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KEDUTAAN BESAR REPUBLIK INDONESIA
EMBASSY OF THE REPUBLIC OF INDONESIA
WASHINGTON, D. C. 20036



CHANCERY
2020 MASSACHUSETTS AVENUE, N. W.
TELEPHONE 293-1745

THE AMBASSADOR

October 4, 1985

The Honorable
M.B. Ogelsby, Jr.
Assistant to the President
for Legislative Affairs
1600 Pennsylvania Ave. N.W.
Washington, D.C. 20500

Dear Mr. Ogelsby:

My government has been carefully monitoring recent developments in the United States Congress with respect to the proposed "Textile and Apparel Trade Enforcement Act of 1985", known as the Jenkins bill, and we have previously conveyed to you our serious concern relating to this bill. In this connection, we also are aware that several modified versions of the bill are currently being considered, under which Indonesia would no longer be considered a "major exporting country". Under the proposals, Indonesia's textile imports to the United States in 1985 would be limited to 1984 levels and growth in following years would be limited to one percent per year.

While recognizing that the initial impact of the most recent proposals on Indonesia would be somewhat less severe than those of the Jenkins bill, my government wishes to convey to you its continued grave concern over any measure that imposes quotas on imports of textiles and apparel. Any unilateral imposition of quotas violates the basic premise under the Multi Fibre Arrangement ("MFA") and GATT that quotas will be imposed only in accordance with prescribed procedures. Moreover the levels in existing proposals are inconsistent with levels agreed upon in bilateral negotiations between our governments and are significantly reduced from the levels required in MFA.

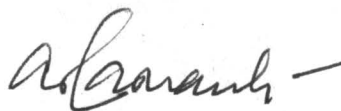
The unchanged, discriminatory nature of the existing proposals also continues to cause serious concern to my government. This discriminatory treatment appears even more odious in light of recent import statistics which indicate

that textile imports from Far Eastern nations have declined during the first eight months of 1985, while textile imports from EEC countries, exempted from the current proposals, have increased by 21.6 percent during that period. Such unequal treatment, particularly in light of the statistics, raises serious questions as to how the United States views its relations with Indonesia.

Finally, the restrictive nature of the new proposals would have a substantial adverse impact on the Indonesian economy thereby reducing Indonesia's ability to buy U.S. goods and services.

Rest assured that Indonesia continues to be committed to cooperate fully with the United States to expand and liberalize trade between our nations for our mutual benefit.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'A. Hasnan Habib', followed by a horizontal line.

A. Hasnan Habib
Ambassador

BACKGROUND BRIEFING PAPER ON CURRENT
U.S.-INDONESIAN TRADE ISSUES

This paper summarizes major points for maintaining the excellent bilateral trading relations that exist between the United States and Indonesia and highlights some arguments against recent measures proposed to limit the export of textiles from Indonesia to the United States.

o Two-way trade between the United States and Indonesia in 1984 totalled \$6.7 billion. Much of the Indonesian export effort to the United States has comprised crude oil and other petroleum products which are developed in Indonesia largely in partnership with American oil firms. Excluding oil, the United States enjoys a strong positive balance of trade with Indonesia. This positive balance is further enhanced by including invisible earnings generated through U.S. service industry exports to Indonesia.

o Much of the added value export content contained in the \$252 million of textile exports to the United States from Indonesia represents previous imports from the United States in the form of cotton yarn and other raw material component supplies. In 1984, Indonesia purchased \$153 million of cotton from American producers. Further, many Indonesian textile companies use American capital goods and production machinery, finance from American banks and U.S. consulting inputs, shipping and related services to generate the finished products. Measures which seek to contain the level of Indonesian textile exports to the American market will thus have a more important impact on the United States economy than might appear at first reading of such protectionist legislative initiatives.

o The protectionist legislation proposed in the U.S. Congress would, if enacted, represent a unilateral abrogation by the United States of its obligations under already-negotiated trade agreements. The Government of Indonesia is concerned that such action could create a serious precedent for other agreements that may be entered into between these two friendly nations.

o The measures detailed in the proposed legislation will seriously diminish the chances for extending the Multi Fiber Arrangement, the textile trade pact which has facilitated an orderly expansion of world trade in textile and apparel products. If enacted, they will imperil further liberalization of international trade under GATT.

o Indonesia is a signatory to the Multi-Fiber Arrangement (MFA), has been a participant in the General Agreement on Tariffs and Trade (GATT) and has also entered into bilateral agreements in the textile area with the U.S. It has shown its willingness to participate as a full partner in international trade and has honored its obligations under international trading agreements.

o In singling out primarily Asian nations for punishment under the proposed new law and in excluding European nations from the provisions of the Bill, a clearly discriminatory view of Asian nations has been shaped on Capitol Hill. At least three of the European nations excluded from the measure export more textile products to the United States than does Indonesia, and two of these are the fifth and sixth largest textile exporters to the United States. In addition, growth in the volume of textile exports from

European Common Market countries has been greater than from any other region.

Embassy of the Republic of Indonesia
2020 Massachusetts Avenue, N.W.
Washington, D.C. 20036

Contact Person:

Mr. A.S.Achjadi
Minister Counselor (Information)

Telp.: (202) 775-5266

THE UNITED STATES
TRADE REPRESENTATIVE
WASHINGTON

April 9, 1985

TO: M.B. OGLESBY
FROM: WILLIAM J. MARONI
RE: TEXTILE QUOTA LEGISLATION

Enclosed please find several materials which outline the Administration's position on the current textile import program and our opposition to proposed legislative quotas.

I hope that this information is useful in explaining the Administration's position in your contacts with Members and staff.

NR
Prun
AIC } *sent*
4-12

TEXTILE REFORM ACT OF 1985

For nearly 25 years, U.S. textile trade policy has been based on Multilateral Textile Agreements. The latest of these is the Multifiber Arrangement (MFA) as extended by the 1981-86 protocol. U.S. domestic textile and apparel manufacturers have been closely associated with the creation and implementation of the MFA. They have consistently supported the multilateral agreement approach.

A fundamental principle of the MFA is that problems of market disruption in importing countries (or the risk of such disruption) that are caused by textile/apparel imports should be resolved by agreement with exporting countries on a product-by-product and country-by-country basis. The MFA permits unilateral imposition of quotas only when the importing country can show actual market disruption. This disruption must be based on the "existence of serious damage to domestic producers or actual threat thereof." Unilateral quotas can be imposed only for one year; and must be "limited to the precise products" from the specific countries causing the disruption to domestic producers of the products. These quotas can only be extended by mutual agreement. In such cases, minimum growth should be six percent unless both parties agree that an exceptional case warrants a lower figure.

The proposed legislation is inconsistent with the MFA and the 34 bilateral agreements we have negotiated under MFA guidelines.

- The proposed legislation would entail a massive unilateral rollback in trade, contrary to our existing agreements.
- The proposed legislation eliminates the concept of negotiation toward a mutually acceptable solution. It mandates unilateral actions without time limit. There is no justification for this in the MFA.
- The proposed legislation eliminates the concept of demonstrating market disruption for specific products from specific countries. This is a key concept of the MFA.
- The proposed legislation mandates minimal growth of one percent for the bulk of the trade and six percent for the rest. Unilateral imposition of such figures without case-by-case justification has no basis in the MFA.
- The proposed legislation mandates an unprecedented, limitless degree of protection for a domestic manufacturing industry. In addition, by regulating market shares of each foreign country, competition is further restricted. This type of cartelization of trade between domestic and foreign sources will not, in the long run, benefit our country.
- The proposed legislation may well bring trade retaliation. Other sectors could pay a heavy price for broad protection of the textile/apparel industry. Under the MFA we avoid retaliation for U.S. quotas that conform with bilateral agreements or MFA rules for unilateral restraints. As the proposed legislation ignores MFA requirements, we could expect our trading partners to retaliate against sensitive U.S. industrial and agricultural exports. Because of the sensitivity and importance of textile trade throughout the world, a broader trade war could well result.

TRADE POLICY STAFF COMMITTEE

— **DRAFT Document** 85-32

SUBJECT:

Textile Trade Reform Act of 1985

SUBMITTED BY:

Office of the United States
Trade Representative

DATE: March 26, 1985

TEXTILE TRADE REFORM ACT OF 1985

ISSUE

The Textile Trade Reform Act of 1985 was introduced in the Congress on March 19, 1985. The bill mandates sharp reductions in textile imports from a wide range of suppliers, among which are some of our closest trading partners and allies. The bill is clearly inconsistent with the Multifiber Arrangement and our 34 bilateral textile agreements. It grants a degree of protection to the textile/apparel industry far beyond anything accorded any other industrial sector in recent times. In short, the bill represents a major move toward protectionism by the U.S. with clear and severe negative consequences for our international trade relations. A detailed description of the bill's provisions, produced by the bill's sponsors, is attached at Tab A. A further initial analysis by USTR on the trade effect of the bill is at Tab B. The Administration needs to take a clear position on this legislation.

RECOMMENDATIONS

The Administration should oppose this legislation vigorously.

BACKGROUND

For nearly 25 years U.S. textile trade policy has been based on international agreements. The latest of these is the Multifiber Arrangement. U.S. domestic textile and apparel manufacturers have been closely associated with the creation and implementation of the MFA. They have consistently supported an MFA regime.

Central to the MFA is a commitment to negotiating mutually acceptable solutions to market disruption problems due to textile/apparel imports. Unilateral action is permitted under the MFA only when actual damage to an importing country's industry can be shown. Unilateral quotas can be imposed only for one year; minimum growth on such quotas, if extended by mutual agreement, is 6%.

- The proposed legislation is inconsistent with the MFA or the 34 bilateral agreements we have negotiated under MFA guidelines. As a result the Administration would have to abrogate all of these accords.
- The proposed legislation eliminates the concept of negotiation toward a mutually acceptable solution. It mandates unilateral actions without time limit. There is no justification for this in the MFA.
- The proposed legislation eliminates the concept of demonstrating market disruption. This is a key element of the MFA.

- The proposed legislation mandates maximum growth of 1% for the bulk of the trade and 6% for the others. Unilateral imposition of such figures is without justification in the MFA.
- The proposed legislation mandates a degree of protection hitherto never accorded a domestic manufacturing industry, rolling back trade and then freezing domestic manufacturers market share for all time. This type of cartelization of trade between domestic and foreign sources will not in the long run benefit our country.
- The proposed legislation may well bring trade retaliation. Other sectors may well pay a heavy price for broad protection of the textile/apparel industry. Under the MFA countries agree not to retaliate for U.S. quotas on these products as long as we follow MFA procedures in seeking restraints. As the proposed legislation ignores MFA procedures, we can expect our trading partners to respond in kind. Retaliation and ensuing trade wars could well be the result.

TEXTILE & APPAREL TRADE ENFORCEMENT ACT OF 1985
FACT SHEETPURPOSE

- 0 To achieve the objectives of the Multi-Fiber Arrangement by providing orderly and non-disruptive growth of imports of all fiber, textile and apparel products.
- 0 To set limits on imports from major exporting countries which reflect import growth since 1980 from these countries at growth rates contemplated by the 1981 extension of the Multi-Fiber Arrangement.
- 0 To allow the smaller exporting countries an opportunity to increase their share of the U.S. market.
- 0 To set the future growth rate of imports at levels provided for in the MFA and the protocol extending the MFA.

RATIONALE

- 0 Since 1980 imports of textiles and textile products have grown at an annual rate of 19 percent, far greater than the orderly growth objectives of the Multi-Fiber Arrangement and far in excess of the 1 percent average growth of the U.S. market during that period.
- 0 Because fiber, textile and apparel imports are far outpacing the growth of the domestic market, intolerable market disruption, job losses, curtailed production and plant closings have occurred.
- 0 The textile and apparel trade deficit has grown to a record \$16 billion in 1984 and now accounts for 13% of the U.S. merchandise trade deficit.
- 0 U.S. textile, fiber and apparel companies are continuing to spend billions of dollars annually to modernize and improve worker productivity. The resulting productivity increases have been significantly greater than the rate of productivity growth for all of U.S. manufacturing. Yet despite this investment and increased productivity, U.S. manufacturers continue to lose marketshare.
- 0 If import growth is not slowed, future investment in this industry is likely to be sharply curtailed leading to a loss in competitiveness and the continued liquidation of an industry which is a major element of U.S. manufacturing and is recognized as vital to our national security.

PROVISIONS

- 0 The Textile and Apparel Trade Enforcement Act would cover textiles, apparel, textile products and man-made fibers. The Act would apply to all exporting countries with the exception of Canada and current members of the European Economic Community.

-2-

0 Smaller Exporting Countries

- Defined as those capturing less than 1.25% of U.S. imports, plus Mexico;
- 1985 import levels by product category would be 115% of 1984 levels except for import sensitive categories, i.e. categories for which imports equal 40 percent or more of domestic production, in which case 1985 import levels would be 101% of 1984 levels;
- After 1985 annual quota growth would be six percent for each category, except one percent for import sensitive categories;
- When imports from a smaller exporting country (except countries in the Caribbean region) reach 1.25% of U.S. imports, quota growth in all categories would be one percent.

0 Major Exporting Countries

- Defined as those capturing 1.25% or more of U.S. imports;
- 1985 import levels by product category would be 101% of 1984 levels;
- After 1985, import growth would be one percent each year for each category.

- 0 In categories in which a country has no or few exports, the country would be allowed to ship to certain minimum levels. Annual growth would then be one percent (for major exporting countries) or six percent (for smaller exporting countries) unless the category is highly import sensitive, in which case growth would be one percent.

ENFORCEMENT

- 0 The Secretary of Commerce would establish regulations to govern the entry of imports to conform with this Act.

OTHER PROVISIONS

- 0 The Secretary of Commerce would establish within six months after enactment an import licensing system to ensure that the Act is efficiently administered.
- 0 Each year the President would report to the Congress on the administration of the Act.

March 4, 1985

ESTIMATES OF IMPACT OF TEXTILE BILL
ROLLBACK OF MAJOR - SUPPLIER IMPORTS

(Expressed as Percentage Reduction in
 Actual 1984 Imports, had Rollback been in effect)

	1.	2.	3.
Reduction in imports from 13 major suppliers:	Calculation on "square yard equivalent basis" (SYE)	SYE calculation, adjusted for growth limits below 6% in existing bilateral agreements	Calculated from constant dollar import data
<hr/>			
As percentage of U.S. imports from major suppliers	-32.5	-35.9	-39.7
<hr/>			
As percentage of U.S. imports from all suppliers	-22.9	-24.6	-28.1
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USTR
3/21/85

Major Suppliers

	<u>Calculation 1</u>		<u>Calculation 2</u>
	% of world 1984		1984
	<u>imports reduction</u>		<u>reduction</u>
<u>TOTAL MAJORS</u>	<u>70.4</u>	<u>-32.5</u>	<u>-35.9</u>
Taiwan	13.6	-26.0	-33.1
Korea	11.2	-26.0	-33.1
Hong Kong	10.6	- 3.8	-14.3
China	9.9	-57.6	-59.6
Japan	7.5	-21.1	-25.5
Pakistan	3.1	-43.2	-43.2
Indonesia	2.7	-89.1	-89.1
India	2.6	-24.5	-26.0
Philippines	2.5	-14.7	-14.7
Thailand	2.1	-69.6	-70.2
Brazil	2.0	-88.9	-88.9
Singapore	1.4	- 4.1	- 8.1
Sri Lanka	1.2	-53.6	-54.5

	<u>Calculation 3</u>	
<u>Total Majors</u>	<u>72.4</u>	<u>-39.7</u>
Hong Kong	17.8	-28.1
Taiwan	15.0	-39.7
Korea	12.2	-43.8
China	7.4	-62.1
Japan	6.7	-37.3
India	2.7	- 2.0
Philippines	2.3	-28.3
Singapore	1.8	-35.2
Thailand	1.7	-64.5
Brazil	1.4	-46.4
Macao	1.3	-40.6
Indonesia	1.2	-95.5
Sri Lanka	1.2	-58.9

USTR
3/21/85

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

April 3, 1985

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

On March 12, Mac Baldrige and I sent you a joint memorandum on textile trade policy (copy enclosed). At that time we noted the large number of new quotas and tightening of administration which we had instituted to dampen import growth of textiles and apparel.

Recent import numbers indicate that our efforts may now be paying off. The enclosed chart indicates that since late last year the rate of import growth has dropped appreciably. Although not on the chart, preliminary figures for February indicate a continuing downward figure.

No one can predict future trade patterns with certainty, but I did feel that five months of slower imports was a development worth bringing to your attention.

Very truly yours,

WILLIAM E. BROCK

WEB:its

Enclosures

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20506

March 12, 1985

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

In response to your request, Mac and I have jointly developed the attached paper regarding textile import policy.

Very truly yours,



WILLIAM E. BROCK


WEB:its

Attachment

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

March 12, 1985

MEMORANDUM TO THE PRESIDENT

FROM: William E. Brock 
Malcolm Baldrige

SUBJECT: U.S. Textile Trade Policy

Background

The strong U.S. economy has drawn in textile and apparel imports at unprecedented rates, a 25 percent increase in 1983 compounded by a 32 percent rise in 1984. Imports have continued to increase despite our quota actions and bilateral agreements because only 60 percent of current trade is covered by quotas. Additionally, the strong dollar has impeded exports at the same time that it has attracted imports. The domestic industry, fearing a continuation of large import increases, plans to submit legislation for a global quota system that would violate multilateral and bilateral agreements.

Although the textile import surge is but part of the general import increase, it has sharp political significance due to your commitment to relate import growth to growth in the domestic market. Although the textile industry benefitted from economic recovery, recording a 13 percent increase in production in 1983, imports rose even more. A softer market in the second half of 1984 caused the rate of import growth to slacken; so, too, did domestic output. The result has been a large number of mill closures in recent months.

In the 42-nation (plus the EC) Multifiber Arrangement and some 34 bilateral trade agreements, we are committed to dealing with textile problems according to multilaterally agreed specific criteria. You highlighted this to our industry in a speech in Columbia, South Carolina, on September 28, 1983 by noting that our efforts to relate imports to domestic market growth must be consistent with our international commitments.

Our Response

Within the context of our international commitments we have provided to the textile/apparel sector a range of protection

far beyond that accorded other sectors of the economy. In the past two years we have:

- Established 216 new quotas. In 1984 for example, the quota program controlled 60 percent of import trade. We have approximately 680 quotas in place compared to approximately 430 in 1982.
- Established new Rules of Origin for textile and apparel products to curtail attempts at quota circumvention.
- Tightened measurably the agreements with our major suppliers (Korea, Hong Kong and Taiwan). Growth of quotas for major suppliers has been reduced to about 1 percent, and we have been quick to add new quotas where major suppliers have branched out into new product areas. Given debt and unemployment problems, third world middle and small textile/apparel exporters have pressed for more liberal access. We have resisted this, holding agreements constant in most cases and adding new quotas in others.
- Improved the administrative procedures for initiating new quota actions. Contained in a December 16, 1983 White House press release, these new criteria mandate examination of the case for new quotas at much lower levels and in a more vigorous fashion than ever before.
- Stepped up Customs enforcement at our borders to meet increased attempts at fraud and circumvention of the widening quota net.

We have pursued these measures despite strong criticism domestically and internationally. Farm groups are concerned about retaliation on grain and timber exports. Importers and retailers feel our actions have disrupted their businesses in an unreasonable manner. Textile trade has become a major irritant in relationships with numerous countries. For the first time in history, 50 nations have met twice under GATT auspices in Geneva to criticize the United States. Nevertheless, despite the criticism -- foreign and domestic -- we have continued to pursue the tightest import control program our international obligations will allow.

The Industry Response

Although the industry has some complaints about the scope and intensity of our control actions, most in industry now believe we are pushing the existing system close to its limit. They, therefore, believe that the only real answer to their problems is a global quota system which would freeze market shares between domestic production and imports. They argue that this must be done for the Administration to meet its commitment to relate

imports to domestic market growth. They propose that global quotas be enforced by an import licensing system. We understand that the industry proposal will be filed as a bill by a number of textile states' Congressmen and Senators on March 19.

The Problem

Since, in the industry view, our current program can blunt the intensity of the import surge but cannot offer the degree of absolute protection the industry seeks, the industry believes its global quota proposal is the only way to equate absolute import growth with growth in the domestic market.

However, global quotas pose serious problems:

- The global approach is incompatible with the current MFA and our existing bilateral agreements. Adopting global quotas would require major revisions of the MFA and our bilateral agreements at a time when we are attempting to convince our MFA partners that a new round of negotiations to liberalize trade is required.
- This Administration has stood for minimal government interference in the marketplace. Global quotas, with enforcement through an import licensing system, would inject the government into the private sector to a degree unprecedented in the Administration (except for agriculture).

Global quotas are a concept that successive U.S. Government Administrations have resisted over the years in all product areas in which they have been proposed. A cartelization of international trade, whether in textiles or any other product, is neither good for our country or the world economy.

TEXTILE IMPORT PROGRAM

**Testimony by Ambassador Richard H. Imus
Chief Textile Negotiator
Office of the U.S. Trade Representative
Executive Office of the President**

**Committee on Ways and Means
Subcommittee on Trade
U.S. House of Representatives
April 3, 1985**

Mr. Chairman, Members of the Committee:

I am pleased to have this opportunity today to present testimony on the textile import program.

As you know, USTR has the lead responsibility within the government for the conduct of international trade negotiations and for matters respecting the GATT, or General Agreement on Tariffs and Trade. As such, USTR is responsible for negotiating multilateral and bilateral textile and apparel trade agreements and for representing the U.S. in meetings of the GATT Textiles Committee and the Textiles Surveillance Body in Geneva. We are, therefore, concerned on a daily basis with U.S. textile policy in the international arena, although primary responsibility in the area of domestic implementation rests with the Committee for the Implementation of Textile Agreements. The chairmanship and the administrative support of CITA is provided by the Department of Commerce.

The basic rights and obligations we have in international textile and apparel trade are set out in the Multifiber Arrangement which, since 1974, has provided the guidelines within which we control imports of low-priced goods disruptive to our domestic market. The MFA is an agreement under the auspices of the General Agreement on Tariffs and Trade (GATT), but creates special rules not accorded to any other sector under the GATT.

I would highlight three fundamental differences between the GATT rules and the MFA. In order to impose quotas under GATT rules, we would have to demonstrate for each product that

increased imports cause or threaten serious injury. Second, the restrictions for each product would have to be applied on a non-discriminatory basis to all suppliers. And third, we would have to compensate the restricted countries or face retaliation.

By contrast, the MFA allows us to limit imports through negotiation of bilateral agreements at a stage before the problem may have reached the dimension which would justify GATT reaction. Significantly, in cases where agreement cannot be reached, the MFA still allows us to impose limits to prevent market disruption. Moreover, these limits may apply to one or a small number of suppliers rather than to all suppliers as prescribed by the GATT non-discrimination principle. Finally, MFA rules do not require compensation or authorize retaliation for MFA restrictions.

To give a concrete example, we have added over 300 new quota limits during the Reagan Administration under provisions of bilateral agreements and the MFA. This is a far greater number than at any time in the 25-year history of our textile-/apparel import control program. I would not want to speculate how many of those restrictions could or would ultimately have been implemented under GATT rules and conventional U.S. domestic safeguard procedures applicable to other industries. However, I can confidently say that, because of the MFA, we were able to act more quickly, and selectively, and without the normal constraint of the need for compensation or risk of retaliation.

In addition to rights, however, our membership in the MFA also imposes on us certain obligations, one of which is that our bilateral agreements with foreign suppliers must be in conformity with the minimum guidelines set out in the Arrangement. Another obligation -- a crucial one -- requires that calls for consultations with foreign suppliers aimed at setting limits on additional categories be warranted by the existence or threat of market disruption. The factors which the MFA specifies as the cause of such market disruption are a sharp and substantial increase in imports of particular products from particular countries and the offering of these products by the exporting country at prices substantially below those for similar goods of comparable quality produced in the U.S. The MFA further requires that market disruption be documented, that the interests of the exporting country be factored in and that special consideration be given to small suppliers, new entrants to the market and cotton-producing developing countries. I have appended to my written statement the full text of Annex A of the MFA and paragraph 12 of the 1981 protocol of extension setting out these criteria.

The point I hope I have made clear is that under the MFA we have important rights that we would not have were textile trade governed by GATT rules. But while membership in the MFA confers substantial advantages, we are obliged to play by the rules. There is, of course, a trade-off implied here: The interests of domestic producers and the requirements of the

MFA do not always coincide. This is the central issue for textile trade policy and for the implementation of the textile import program.

During 1983 and the first half of 1984, the textile and apparel industries shared in the U.S. economic recovery. In this period, personal consumption expenditures on clothing were up, as were apparel sales, shipments, man-hours worked and employment. Textile and apparel markets benefitted from rising consumer purchasing power, inventory building, modernization efforts aimed at increasing productivity, strong demand for home furnishing fabrics and increased auto sales. Unfortunately, the economic recovery in the United States has not been matched elsewhere in the world. This disequilibrium, together with the strong dollar, has drawn in imports at an unusually high rate while frustrating efforts to increase exports, hence the large trade deficit. As a consequence, the domestic textile and apparel industry has faced intense import competition. The 25% increase in imports in 1983 and 32 percent rise in 1984 has been of deep concern to us, as it has been to our domestic manufacturing industry.

Data on imports by country or country group show that our "Big Three" suppliers -- Taiwan, Hong Kong and Korea -- accounted for less than 15 percent of the total growth in 1984 imports as compared with 38 percent the previous year. China and Japan, our fourth and fifth largest suppliers, accounted for less than 8 and 3 percent of total growth, respectively. While our five

largest suppliers still account for over 50 percent of total imports and the "Big Three" for over 50 percent of apparel imports, by far the largest sources of 1984 growth were the OECD countries, excluding Japan, at 32 percent and "other suppliers" combined at 43 percent. The sharp increase in "other," middle level, suppliers represents the tendency of the trade to diversify in response to our quota actions.

Without denigrating the problem, we have been somewhat heartened to note, however, that the rate of import growth began to decline in the months of October, November and December. In January to September 1984, for example, imports grew 41 percent, but the rate had slowed to 32 percent by the end of the year. In fact, imports during the fourth quarter increased by only 4.9 percent compared with the last quarter of 1983. We are, therefore, optimistic that an unprecedented number of new quotas imposed during this Administration is now taking increased effect on the trade. Indeed, a majority of our trade in textiles and apparel is covered by quotas. Of our top four suppliers, 75 percent of our MFA trade with Taiwan is under quota; 95 percent of our trade with Hong Kong, 92 percent of trade with Korea and 75 percent of trade with China. We are continuing to establish limits on uncontrolled imports from suppliers of low-cost products where there is a risk of market disruption.

The point underscored by these figures is that our major problems in controlling textile imports do not result from any lack of diligence in implementing our current textile import

program under the guidelines established by the MFA. When in 1981 the MFA was extended for an additional five years, we were able to negotiate lower permissible limits for growth and flexibility. Since then we have concluded new, more restrictive agreements, not only with our top five suppliers, but also with other suppliers as our current bilateral agreements with them expire. We have taken steps to crack down on fraud and circumvention of quota limits and to shield the industry from damaging surges of imports following the release of embargoed goods. We have exercised to the fullest the rights available to us under the MFA to impose additional limits on imports. Some have argued that we have overstepped the boundaries of these rights: Last year an unprecedented number of complaints against the U.S. were referred to Textiles Surveillance Body in Geneva; indeed, in one year we had more complaints about U.S. actions than in the entire prior history of the MFA. In some cases our actions were upheld; in others, we were criticized. In addition, two special sessions of the GATT Textiles Committee were called last year for the sole purpose of questioning U.S. policies concerning tighter enforcement and administration of our textile program. This, too, was unique in MFA history. The international criticism we have faced is a reflection, I believe, of the vigor with which we are administering our import control program.

Why, then, one might ask, are imports increasing despite actions taken by the Administration to restraint their growth? First, we must understand that imports are growing because our

economy is growing. In 1982 when our domestic textile industry was in deep recession, import growth was only 3%. Certainly no one would want to return to those bleak days.

In short, recovery has meant growth in both domestic production and imports. In fact, domestic demand has been so strong and the price of foreign articles, so attractive that as soon as we hold imports in one area, new pressures develop elsewhere. Because other major importing countries have lagged in recovery and growth, the U.S. has felt these pressures disproportionately.

I would emphasize that international criticism has not deterred us from pursuing actions which we believe are justified to deal with market disruption. In short, I would maintain that we have administered the textile import program as thoroughly and efficiently as our guidelines and resources allow. Our major problems do not result from the program itself but rather from macroeconomic factors which we have either no ability or no authority to control.

In this regard, I would like to close on a note of optimism. There are encouraging signs that recovery and growth are taking hold in other countries, which should reduce pressure on the U.S. market. Improved growth and confidence in other countries, as well as our own efforts and determination to reduce budget deficits, can also go a long way toward easing problems caused by the tremendous strength of the dollar relative to other currencies. Stronger growth and stronger currencies abroad will not only ease pressure on the U.S. from imports, but also can

lead to recovery of our once healthy textile exports. I think these trends, along with a healthy U.S. economy, are more important to the health of our textile and apparel industry than our recent tightening of the import program -- though I would add that the effect of our actions is also beginning to be evident.

This administration, together with previous ones, has assumed special obligations to our domestic textile and apparel industry. Indeed, the existence of the special MFA regime in the GATT, recognizes the sensitivity and importance of this industry.

In today's world, the challenge to our textile/apparel industry is perhaps greater than at any other time. We have worked with our industry to overcome major problems. We are prepared to continue to work together for the future. We recognize that efficient administration of our present import control program is central to that effort and we are committed to the best effort our resources and present international obligations will permit.

Thank you Mr. Chairman.

THE WHITE HOUSE
WASHINGTON

*Copies to John
Feller - Down
Resque*

Done

LET Copy TBM


M. B. OGLESBY, Jr.

THE WHITE HOUSE

WASHINGTON

June 13, 1984

MEMORANDUM FOR JACK SVAHN
DICK DARMAN
CRAIG FULLER

FROM: M. B. OGLESBY, JR. 

The attached is provided for your information.

cc: Nancy Risque

JAMES T. BROYHILL
10TH DISTRICT, NORTH CAROLINA

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

COMMITTEE:
ENERGY AND COMMERCE
RANKING MINORITY
MEMBER

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

June 8, 1984

Honorable James A. Baker, III
Chief of Staff and Assistant to the President
The White House
Washington, D.C. 20500

Dear Jim:

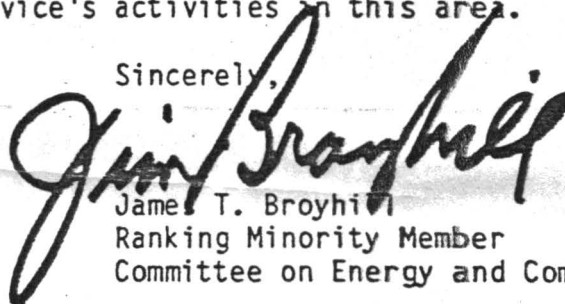
Recently, members of my staff and representatives of the Customs Service, including, among others, Commissioner William von Raab, met to discuss the Customs Service's enforcement activities in support of the textile program. One of the major topics discussed at these meetings was the Customs Service's efforts to implement an Executive Order entitled "Textile Import Program Implementation" which was issued by the President on May 9, 1984.

As you know, the President's Executive Order was designed to augment the Customs Service's authority to investigate and prosecute individuals engaged in textile fraud and the circumvention of trade laws. To effectuate the directives contained in the President's Executive Order, the Customs Service is authorized to promulgate rules and regulations in accordance with the policy guidance set forth by the Committee for the Implementation of Textile Agreements. Inquiries made by my staff reveal that, to date, the Customs Service has taken minimal action to promulgate the rules and regulations as provided in the Executive Order.

I find the Customs Service's inaction in an area to which the President has assigned such a high priority particularly disconcerting. I plan to continue to monitor the Customs Service's progress with regard to the implementation of the Executive Order and, if need be, exercise the Energy and Commerce Committee's oversight authority to insure that the President's directives are accomplished.

For your convenience, I have enclosed my recent correspondence with Commissioner von Raab and a copy of the President's Executive Order. I will keep you informed of the Customs Service's activities in this area.

Sincerely,



James T. Broyhill
Ranking Minority Member
Committee on Energy and Commerce

Encs.

JAMES T. BROYHILL
10TH DISTRICT, NORTH CAROLINA

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June 7, 1984

Honorable William von Raab
Commissioner
United States Customs Service
1301 Constitution Avenue, N.W.
Washington, D.C. 20229

Dear Commissioner von Raab:

I appreciate the time you spent with members of my staff on Friday, May 31, 1984, to explain the Custom Service's enforcement activities in support of the textile program. During that meeting, you commented upon an Executive Order entitled "Textile Import Program Implementation", issued by the President on May 9, 1984. From your comments on that subject, the Committee staff concluded that it was your opinion that the President's Executive Order had little, if any, effect on the Custom Service's enforcement activities in the area of textile fraud and circumvention. Such remarks concerning the effectiveness of the President's Executive Order uttered by the Chief Enforcement Officer of the Customs Service, naturally have caused me a great deal of concern.

Due to my concerns, on June 5, 1984, members of my staff conferred with Alfred De Angelus, Rick Miller, and Robert Schaffer among others at Customs to determine the extent of the Customs Service's timely implementation of the Executive Order. After this meeting, it appears that a discrepancy exists between your initial opinion and the subsequent opinions of your staff with regard to the scope and implementation of the Executive Order.

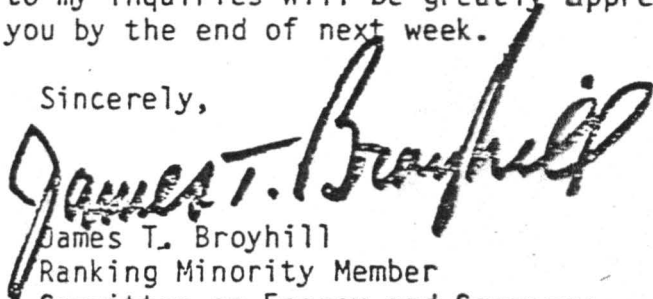
To clarify your position on this issue, I am requesting that you respond to my inquiries with regard to your implementation and enforcement of the directives contained in the Executive Order. Specifically, I would appreciate your comments on the following subjects:

1. The Executive Order provides that, with regard to the rulings and regulations to implement the textile program, the Customs Service act in accordance with the policy guidance set forth by the Committee for the Implementation of Textile Agreements (CITA).
 - A. To date, what discussions have been held with CITA on this subject?
 - B. Have any rulings and regulations been issued to date, and if not, why not?

- C. In what manner, and to what extent, have representatives of the Customs Service participated in the activities of this Committee?
2. In your opinion, to what extent does the Executive Order confer upon Customs additional or expanded authority to prevent quota circumvention? How will this be accomplished?
 3. When will the Customs Service promulgate the rules and regulations needed to implement the President's mandate contained in the Executive Order? Who is responsible for the promulgation of these rules and regulations? Further, articulate the reasons, if any, why Customs may anticipate any objections to the rules and regulations it must promulgate.
 4. To date, has the Customs Task Force established by the Executive Order been selected? If so, who are the members of the Task Force, and what actions have they taken? In the alternative, please explain why the Task Force has yet to meet in formal session.
 5. What is the vehicle at Customs for the coordination with CITA of the Task Force's actions?
 6. When will the more precise interpretation and applications of the rules and regulations covering "country of origin" as that term applies to the textile program be implemented?

Your prompt response to my inquiries will be greatly appreciated. I look forward to hearing from you by the end of next week.

Sincerely,


James T. Broyhill
Ranking Minority Member
Committee on Energy and Commerce

EXECUTIVE ORDER

TEXTILE IMPORT PROGRAM IMPLEMENTATION

By the authority vested in me as President by the Constitution and laws of the United States of America, including Section 204 of the Agricultural Act of 1956, as amended (76 Stat. 104, 7 U.S.C. 1854), and Section 301 of Title 3 of the United States Code, and in order to prevent circumvention or frustration of multilateral and bilateral agreements to which the United States is a party and to facilitate efficient and equitable administration of the United States Textile Import Program, it is hereby ordered as follows:

Section 1. (a) In accordance with policy guidance provided by the Committee for the Implementation of Textile Agreements (CITA), through its Chairman, in accordance with the provisions of Executive Order No. 11651, as amended, the Secretary of the Treasury shall issue regulations governing the entry or withdrawal from warehouse for consumption of textiles and textile products subject to Section 204 of the Act.

(b) Initial regulations promulgated under this section shall be promulgated no later than 120 days after the effective date of this order.

(c) To the extent necessary to implement more effectively the United States textile program under Section 204, such regulations shall include:

(i) clarifications in, or revisions to, the country of origin rules for textiles and textile products subject to Section 204 in order to avoid circumvention of multilateral and bilateral textile agreements;

(ii) provisions governing withdrawals from a customs bonded warehouse of articles subject to this Order transformed, changed or manipulated in a warehouse after importation but prior to withdrawal for consumption; and

(iii) any other provisions determined to be necessary the effective and equitable administration of the Textile Import Program.

(d) Any such regulations may also include provisions requiring importers to provide additional information and/or documentation on articles subject to this order which are determined to be necessary for the effective and equitable administration of the Textile Import Program.

Sec. 2. (a) The Commissioner of Customs shall establish Textile and Apparel Task Force (the Task Force) within the United States Customs Service to coordinate enforcement of regulations concerning importation under the Textile Import Program.

(b) CITA, through its Chairman, shall, in accordance with the provisions of Executive Order No. 11651, as amended provide information and recommendations to the Task Force, through the Department of the Treasury, on implementation and administration of the Textile Import Program.

(c) The Department of Treasury shall, to the extent practicable, inform the Chairman of CITA of the progress of all investigations concerning textile imports; provide notice to CITA of all requests for rulings on matters that could reasonably be expected to affect the implementation of the Textile Import Program; and take into consideration any comments on such requests that CITA, through its Chairman, timely submits.

Sec. 3. This order supplements, but does not supersede or amend, Executive Order No. 11651 of March 3, 1972, as amended.

Sec. 4. This order shall be effective upon its publication in the Federal Register.

Ronald Reagan

THE WHITE HOUSE,

THE WHITE HOUSE
WASHINGTON

June 18, 1984

TO: JACK SVAHN

We would appreciate it if your office could draft a response to the attached letter from Strom Thurmond. It concerns the continuing problem of textile imports.

Thanks for your help.

Jim
Jim Cicconi

cc: ✓ B. Oglesby (1)

Nancy Risque (2)



The President Pro Tempore

UNITED STATES SENATE

June 12, 1984

Personal

Mr. James A. Baker, III
Chief of Staff and Assistant to the President
The White House
1600 Pennsylvania Ave, N.W.
Washington, D.C. 20500

Dear Jim:

I am enclosing a copy of a recent letter to President Reagan, which was signed by several of my colleagues, that outlines proposed solutions to the textile problem.

In further reference to my discussion with you after the Republican Policy luncheon in the Senate today, I wish to remind you of the closing of a J.P. Stevens plant in Great Falls, South Carolina and of two other plant closings in the same town in the last year.

With textile imports continuing to increase (textile/apparel imports up 49% over the first four months of 1984 compared to same period in 1983), steps must be taken to correct this situation. I urge that the Administration take immediate action to fulfill the President's pledge to tie the rate of textile import growth to the rate of market growth. As you know, the President made this commitment to me in September of 1980 during his campaign, and he reaffirmed it on September 20, 1983 in Columbia, South Carolina at a dinner in my honor and on December 16, 1983 during a personal meeting at the White House.

I cannot overemphasize how important this entire issue is to South Carolina, the Southeast, and the Nation as a whole.

Thank you for your attention to this urgent matter.

With kindest personal regards and best wishes,

Sincerely,

Strom Thurmond

Strom Thurmond

ST/eq
Enclosure

United States Senate

WASHINGTON, D.C. 20510

1984 APR 27 PM 3 24

April 9, 1984

The President
The White House
Washington, DC 20500

Dear Mr. President:

A rapid and unprecedented surge in textile/apparel import growth since the beginning of this year has created an emergency that threatens the very survival of the United States domestic textile and apparel industry and the jobs of an enormous number of textile and apparel workers.

Textile and apparel imports increased 45% in January and February of this year over levels in the same period a year ago. This increase follows the 25% increase in textile and apparel import growth in 1983, the biggest single year of imports ever. In human terms, the 1983 increase alone represents 140,000 jobs lost. Already this year the growth in imports represents 50,000 textile and apparel workers that could have been employed. Total textile and apparel imports now displace some 800,000 U.S. workers.

High levels of textile and apparel import growth have contributed disproportionately to our trade deficit. The 1983 trade deficit in textiles and apparel of \$10.6 billion accounts for 15% of the total record U.S. trade deficit of \$69.3 billion that year. The textile and apparel trade deficit in two months this year is a record \$2.6 billion, up 67% over the same period a year ago.

There is every indication that these trends will continue. For example, Ambassador Brock reportedly stated recently that he expects the textile import surge to continue "for a good part of this year." If so, based on the rate of import growth already this year, the rate of import growth in 1984 would be 36% higher than in 1983.

In view of this emergency situation, we urge you to take the following actions:

1. Freeze textile and apparel imports at 1983 levels to correct the balance of trade. Such action is permitted by the General Agreement on Tariffs and Trade, and authorized in Section 122 of the Trade Act of 1974. Other nations have taken similar action: for example, in 1981 the European Community

The President
April 9, 1984
Page Two

rolled back imports from non-EC countries from 4,079 billion pounds to 3,191 billion pounds.

2. Establish a system of import licensing for all textile and apparel imports from all sources. Such action is authorized in Section 204 of the Agriculture Act of 1956 and Section 1102 of the Trade Agreement Act of 1979. This will improve enforcement of existing U.S. laws requiring country of origin labeling, prohibiting transshipments, and so forth.

3. Direct the Office of the U.S. Trade Representative to begin negotiations to create global import controls for textiles and apparel with the major low-wage exporting countries and to permit import growth at no greater than domestic market growth in keeping with your 1980 pledge to limit the growth of textile imports to the growth of the domestic market.

These actions are the minimum required if our domestic textile industry is to survive the onslaught of imports and if the declines in U.S. textile and apparel employment are to be reversed. We urge you to give them your prompt attention.

Sincerely,

Strom Thurmond

Paul Ribble

John Warner

Paul Hawkins

Mal Miller

Jake Barn

James Helms

John D. Hacht

Gene Heinz

John P. East

Paul Coleman

Alfonso

The President
April 9, 1984
Page Three

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Handwritten signature

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7/8

For: M. B. Oglesby

Note to Craig

From: Tom G. B.

Re: Textiles - Broyhill

In case you need some
info. for Broyhill

CR

Attached is a Treasury/Customs response to a Broyhill letter in which he cites a lack of action toward implementing the President's Executive Order of the "Textile Import Program Implementation."

The Treasury response offers several examples of progress.



OFFICE OF THE SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

July 2, 1984

MEMORANDUM TO: The Honorable Tom Gibson
Associate Director
Office of Cabinet Affairs
The White House

SUBJECT: Congressman Broyhill's Letter Regarding Textile Imports

On May 19, 1984, the President signed the Executive Order 12475 which calls for regulations to ensure more effective implementation of our import quotas on textile and apparel products. Despite Congressman Broyhill's allegations to the contrary, the Customs' Task Force on textiles and Treasury officials are working closely with Commerce officials to devise the regulations which will improve implementation of the textile import regime.

Agencies are largely in agreement on the major provisions of these regulations. To date, Customs officials have drafted the regulations which would put this agreement into effect. Agencies are now reviewing the draft regulations. It is our goal to have the regulations published by late July. We believe that this effort reflects rapid progress and complete cooperation among agencies in addressing a complicated technical problem. ||

In the fall, Congressman Broyhill expects Congressman Dingell to hold hearings on the textile problem and to demand to know what the Administration is doing about the problem. Our primary response will be the implementation of the Executive Order. In addition, in response to the problem, and prior to the Executive Order, Customs began taking various actions to prevent circumvention of the textile quota and visa system. For example, to prevent fraud, Customs has increased its investigative staff abroad.

Treasury and Customs recognize the importance of responding to the Executive Order and implementing it expeditiously and to the fullest extent. You can assure Congressman Broyhill that we are committed to providing sufficient resources to ensuring that the Congressman's concerns are adequately addressed, and evasion of U.S. textile import program is prevented. (The attached paper reviews Custom's response to the Executive Order and implementation problems.)

Christopher Hicks
Executive Secretary and
Executive Assistant to the Secretary

Attachment

BACKGROUND PAPER

Customs' actions to implement Executive Order 12475 of May 9, 1984, and to prevent circumvention of the U.S. Textile Import Program:

-- COORDINATION WITH CITA

After the publication of the Executive Order, and in order to assure that rules and regulations will be effective by September 10, 1984, Customs placed a high priority on the project establishing a Task Force in accordance with Section 2a of the Order. This Task Force is composed of representatives from all concerned Custom offices, such as, Trade Operations, Inspection and Control, Duty Assessment, Chief Counsel, Rules and Regulations, and Investigation and Fraud. Representatives from Commerce's Office of Textiles are also members. Starting with the policy guidance proposed by the Chairman of the Committee for Implementation of the Textile Agreements (CITA), the Task Force suggested alternative approaches developed after several meetings between Treasury, Customs and Commerce. Based on that work, the Task Force has developed draft regulations. It is Custom's goal to complete the regulation by July 9 and Treasury's to publish them as interim regulations by late July, well within the Executive Order time frame.

-- THE DRAFT REGULATIONS, RULES, AND GUIDANCE TO THE FIELD

The draft regulations will provide stricter and more specific guidance and criteria for determining the country of origin, and defining substantial transformation. In order to assist Customs in these determinations, the regulations will require more detailed and specific information from the importer on the manufacturing processes used prior to entry. The regulations will prevent further misuse of the quota and visa exemptions for imports valued under \$250. The misuse of foreign trade zones or warehouses to manipulate textiles for the purpose of circumventing the import restrictions will be prevented. Customs will provide procedural guidance to its field offices to increase the testing and sampling of shipments to prevent the misrepresentation of the product or the composition of its fiber. Classification practices for parts of garments and certain man-made fiber yarn will be strengthened, and the use of "by-pass" procedures for textile and apparel products will be tightened, and coordination between CITA and Customs on textile fraud and investigations will be increased.

-- OTHER ACTIONS

Customs has increased its emphasis on the prosecution of textile fraud by establishing special textile fraud teams at the field level. Concurrently, Customs opened a Commercial Fraud Investigation Center to coordinate fraud cases. Staffing will be increased to assist in the investigation of transshipments and other fraudulent activities.

After a number of counterfeit visas were discovered, Customs established a visa verification program for Taiwan. The system was initially manual, but has now been automated and Customs is planning to add other countries.

On May 3, 1984, Customs implemented new guidelines to assure uniform treatment of luggage entering under import quotas.

In early 1984, Customs implemented a textile visa policy for shipments not over \$250 to stop importers misuse of this option to circumvent the textile visa requirements and to avoid the filing of formal entries.

Importers must now include the textile visa number on the entry form for textile enforcement purposes making it easier to verify visas.

Since 1979, Customs has used the automated import quota system to enforce and monitor the increasing number of textile import quotas by country and commodity; thereby, decreasing opportunities for evasion and misrepresentation.

Treasury and Customs in coordination with CITA will continue to do everything possible to prevent the circumvention of the U.S. Textile Import Program.

THE WHITE HOUSE

WASHINGTON

June 13, 1984

MEMORANDUM FOR JACK SVAHN
DICK DARMAN
CRAIG FULLER

FROM: M. B. OGLESBY, JR. *MB*

The attached is provided for your information.

cc: Nancy Risque

Tom
Let's get
something for
Treas to
explain what's
happening.
MB

JAMES T. BROYHILL
10TH DISTRICT, NORTH CAROLINA

Room 2340
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June 8, 1984

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Chief of Staff and Assistant to the President
The White House
Washington, D.C. 20500

Dear Jim:

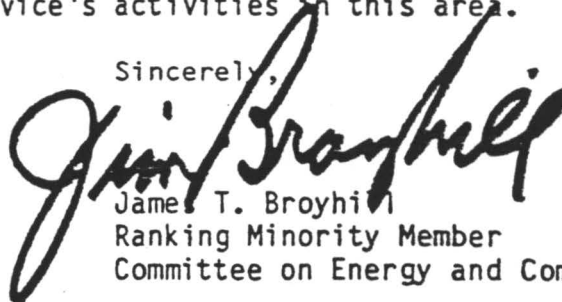
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As you know, the President's Executive Order was designed to augment the Customs Service's authority to investigate and prosecute individuals engaged in textile fraud and the circumvention of trade laws. To effectuate the directives contained in the President's Executive Order, the Customs Service is authorized to promulgate rules and regulations in accordance with the policy guidance set forth by the Committee for the Implementation of Textile Agreements. Inquiries made by my staff reveal that, to date, the Customs Service has taken minimal action to promulgate the rules and regulations as provided in the Executive Order.

I find the Customs Service's inaction in an area to which the President has assigned such a high priority particularly disconcerting. I plan to continue to monitor the Customs Service's progress with regard to the implementation of the Executive Order and, if need be, exercise the Energy and Commerce Committee's oversight authority to insure that the President's directives are accomplished.

For your convenience, I have enclosed my recent correspondence with Commissioner von Raab and a copy of the President's Executive Order. I will keep you informed of the Customs Service's activities in this area.

Sincerely,



James T. Broyhill
Ranking Minority Member
Committee on Energy and Commerce

Encs.

JAMES T. BROYHILL
10TH DISTRICT, NORTH CAROLINA

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(704) 328-8718

June 7, 1984

Honorable William von Raab
Commissioner
United States Customs Service
1301 Constitution Avenue, N.W.
Washington, D.C. 20229

Dear Commissioner von Raab:

I appreciate the time you spent with members of my staff on Friday, May 31, 1984, to explain the Custom Service's enforcement activities in support of the textile program. During that meeting, you commented upon an Executive Order entitled "Textile Import Program Implementation", issued by the President on May 9, 1984. From your comments on that subject, the Committee staff concluded that it was your opinion that the President's Executive Order had little, if any, effect on the Custom Service's enforcement activities in the area of textile fraud and circumvention. Such remarks concerning the effectiveness of the President's Executive Order uttered by the Chief Enforcement Officer of the Customs Service, naturally have caused me a great deal of concern.

Due to my concerns, on June 5, 1984, members of my staff conferred with Alfred De Angelus, Rick Miller, and Robert Schaffer among others at Customs to determine the extent of the Customs Service's timely implementation of the Executive Order. After this meeting, it appears that a discrepancy exists between your initial opinion and the subsequent opinions of your staff with regard to the scope and implementation of the Executive Order.

To clarify your position on this issue, I am requesting that you respond to my inquiries with regard to your implementation and enforcement of the directives contained in the Executive Order. Specifically, I would appreciate your comments on the following subjects:

1. The Executive Order provides that, with regard to the rulings and regulations to implement the textile program, the Customs Service act in accordance with the policy guidance set forth by the Committee for the Implementation of Textile Agreements (CITA).
 - A. To date, what discussions have been held with CITA on this subject?
 - B. Have any rulings and regulations been issued to date, and if not, why not?

Honorable William von Raab

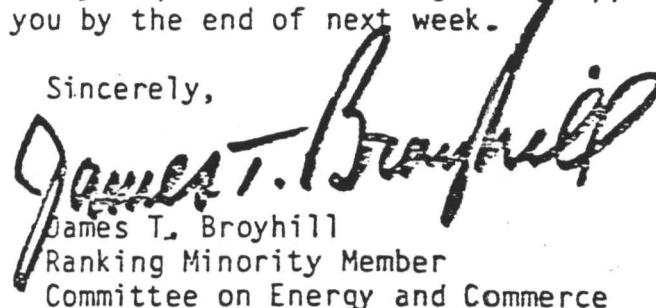
June 7, 1984

Page Two

- C. In what manner, and to what extent, have representatives of the Customs Service participated in the activities of this Committee?
2. In your opinion, to what extent does the Executive Order confer upon Customs additional or expanded authority to prevent quota circumvention? How will this be accomplished?
 3. When will the Customs Service promulgate the rules and regulations needed to implement the President's mandate contained in the Executive Order? Who is responsible for the promulgation of these rules and regulations? Further, articulate the reasons, if any, why Customs may anticipate any objections to the rules and regulations it must promulgate.
 4. To date, has the Customs Task Force established by the Executive Order been selected? If so, who are the members of the Task Force, and what actions have they taken? In the alternative, please explain why the Task Force has yet to meet in formal session.
 5. What is the vehicle at Customs for the coordination with CITA of the Task Force's actions?
 6. When will the more precise interpretation and applications of the rules and regulations covering "country of origin" as that term applies to the textile program be implemented?

Your prompt response to my inquiries will be greatly appreciated. I look forward to hearing from you by the end of next week.

Sincerely,


James T. Broyhill
Ranking Minority Member
Committee on Energy and Commerce

EXECUTIVE ORDER

TEXTILE IMPORT PROGRAM IMPLEMENTATION

By the authority vested in me as President by the Constitution and laws of the United States of America, including Section 204 of the Agricultural Act of 1956, as amended (76 Stat. 104, 7 U.S.C. 1854), and Section 301 of Title 3 of the United States Code, and in order to prevent circumvention or frustration of multilateral and bilateral agreements to which the United States is a party and to facilitate efficient and equitable administration of the United States Textile Import Program, it is hereby ordered as follows:

Section 1. (a) In accordance with policy guidance provided by the Committee for the Implementation of Textile Agreements (CITA), through its Chairman, in accordance with the provisions of Executive Order No. 11651, as amended, the Secretary of the Treasury shall issue regulations governing the entry or withdrawal from warehouse for consumption of textiles and textile products subject to Section 204 of the Act.

(b) Initial regulations promulgated under this section shall be promulgated no later than 120 days after the effective date of this order.

(c) To the extent necessary to implement more effectively the United States textile program under Section 204, such regulations shall include:

(i) clarifications in, or revisions to, the country of origin rules for textiles and textile products subject to Section 204 in order to avoid circumvention of multilateral and bilateral textile agreements;

(ii) provisions governing withdrawals from a customs bonded warehouse of articles subject to this Order transformed, changed or manipulated in a warehouse after importation but prior to withdrawal for consumption; and

(iii) any other provisions determined to be necessary for the effective and equitable administration of the Textile Import Program.

(d) Any such regulations may also include provisions requiring importers to provide additional information and/or documentation on articles subject to this order which are determined to be necessary for the effective and equitable administration of the Textile Import Program.

Sec. 2. (a) The Commissioner of Customs shall establish a Textile and Apparel Task Force (the Task Force) within the United States Customs Service to coordinate enforcement of regulations concerning importation under the Textile Import Program.

(b) CITA, through its Chairman, shall, in accordance with the provisions of Executive Order No. 11651, as amended, provide information and recommendations to the Task Force, through the Department of the Treasury, on implementation and administration of the Textile Import Program.

(c) The Department of Treasury shall, to the extent practicable, inform the Chairman of CITA of the progress of all investigations concerning textile imports; provide notice to CITA of all requests for rulings on matters that could reasonably be expected to affect the implementation of the Textile Import Program; and take into consideration any comments on such requests that CITA, through its Chairman, timely submits.

Sec. 3. This order supplements, but does not supersede or amend, Executive Order No. 11651 of March 3, 1972, as amended.

Sec. 4. This order shall be effective upon its publication in the Federal Register.

Ronald Reagan

THE WHITE HOUSE,