert Roe (D-NJ). A bill to raise duty on necktie imports. The Administration opposes the bill because of potential GATT violation, and because it is protectionist.

H.R. 705; Richard Schulze (R-PA) and 2 co-sponsors. Provides for a three-year duty increase on sheet vinyl flooring. The Administration opposes the bill because of potential GATT violation, and because it is protectionist.

H.R. 838; Richard Schulze (R-PA) and one co-sponsor. The bill would raise duty on waterbed mattresses, liners, and parts. The Administration opposes the bill because of potential GATT violation, and because it is protectionist.

H.R. 839; Richard Schulze (R-PA). Provides for additional marking of containers of imported mushrooms. The Administration opposes this bill because of its protectionist intent, and because Customs historically opposes product-specific marking requirements.

H.R. 976; Clarence Miller (R-OH) and 33 co-sponsors. To provide for the preservation of the ferroalloy industry in the United States through duty increase on ferroalloy imports. The Administration opposes this bill because of potential GATT violation, and because it is protectionist.

H.R. 1004; Donald Pease (D-OE) and 15 co-sponsors. See first item under Autos heading.

H.R. 1022; Frederick Boucher (D-VA) and 22 co-sponsors. To prohibit tobacco imports grown with non-U.S. approved pesticides. The Administration opposes this bill because it creates a new barrier and could lead to retaliation by our trading partners.

H.R. 1137; Harold Rogers (R-KY). Imposes import quotas on unmanufactured tobacco. The Administration opposes this bill because of GATT illegality, and could lead to retaliation by our trading partners.

H.R. 1249; E. de la Garza (D-TX). Defines reconstituted grapefruit juice as concentrated; has the effect of raising duty on reconstituted juice. The Administration opposes this bill because it is protectionist, and potential GATT violation.

H.R. 1262; Glenn Anderson (D-CA). Raises duty of water-packed tuna. The Administration opposes this bill because it is protectionist, and is GATT illegal

H.R. 1629; Charles Rose (D-NC) and 30 co-sponsors. Imposes quotas on the importation of milk protein products. The Administration opposes quotas; bill is GATT illegal.

H.R. 1701; Leon Panetta (D-CA) and 8 co-sponsors. Raises duty on roses. The Administration opposes this bill because it is protectionist and is GATT illegal.

H.R. 1720; Richard Durbin (D-IL) and 10 co-sponsors. To ensure payment of duties imposed on imported ethyl alcohol, and payment of the additional duty imposed on ethyl alcohol when imported for use in producing a mixture of gasoline and alcohol or used otherwise as fuel. The Administration opposes this bill because the CBI is already exempted, and the difficulty the government would have in determining the use of imported ethyl alcohol.

H.R. 2186; Guy Vander Jagt (R-MI) and 3 co-sponsors. To raise duty on one category of silicone resins. The Administration opposes this bill because it is GATT illegal.

H.R. 2226; William Boner (D-TN) and 13 co-sponsors. Raises duty on bicycles. The Administration opposes because it is GATT illegal.

H.R. 2324; Don Bonker (D-WA). Raises duty on edge-worked plywood through reclassification of that product. The Administration opposes the bill because it is protectionist and GATT illegal.

H.R. 2327; Silvio Conte (R-MA). The bill seeks to match foreign duties on paper-making machines. The Administration opposes because of potential GATT violation.

H.R. 2336; Frank Guarini (D-NJ) and 5 co-sponsors. To impose a duty on uranium hexafluoride imported from any country that requires the processing of uranium mined in that country into uranium hexafluoride before export. The Administration opposes this bill because of potential GATT violation.

H.R. 2341; Dave McCurdy (D-OK) and one co-sponsor. Raises duty on martial arts uniforms. The Administration opposes this bill because it is protectionist and because of potential GATT violation.

H.R. 2349; Dan Rostenkowski (D-IL). Fix the classification of TV picture tubes with the effect of classifying more TV picture tubes at a higher duty rate. The Administration does not yet have a position on this bill.

H.R. 2350; Dan Rostenkowski (D-IL) and one co-sponsor. To extend duty suspension on bicycle parts until the close of June 30, 1989, and to continue until that date the present treatment of bicycle component parts within foreign trade zones. The Administration opposes only the provision dealing with the FTZ, because the FTZ Act provides that the FTZ Board may make decisions on applications for foreign trade zones based on a national interest determination; this provision was provided by Congress originally, and the Administration opposes Congressional intervention in the Board's decision making process. Such action would encourage industries to go straight to Congress and circumvent the existing procedures.

CONGRESSIONAL TRADE CONCERNS

[As expressed by statements in the Congressional Record]

<u>CONCERN:</u>	<u>MEMBER:</u>	<u>DATE/CR-PG</u>
Japanese imports - dumping semiconductors	Riegle	6/6-S7580
	Bentley	6/12-H4203
Action needed on U.S. - Japanese trade gap - Japanese auto trade - support for H.Con. Res. 105	McGrath	4/16-E1503
	Murtha	6/19-E2895
	Baucus	1/29-
	Danforth	2/6
	Traficant	4/2-H1710
	Dingell	4/2-H1711
	Broomfield	4/2-H1712
	Leland	4/2-H1713
	Kaptur	4/2-H1716
	Rostenkowski	4/2-H1769
	Frenzel	4/2-H1813
	Anthony	4/2-H1771
	Hillis	4/2-H1771
	Pease	4/2-H1772
	Crane	4/2-H1772
	Dingell	4/2-H1772
	Kildee	4/2-H1809
	Florio	4/2-H1810
	Kaptur	4/2-H1810
	Gaydos	4/2-H1811
	Schulze	4/2-H1811
	Dornan	4/2-H1812
	Michel	4/2-H1813
	Johnson	4/3-H1845
	Hillis	4/3-H1900
	Bonker	2/27
	Murtha	2/27
	Baucus	3/26
	Gaydos	3/27
	Packwood	3/18
	Chafee	3/20
	Durbin	3/21
In support of S. Con. Res 15 -- to take action on the U.S./Japanese Trade Imbalance	Danforth	3/29
	Packwood	3/29
	Heinz	3/29
	Baucus	3/29
	Specter	3/29
	Bentsen	3/29
	Dole	3/29
	Quayle	3/29
	Pressler	3/29
	Mattingly	3/29
	Murkowski	3/29
	Moynihan	3/29
	Dixon	3/29



CONGRESSIONAL TRADE CONCERNS

[As expressed by statements in the Congressional Record]

<u>CONCERN:</u>	<u>MEMBER:</u>	<u>DATE/CR-PG</u>
In support of S. Con. Res 15 -- to take action on the U.S./Japanese Trade Imbalance	Metzenbaum	3/29
	Levin	3/29
	Riegle	3/29
	Glenn	3/29
	Kasten	3/29
	Lautenberg	3/29
	Dodd	3/29
	Thurmond	3/29
	Durbin	3/4
	Gaydos	3/4
Reduction needed on Canadian export of cattle and hogs	Melcher	5/15-S6209
Order needed in textile and apparel trade Opposed to S.680 - Textile and Apparel Trade Enforcement Act Support for S.680 - Textile & Apparel Trade Enforcement Act	Lautenberg	6/7-S7724
	Symms	3/19
	Thurmond	3/19
	Hollings	3/19
	Cohen	3/19
	D'Amato	3/19
	Moynihan	3/19
	Mitchell	3/19
	Cobey	3/19
	Frenzel	3/19
	Smith	3/19
	Crane	3/19
	Green	3/19
	Jenkins	3/19
	Hefner	3/19
	Ray	3/19
	Campbell	3/19
Derrick	3/19	
Erdreich	3/19	
Broyhill	3/19	
English	3/19	
Rose	3/19	
New strategy needed to deal with trade deficit and Action needed on Federal deficit and U.S. trade imbalance There is no reciprocity in U.S. trade	Bonker	6/3-H3702
	Chafee	4/15-S4155
	Erdreich	3/7
	Bentsen	6/13-S8065
	Dixon	6/13-S8066
	Melcher	6/13-S8079
	Guarini	6/13-E2753
	Melcher	6/17-S8210
	MacKay	6/18-H4359
	Durbin	5/7-H2880
	Bingaman	1/31
	R.Long	1/31
Moynihan	1/31	

CONGRESSIONAL TRADE CONCERNS

[As expressed by statements in the Congressional Record]

<u>CONCERN:</u>	<u>MEMBER:</u>	<u>DATE/CR-PG</u>
New strategy needed to deal with trade deficit and Action needed on Federal deficit and U.S. trade imbalance There is no reciprocity in U.S. trade	Biden	1/31
	Riegle	1/31
	Sasser	1/31
	Kolter	2/6
	Deconcini	2/6
	Feighen	2/6
	Kaptur	2/6
	Gonzalez	2/7
	Bentsen	6/12-S7964
	Byrd	6/12-S7964
	Melcher	6/12-S7964
	Lundine	4/1-H1694
	Gorton	4/2-S3887
	Gibbons	4/2-H1810
	Tauzin	4/3-H1909
	Huckaby	4/4-H1909
	Bruce	4/4-E1438
Domenici	2/25	
Biden	2/26	
Hamilton	2/27	
Soviets stealing U.S. high tech secrets	Broomfield	6/3-E2474
South Africa -- Administration position on Apartheid policies	Hoyer	2/6
	Leland	6/6-H3932
	Rangel	6/6-E2631
	Tallon	6/6-E2631
	Miller	6/6-E2631
	Wyden	6/11-E2669
	Ackerman	6/10-E2647
	Leland	6/12-H4230
	Frank	4/1-E1239
	Kennedy	4/2-S3907
	Conyers	4/4-H1940
	Gunderson	4/4-H1941
	Hecht	4/4-S4110
	Wallop	4/4-S4129
	Crockett	2/25
	Hayes	2/28
	Crockett	3/25
	Boxer	3/4
	Symms	3/5
	Conyers	3/5
Support for S. 635 - expressing opposition to South Africa's system and trade with South Africa	D'Amato	3/7
	Kennedy	3/7
	Weicker	3/7
	Proxmire	3/7
	Sarbanes	3/7
	Levin	3/7
	Kerry	3/7
	Hart	3/7

CONGRESSIONAL TRADE CONCERNS

[As expressed by statements in the Congressional Record]

<u>CONCERN:</u>	<u>MEMBER:</u>	<u>DATE/CR-PG</u>
Steel giveaway -- Who is Commerce representing?	Bentley	6/5-H3857
Export Administration Act Reauthorization	Bonker/Roth	4/16- H1991--2016
	Garn	6/7-S7724
	Heinz	4/3-S3995
	Proxmire	4/3-S3995
Distribution Licenses are a failure	Garn	5/24-S71134
No DOD representatives at CoCom	Bonker	5/9-E2123
Custom Service should get more resources to better enforce trade laws	Bonker	5/21-E2316
Softwood Lumber imports should be limited	Weaver	2/7
	Anthony	6/11-E2666
	Weaver	3/21
	Bonker	3/21
GATT needs to be reevaluated	Thomas	6/6-E2633
Trade sanctions against Nicaragua	Numerous	
Ex-Im Bank -- I-Match is bad news for U.S. exporters	Heinz	5/9-S5735
Latin American debt problem... what to do?	Barnes	6/6-E2587
U.S. textile imports -- strong action required	Hollings	4/30-S5071
	Lloyd	5/2-H2795
	Lautenberg	6/7-S7724
	Frenzel	6/10-E2643
	Thurmond	6/11-S7870
	Garcia	6/11-H4104
	Jenkins	6/12-E2725
MPN for Afghanistan -- denial	Courter	5/15-S6209
	D'Amato	5/2-S5322
Telecommunications trade and services	Danforth	4/17-S4296- 4332
	Bentsen	S4338
	Lautenberg	S4338
Don't change auto fuel efficiency standards	Evans	6/6-S7665- S7668
Buy American	Regula	5/2-H2794

CONGRESSIONAL TRADE CONCERNS  
[As expressed by statements in the Congressional Record]

<u>CONCERN:</u>	<u>MEMBER:</u>	<u>DATE/CR-PG</u>
Declining U.S. competitiveness	Bentsen	2/5
Trade Reorganization	B. Roth	2/6
Foreign Corrupt Practices Act	Heinz	2/7
Nairobi Protocol implementation	Dole	6/11-S7931
Trade Adjustment Assistance	Pease Manton	4/2-H1839 4/2-E1267
Footwear -- In support of U.S. industry	McKernan Snowe Boehlert	4/3-H1845 4/3-H1901 4/4-E1345
Trade Law Reform bills including countervailing duty and antidumping statutes	Heinz	3/19



UNITED STATES DEPARTMENT OF COMMERCE  
The Under Secretary for International Trade  
Washington, D.C. 20230

July 10, 1985

MEMORANDUM FOR CHAIRMAN BERYL SPRINKEL  
COUNCIL OF ECONOMIC ADVISERS

FROM: BRUCE SMART  
UNDER SECRETARY-DESIGNATE

*BSS*

SUBJECT: TRADE SITUATION COMPLAINTS

Attached is a combined USTR/Commerce effort on:

- o Complaints heard from business about our trade situation.
- o Complaints heard from Congress about our trade situation.

Obviously not everyone has all these complaints, but they are pretty representative of what we have been hearing around the "back forty". I think they tell us that there is a real problem, either with the Administration's policy or with its lack of visibility, or both. They certainly do generate heat.

I will leave it up to you to distribute them as you see fit. You will note that since we are doing this on behalf of both Commerce and USTR, I have already covered Mike Smith with a copy.

Attachments

cc: Amb. Mike Smith, USTR



List of Common Criticisms Made By Business About  
The Administration's Trade Policy

General Issues

- o The Administration has no trade policy.
- o The Administration places other nations' well-being over ours'.
- o The dollar is overvalued and the Administration hasn't demonstrated any intention to correct this distortion.
- o The Administration has not demonstrated sufficient resolve in its export credit program to offset the aggressive use of export financing techniques by our trading partners.
- o The Administration's trade policy is incapable of dealing with the sectoral disparities that exist throughout the trading system.
- o The Administration is ideological in its trade policy and does not look for pragmatic solutions to practical problems.
- o The Administration is not taking a sufficiently tough position in trade negotiations with other nations, particularly Japan and Europe.
- o The Administration subordinates U.S. trade interests to foreign policy interests.
- o The Administration fails to recognize that the trade deficit is severely damaging to our long term national interest.
- o Other countries don't live up to their commitments made in both multilateral and bilateral agreements.
- o The international trading system does not sufficiently protect U.S. trade interests. The dispute settlement mechanism of the GATT does not work.
- o The intellectual property rights of U.S. firms are inadequately protected under existing international agreements.
- o The Administration does not listen to its appointed private sector advisors.

- o The trade effects of domestic economic and regulatory policies are not given enough attention by the Administration.
- o Government actions interfere with "contract sanctity" and create the impression that U.S. companies are unreliable suppliers.
- o More coordination between federal government and state and local offices regarding trade promotion efforts is required.
- o There is a revolving door in the area of trade policy where officials leave the government and represent foreign interests such as the Japanese.
- o The Administration does not have a coherent export strategy.
- o The Administration should emulate other governments which give much better assistance to their exporters, i.e., share or cover many expenses of export marketing and trade fair and show participation, provide better commercial intelligence and more competitive export financing, tie their aid and other assistance to exports and target export opportunities with their aid, promote major contract sales at the highest levels on a government-to-government basis, etc.
- o Small and medium-sized exporters have inadequate access to Export-Import Bank support.
- o The Export Trading Company Act has not been effective.
- o The Administration's revised tax proposal would seriously and adversely affect U.S. basic industries' competitive position in world and domestic markets.
- o U.S. firms have to compete with foreign companies which benefit from rebates of VAT's against exports and impose VAT's on imports, while U.S. corporate direct taxes cannot be rebated or imposed at the border.
- o The Administration does not have a clear set of priorities and specific objectives for new round negotiations; and even if it did, it does not have a strategy dealing with the tradeoffs necessary to achieve any of those objectives.
- o The Administration has not consulted with Congress and the private sector enough on new round objectives and strategy.

- o The Administration too readily resorts to trade restrictions when it has a foreign policy problem. This forces U.S. exporters to suffer because of the Administration's inability to devise an effective diplomatic response.
- o The Administration arbitrarily restricts U.S. exports to countries that support terrorist activities causing firms to lose substantial exports they may have taken years to cultivate.

#### Regional/Country Issues

- o The Japanese are not serious about opening their markets and the Administration is being misled.
- o The MOSS talks are producing no real results.
- o The Administration is more concerned with our "overall relationship with Japan" than with protecting U.S. industry from unfair practices with Japan.
- o The impact of CBI on investment in Central America and the Islands is limited by the lack of readily available financing required to leverage investment by U.S. firms.
- o The Administration is allowing LDC's to impose trade barriers in their markets, including all kinds of non-tariff barriers such as performance requirements, local content requirements, inequitable treatment of foreign suppliers and investors, controls on repatriation of profits, technology transfer requirements, countertrade requirements, etc.
- o The Administration is allowing the Latin American governments to give preference to paying bank debt over trade debt.
- o The international financing institutions, with the support from the Administration, promote the development of export industries in the less developed countries that ultimately compete with U.S. producers.
- o The Administration is doing nothing to get the Latin American countries to repatriate their flight capital which is over \$100 billion.



- o The U.S. Government does very little to assist U.S. companies in their efforts to collect on billions of dollars of suppliers credit debt.
- o The Administration is supporting IMF austerity programs in the high-debt countries of Latin America that are driving the private sector and our MNCs into the ground.
- o There is no reciprocity in access for U.S. investments in foreign markets. Japan, Mexico, Brazil, Korea and others restrict the activities of U.S. investors, while we remain open to their investments.
- o Foreign countries continue to distort trade and investment flows with mandatory local content and export performance requirements.
- o A number of U.S. companies would prefer to see flexibility in negotiating investment agreements, rather than the indefinite promise of a rigidly structured BIT. Many countries are unlikely to agree to BITs containing national treatment provisions.
- o The Administration lacks political will to enforce sanctions against GSP beneficiaries.

### Industry Issues

- o The Administration is not concerned about the fact that our industrial base is eroding as a result of increased import competition.
- o The Administration has not made achieving increased market access for U.S. exports in services and high technology products a high priority.
- o The Administration hasn't made any headway with the Japanese to correct the existing international inequity in telecommunications trade.
- o The President's steel program is not working. The import penetration ratio has remained well above 18.5 percent.
- o The President has not lived up to his textile trade commitment made during his 1980 campaign.

- o The Administration has not taken firm action toward the use of unfair export subsidies in agriculture by our trading partners, particularly the European Community.
- o The Administration has not placed sufficiently high priority on the objective of increasing our agricultural exports. Ever since the President came into office, we have continued to lose world market share.
- o The Administration has not taken sufficiently firm action to discourage Airbus from unfairly expanding its market share through the use of politicized marketing and other inducements.
- o The Administration is doing nothing about the loss of jobs as more and more multinational companies based in the United States invest in production facilities overseas to take advantage of lower wage rates.
- o The Administration is doing nothing about the below-market-pricing of Mexican energy which unfairly subsidizes its cement and other industries.
- o The Administration is doing nothing about the processing of subsidized crude by OPEC which is putting U.S. refineries out of business.
- o The Administration is doing nothing about the EC's subsidies to its agriculture sector which creates surpluses that depress world markets.
- o The Administration is doing nothing to eliminate subsidies of Canadian stumpage.
- o Government does not protect textile, footwear, furniture, and other industries and their workers against low labor cost imports even though our productivity is the world's highest and our labor costs low by U.S. standards.
- o The Administration has failed to gain access for U.S. banks and insurance companies to foreign markets equivalent to that enjoyed here by foreign competitors.
- o U.S. Government is promoting military offset agreements that benefit only major prime contractors to the detriment of U.S. subcontractors.

- o U.S. import restraints in sectors such as textiles, steel, footwear, and sugar undermine our credibility as an advocate of free trade and may invite retaliation against U.S. exporters in other sectors.
- o The U.S. Government has allowed the narrow interests of the textile industry to guide them towards decisions which have adversely affected our overall trade prospects with China.
- o The Administration has no adjustment program to assist firms and workers in adjusting to higher levels of import competition.

#### Trade Remedies Issues

- o The Administration refuses to initiate trade actions.
- o The unfair trade statutes are not enforced aggressively enough.
- o Retaliation under Section 301 is rarely undertaken by the President.
- o The CVD and AD laws are beyond the reach of many firms because they cannot afford the legal fees.
- o All the statutes work too slow to achieve effective relief.
- o Import relief under Section 201 is almost impossible to get. Moreover, when action is taken, the import restrictions are too liberal to provide effective relief to the injured industry.
- o The Export Administration Act seriously undermines U.S. competitiveness in high tech sectors. The controls are too comprehensive and administered too slowly. The lack of predictability in the administration of these controls severely disadvantages U.S. companies in entering into joint ventures with foreign companies. The law does not provide for sufficient protection of contract sanctity.
- o The CVD law does not provide for the imposition of countervailing duties to offset "natural resource subsidies."
- o The antiboycott and the Foreign Corrupt Practices Acts unnecessarily restrict trade.

- o None of the trade laws deal effectively with foreign industrial targeting.
- o The Administration's "commitments policy" has not been aggressively enforced. Countries like Brazil, Mexico, and Korea violate their subsidy commitments, and we continue to apply the injury requirement before countervailing their subsidized exports.
- o The Administration has weakly enforced U.S. rights under the GATT Subsidies Code.

Congressional Complaints About  
Administration Trade Policy

- o The Administration's strategy for dealing with the trade deficit is a failure.
- o The Administration should reduce the federal deficit in order to help reduce the trade deficit.
- o The Administration does not insist on reciprocity in trade.
- o The Administration allows the importation of Soviet goods made with slave labor.
- o The Administration has not limited Canadian pork and softwood lumber imports.
- o The Administration has not prohibited the export of military items, nuclear technology, and agricultural commodities to South Africa.
- o The Administration has not prohibited the importation of South African gold coins.
- o The Administration should reorganize its international trade functions.
- o The Administration does not adequately protect the domestic textile industry and should support adoption of the Textile and Apparel Trade Enforcement Act.
- o The Administration opposes the continuation of the Trade Adjustment Assistance program.
- o The Administration does not sufficiently assist the domestic footwear industry in its efforts to compete against imports.
- o The Administration has not taken necessary action to open Japanese markets.
- o The Administration has not provided the Customs Service with sufficient resources to enforce U.S. trade laws.
- o The Administration is too willing to support the GATT.
- o The Administration's I-Match proposal will not adequately finance exports.
- o The Administration is not tough enough on the export of technology.

September 9, 1985

Proposed Strategy for Wednesday Leadership Meeting

(Trade Issues)

Agenda

1) Macro Perspectives

- o Unemployment down.
- o U.S. not deindustrializing -- manufacturing output growing; manufacturing employment decline due in large part to technology changes (but also in part to import competition).
- o Budget deficit reduction needed to take pressure off dollar.

2) We do have a trade policy -- it is market access.

- o Congress knows protectionism doesn't work. Thrust must be positive; sanctions must be threatened, but used judiciously.
- o We are planning full court press for access:

Bilateral:

- 301 cases have been launched.
- Barriers report (due to Congress October 30) will identify additional negotiating priorities.
- MOSS talks going reasonably well -- keeping pressure up.
- Intellectual property issues to get high-level attention during 1986 GSP review.
- Other high priority bilaterals -- Canada (free trade area), West Germany (telecommunications), etc.
- War Chest -- aggressively challenging foreign export subsidies.

Multilateral:

- Access is key theme of new round.
- Must update GATT rules to fit today's world.
- Seek formal launch in November; decisions on agenda in early 1986.
- Will be tough going -- need Congressional support.

3) Legislation

- o Frankly, have been reluctant to consider in this atmosphere.
- o Welcome responsible attitude of Cheney [and Bentsen] group[s] -- make it possible to consider legislation that we all can live with.
- o Outline Administration's "first draft" for consideration of group. Invite further consultations; USTR will refine details/options. Need Congressional advice as to (1) best timing for an acceptable package, and (2) whether/when there should be a formal Administration bill.
- o Negotiating authority key -- U.S. position in negotiations will be undermined without it.
  - Willing to earn show of Congressional support that authority would represent. (See next item.)

4) Procedure for Consultations

- o Industry/labor advisory committees already in place and being actively consulted.
- o Will actively consult with Congressional advisors on trade negotiations. [President could offer to meet quarterly/semiannually; Yeutter monthly.]

- Issue: Same advisors, or different?
- Issue: If have blue-ribbon panel, should staff through USTR -- no independent staff.

#### Advance Consultations

- o Phone calls should be made today to give advance notice of Administration's Wednesday agenda -- and to get Congressional input.
- o LSG should re-group tomorrow.
- o Important that meeting be perceived as a success.