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THE WHITE HOUSE

WASHINGTON

January 27, 1981

Honorable James T. Broyhill
U.S. House of Representatives
Washington, D.C. 20515

Dear Jim:

I apologize for the delay in responding to your letter of December 24.

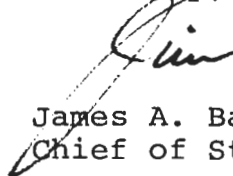
As you will by now know, we plan to continue with STR at Cabinet level with Bill Brock at the helm. I fully understand your point regarding effective negotiations.

At the same time, we are considering ways of beefing up Commerce's capability in the trade area which I believe is consistent with the intent of the Trade Reorganization Act.

Again, my apologies for not having replied sooner.

Best regards,

Sincerely,



James A. Baker, III
Chief of Staff

JAMES T. BROYHILL
10TH DISTRICT, NORTH CAROLINA

ROOM 2340
RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
202-225-2576

COMMITTEES:
BUDGET

INTERSTATE AND FOREIGN
COMMERCE

DEC 31 1980

Congress of the United States

House of Representatives

Washington, D.C. 20515

DISTRICT OFFICES:
318 SOUTH STREET
GASTONIA, NORTH CAROLINA 28052
(704) 864-9922

224 MULBERRY STREET, S.W.
LENOIR, NORTH CAROLINA 28645
(704) 758-4247

ROOM 133
FEDERAL BUILDING
HICKORY, NORTH CAROLINA 28601
(704) 328-8718

December 24, 1980

Mr. Jim Baker
Office of the President-Elect
Room 410
1726 M Street, N.W.
Washington, D.C. 20270

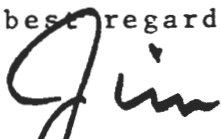
Dear Jim:

I would like to take this opportunity to urge upon you the
~~_____~~
~~_____~~ The U.S.T.R. needs to be at the
White House/Cabinet level in order to effectively carry out
the responsibilities involved in implementing the President's
trade policies.

As the President's personal representative in negotiations
with Hong Kong, Japan, and other foreign nations, the U.S.
Trade Representative cannot negotiate effectively as a sub-
Cabinet level officer in the Commerce Department. The
enclosed memorandum raises a number of points with respect
to the need for maintaining the Trade Representative as a
Cabinet level official.

While I agree that there needs to be overall coordination of
trade policy at the Commerce Department, I would point out
that the Trade Representative acts strictly in a negotiating
role. When the MFA is under consideration next year, we will
be focusing attention on this situation.

With best regards,



James T. Broyhill
Member of Congress

JTB/ne
Enclosure

THE ROLE OF THE U.S. TRADE REPRESENTATIVE IN INTERNATIONAL

TRADE NEGOTIATIONS

Management and Labor in the textile and apparel industries -- our nation's largest employer in manufacturing -- are of one mind with respect to the Office of the U.S. Trade Representative (U.S.T.R.): it should be maintained with its present responsibilities independent of any Cabinet Department and its head should continue to hold Cabinet rank. The following reasons underscore the need for a Cabinet-level U.S.T.R.:

1. The high priority necessarily accorded our international trading relationships requires such a visible structure insulated from the pull of contrary interests present in every Cabinet department. The textile/apparel industry has spent untold millions in modernization of machinery and equipment. This reinvestment program leads all industries in this country and makes the U.S. textile and apparel industry the most modern and efficient in the world. In spite of this, government regulations not impacting foreign producers make it difficult for the U.S. industry to compete. This has resulted in a deficit textile/apparel trade balance of 19 billion dollars over the past five years alone. In order to redress our overall deficit, these problems must be given high priority and the current program strengthened, not weakened;
2. To downgrade the trade negotiation function by subsuming it in another agency would signal our trading partners that the Reagan Administration places a lower priority on international trade. For example, the current U.S. surplus of \$20 billion with the European Economic Community (of course, our overall trade balance is in deep deficit) is causing a number of forces there to press for strong countermeasures in several important product areas. Any move that would signal a downgrading in the U.S. trade function could intensify this already troublesome situation;
3. After careful consideration of all aspects of the matter, the Congress, by overwhelming votes in both Houses and from both sides of the aisle, established U.S.T.R. in the Trade Act of 1974 and mandated its strengthening in the Trade Agreements Act of 1979;
4. The key responsibilities of U.S.T.R. are trade negotiation and coordination of policy views of the various agencies with trade responsibilities. The present staffing of U.S.T.R. should be reviewed to insure that extraneous activities, duplicative of other agencies' roles are not undertaken.

Experience in past Administrations has shown the need for charging a particular high official with seeing that the President's textile/apparel trade policy is implemented. This official must have direct access to the President in order to effectively carry out this responsibility. With this in mind, it is strongly recommended that the President Elect undertake the following course of action:

1. Notify transition leaders at higher policy levels of intent to rapidly implement campaign commitment.
2. Instruct new United States Trade Representative to begin immediate interagency formulation process in full consultation with industry.
3. Implement the following considerations regarding MFA:
 - Relate import growth rate to domestic market growth rate
 - Evaluate global import restraints with special attention to genuinely less developed countries vis-a-vis newly industrialized countries
 - Eliminate flexibility such as borrowing from another year's quota or from unfilled quotas
 - Implement and strengthen U.S. Textile Trade Policy including present bilateral agreements.

THE WHITE HOUSE

WASHINGTON

January 27, 1981

Honorable Frederick B. Dent
19 Montgomery Drive
Spartanburg, S.C. 29302

Dear Fred:

I apologize for not having replied to your letter of December 26 before now.


I quite agree that international trade concerns cut across the interests of more Departments than just Commerce. I also agree that STR's specific mission was to better coordinate these interests and that Agriculture and Labor constituencies would resist acceptance of Commerce jurisdiction over trade.

As you will by now know from Bill Brock's appointment, we plan to continue with STR. One of his missions will be to analyze ways in which our deficit trade position can be improved. In particular STR will, in my opinion, need to look closely at the issue of implementing the codes of conduct which were negotiated in the Tokyo Round.

I am bringing your idea of expanding STR's mandate to include coordination and surveillance of matters relating to direct foreign investment to the attention of Ed Meese. We have, as other Administrations have had, a thorny issue in how to organize development and implementation of international economic policy.

With best wishes, *(and love to Millie)*

Sincerely,



James A. Baker, III
Chief of Staff

CC: Edwin Meese, III

FREDERICK B. DENT

19 MONTGOMERY DRIVE

SPARTANBURG, S. C.

29302

DEC 30 1980

December 26, 1980

Mr. James A. Baker, III
Chief of Staff
Office of the President-Elect
Washington, D.C. 20270

Dear Jim:

I have read press reports that consideration is being

Having served as Secretary of Commerce and Special Representative for Trade Negotiations for 2 years in each capacity

International trade concerns cut across the interests of many departments including the Departments of Agriculture, Commerce, Energy, Labor, State and Treasury. Furthermore, I believe that international trade must be a major concern of the Reagan Administration as President Carter leaves a miserable record of accumulated trade deficits which total more than the trade deficits of all previous Presidents combined. This accumulation has been one of the major factors in the weakness of the dollar, although the preeminent one is excessive inflation.

The Office of Special Representative for Trade Negotiations was established in the Executive Office of the President in order to better coordinate the interests of these departments and the constituencies which they represent. This principle of White House coordination follows that involved in the establishment of the National Security Council, the Domestic Council and the Economic Policy Board, all of which follow a similar coordination function. In passing the Trade Act of 1975 the Congress for the first time granted Cabinet status to this position in order to assure equal stature to the departments being coordinated as well as to foreign negotiating counterparts. I believe that the logic behind this organizational structure is excellent and should be preserved.

Under the Carter Administration the Department of Commerce assumed broader responsibilities in the international trade field with transfers from both the Departments of State and Treasury. Commerce needs to get a much stronger

Mr. James A. Baker, III
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and effective control of the broader responsibilities currently on their plate before they are fed new responsibilities. The STR reporting to the Secretary of Commerce would lose effectiveness as the coordinator of interdepartmental interests as well as the U.S. negotiator in relationships with other governments.

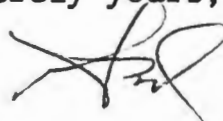
Furthermore from a domestic political aspect, I believe that the constituency interests of the Departments of Agriculture and Labor would be very resistant to accepting the jurisdiction of Commerce in this area, and I believe rightly so.

Thus, I strongly recommend that the Office of the Special Representative for Trade Negotiations be retained in the Executive Office of the President and be charged by the President to correct the wholly unacceptable deficit trade position which has been maintained for the past 4 years. It is a challenging mandate, but not an impossible one and certainly one which is essential to the well being of our nation.

I also suggest that consideration be given to expanding the mandate of STR to include coordination and surveillance of matters relating to direct foreign investment in the international field. For example, Canadian firms can move into the United States and virtually overnight make an offer to stockholders of private concerns to acquire their company whereas an American firm must go through a long, tedious procedure of getting government approval for such an action in Canada. Uniformity of opportunity should be the guiding principle in this field, and I believe that a report to the President reviewing the current situation and detailing recommendations would be worthy of consideration.

With very best wishes, I remain,

Sincerely yours,



FBD:mpg