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THE WHITE HOUSE

WASHINGTON

December 16, 1982

Meeting with the Cabinet Council on Commerce and Trade

DATE: December 17, 1982

LOCATION: Cabinet Room

TIME: 12 noon (120 minutes)

FROM: Craig L. Fuller *CS*

I. PURPOSE

To discuss the following issues:

Industry/Government Consultation on
Innovation

Antitrust Barriers to U.S. Competitiveness

Export Financing

Agricultural Export Policy

Industrial Adjustment Policy

Update on DISC Replacement

New Negotiating Authority

Renewal of Generalized System of
Preferences

II. BACKGROUND

Industry/Government Consultation on Innovation: A recommendation is made that you should establish, by Executive Order, a Council on Industrial Competitiveness to define the problem and needs of industry as it competes in world markets and to assess the degree to which federal policies and programs should and do address those problems and needs.

Antitrust Barriers to U.S. Competitiveness: A proposal is being put forward which would initiate review of antitrust laws (led by the Justice Department) and identify barriers to the competitiveness of U.S. businesses in world markets and recommend policy changes as appropriate.

Export Financing: The funding level of Ex-Im Bank will be considered. A number of options are under consideration which would provide different mixes of direct credits and guarantees. USTR has also proposed that the Ex-Im Bank be authorized to provide targeted interest rate subsidies to meet foreign subsidized competition where appropriate.

Agricultural Export Policy: The issue being addressed is whether the Administration will decide to make available surplus CCC stocks and a \$900 million warehouse to be used on a case-by-case basis to offset the effects of European Community subsidies.

Industrial Adjustment Policy: Trade adjustment assistance for workers and firms is due to end. The issue to be discussed today is the consideration of a trade adjustment assistance program for workers and firms as part of a broad Administration strategy to address growing protectionist pressures and to aid these groups in the changing competitive circumstances of today. TAA has inherent inequities and inefficiencies which will be discussed and these must be weighed against the benefits of these programs as alternatives to protection.

Update on DISC Replacement: At a recent CCCT meeting, you charged the Department of Treasury, Commerce and USTR with developing a plan which would provide for an acceptable alternative to the DISC. This will be an update on the progress being made.

New Negotiating Authority: The CCCT will consider whether the Administration should continue to seek authority from the Congress to negotiate reductions in tariffs and reductions or elimination of barriers to trade in services, high technology and foreign direct investment.

Renewal of Generalized System of Preferences: This will be a discussion of whether the Administration should seek authority from the Congress to extend the U.S. Generalized System of Preferences. The program provides duty-free treatment for most lesser developed countries' imports into the U.S. and is scheduled to expire in 1985. At Cancun, you pledged to seek a renewal of the program. The protectionist tendencies of some Members of Congress will have a negative effect on efforts to renew the program.

III. PARTICIPANTS

Members of the Cabinet Council on Commerce and Trade. A listing will be attached to the agenda.

IV. PRESS PLAN

None

V. SEQUENCE OF EVENTS

Secretary Baldrige will lead the discussion.

THE WHITE HOUSE

WASHINGTON

CABINET COUNCIL ON COMMERCE AND TRADE

December 17, 1982

12:00 p.m.

Cabinet Room

AGENDA

1. Industry/Government Consultation on Innovation
2. Antitrust Barriers to U.S. Competitiveness (CM#074)
3. Export Financing (CM#211)
4. Agricultural Export Policy/CCFA (CM#204)
5. Industrial Adjustment Policy
6. Update on DISC Replacement (CM#282)
7. New Negotiating Authority
8. Renewal of Generalized System of Preferences

INDUSTRY/GOVERNMENT CONSULTATION ON INNOVATION

Issue

Today there is no coherent, easily identifiable, single mechanism for defining the technology needs of the private sector as it competes in world markets or for assessing the degree to which Federal policies address these needs. Present business/government consultations involving specific industries, specialized Federal agencies, and Congressional committees produce uncoordinated, partial views and proposals, often with unforeseen countereffects. Existing Federal advisory groups tend to contribute to the piecemeal approach in ways that are self-serving to advisors and sponsoring agencies. Should, therefore, the Administration establish or participate in a high level organizational arrangement to identify private sector needs in the area of industrial innovation, especially in light of foreign governmental technological policies and programs?

Objectives

In the industrial innovation area, any new organizational approach should:

- Clarify the problems and needs of the private sector regarding the commercialization of innovation, especially within the context of mounting international competition.
- Assess the impact of Federal policies on the private sector's technology problems and its ability to compete in the international marketplace.
- Orient technology policies to serve broad segments of the private sector rather than just specific industries.

Analysis

Some new entity should be created to consider such issues as: research and development direction; dissemination and use of R&D results; basic direction of Government laboratories; scientific and technical manpower; incentives and disincentives to industrial technology development and commercialization (e.g., patents, tax policy, antitrust, and regulation); and government, industry, labor, and university cooperation. Consideration of developments in international competition in high technology sectors and the factors influencing our Nation's competitive status should be emphasized.

Recommendations

The President should establish, by Executive Order, a Council on Industrial Competitiveness to define the problems and needs of industry as it competes in world markets and to assess the degree to which federal policies and programs address those problems and needs. The Secretary of Commerce and the President's Science Advisor should implement the Council, composed of representatives from the private sector, and should ensure that the Councils' deliberation can be included in policy development prior to formulation of the FY-85 budget submission.

Pros

- Would show high level concern for relationship of federal programs to commercial technology development.
- Addresses critical issues facing American industry and the federal response to those issues.
- Puts onus on the private sector to define critical problems and needs and to present them to the public sector in a coherent and understandable manner.
- Precludes charges of inappropriate federal influence on findings; these would be in the open for the government to respond to or ignore as appropriate.

Cons

- Depends on private sector to organize appropriate input entity/mechanism/process.
- Leaves open possibility that input generated will include conclusions and recommendations contrary to Administration policy.
- Does not specify federal evaluation/implementation mechanism.

ANTITRUST

ISSUE

How can the Administration clarify and modify its antitrust policies in a manner which will promote the competitiveness of U.S. goods and services in world markets?

BACKGROUND

U.S. antitrust policies increasingly need to take account of international competition. The Justice Department has recognized this need, and has increasingly modified its policies in light of international competitive factors. As can be expected during a period of change, however, there is a great deal of ambiguity which bothers the business community. Of particular concern to businessmen are the following:

U.S. law is ambiguous on the extent to which companies can form arrangements to share their research and development efforts. In some sectors, particularly high technology, the lack of cooperative research and development has put the United States at a competitive disadvantage internationally. In contrast to U.S. policy, the Japanese Government encourages intercompany sharing of research and development. There is a widely held view that this has facilitated their worldwide success in the semiconductor market at the expense of U.S. manufactures.

Another issue concerns the definition of a competitive market. While interpretations of our antitrust laws by the Justice Department have been moving toward a broader global market concept, a clear statement on this issue would be helpful in guiding public policy and achieving a national consensus.

Another issue concerns the degree to which U.S. foreign subsidiaries may conform to local rules of competition without being subject to liability under U.S. antitrust laws.

RECOMMENDATION

An Interagency Task Force, chaired by the Department of Justice, should be established to identify antitrust barriers to the competitiveness of U.S. businesses in world markets and recommend policy changes as appropriate. Areas for examination should include joint research and development by private concerns, application of U.S. antitrust law to subsidiaries of U.S. firms operating in foreign countries, and the definition of a international competitive market.

DECISION

_____ Approve

_____ Disapprove

EXPORT FINANCING

ISSUE

As part of the Administration's trade strategy initiative, should an increase in Eximbank's resources be sought? If so, what would be the appropriate program mix?

BACKGROUND

Our major trading partners provide assured financing and some provide subsidized financing for their exports. In recent years, U.S. exporters have lost some major sales because of these foreign credit subsidies. The return of interest rates to more normal levels and the Administration's negotiating success in reducing foreign credit subsidies should continue to reduce the financing problem. However, the export community is concerned that should there again be a significant gap between OECD minimum rates and U.S. market rates, they would be at a disadvantage in export markets. This could contribute to a significant erosion in public support for an open trading system.

OPTIONS

1. An Eximbank budget of \$3.8 billion in direct credits and \$12 billion in guarantees and insurance. If foreign credit subsidies again become a significant problem, Eximbank could finance interest subsidies on up to \$3 billion in guaranteed loans by increasing its borrowings to cover the losses.

Advantages

- Would respond to current commercial circumstances in which access to financing, rather than cost, is likely to be the predominant export finance problem.
- Would demonstrate more strongly to U.S. business community the Administration's determination to support exports.
- Use of interest subsidy would have less current budget effect than additional direct credit authority.

Disadvantages

- Would be more costly to the U.S. Government than use of additional direct credits if option is exercised.
- Could increase USG demand on credit markets relative to Options 3 and 4.
- Could undermine discipline of Federal budget process if subsidized guaranteed loans are substituted for direct credits without Congressional review or appropriation.

SUPPORT USTR.

2. An Eximbank budget of \$6.5 billion in direct credits and \$8.0 billion in guarantees and insurance.

Advantages

- Provides greatest assurance to U.S. business community that foreign credit subsidies will be neutralized.
- Less costly to U.S. Government than interest subsidy approach.
- Consistent with control and disclosure objectives of credit budget process.

Disadvantages

- Has greatest adverse initial budget impact and would result in greater budget outlays in the short to medium term than Options 1, 3 and 4.
- Less ability and incentive to move toward a system of guaranteeing private credit.
- Could increase USG demand on credit markets relative to Options 3 and 4.

SUPPORT Eximbank, Commerce.

3. An Eximbank budget of \$3.8 billion in direct credits and \$10 billion in guarantees and insurance.

Advantages

- Would respond to current commercial circumstances in which access to financing, rather than cost, is likely to be the predominant export finance problem.

Disadvantages

- Could increase USG demand on credit markets relative to Option 4.
- Could not give the business community the assurance it is seeking that the government will take action to offset foreign export credit subsidies if that becomes necessary.

SUPPORT Treasury.

4. No increase in Eximbank's FY 1984 resources over FY 1983. An Eximbank budget of \$3.8 billion in direct credits and \$8.0 billion in guarantees and insurance.

Advantages

- Holds down government expenditures and credit budget consistent with Administration policy of restraining Federal credit absorption.
- Does not propose that the Bank's program be restructured on an entitlement-like basis, which Options 1 and 2 would do.

Disadvantages

- Does not assure trade community that U.S. Government would neutralize increased foreign government export subsidies.
- Could result in lost export sales.

SUPPORT OMB.

DECISION

- _____ 1. An Eximbank budget of \$3.8 billion in direct credits and \$12 billion in guarantees and insurance. If foreign credit subsidies again become a significant problem, Eximbank could finance interest subsidies on up to \$3 billion in guaranteed loans by increasing its borrowings to cover the losses.
- _____ 2. An Eximbank budget of \$6.5 billion in direct credits and \$8.0 billion in guarantees and insurance.
- _____ 3. An Eximbank budget of \$3.8 billion in direct credits and \$10 billion in guarantees and insurance.
- _____ 4. No increase in Eximbank's FY 1984 resources over FY 1983. An Eximbank budget of \$3.8 billion in direct credits and \$8.0 billion in guarantees and insurance.

INDUSTRIAL REVENUE BONDS FOR EXPORTS

ISSUE

Should the Administration seek changes in the Internal Revenue Code that would authorize the use of tax-exempt industrial revenue bonds to finance exports?

BACKGROUND

A number of states are developing proposals for state export financing programs that would supplement the activities of the Eximbank. Some states are considering issuing tax-exempt bonds with which to create a revolving fund that could be used for export sales. If the terms of the financing were consistent with those of the OECD Export Credit Arrangement and the financing were not specifically directed toward exports but could be used for domestic sales as well, this approach would be consistent with our GATT obligations. To implement such a program, the Administration would have to seek changes in the Internal Revenue Code authorizing the use of tax-exempt bonds for financing exports.

Advantages

- Would supplement the resources of the Eximbank by ensuring access to financing, particularly for small and medium-sized businesses.
- Would ensure that some export sales that currently do not go forward are made.
- Would be perceived as Administration support for strong export policy.

Disadvantages

- Issuing tax-exempt bonds means a direct reduction in revenues to the Treasury; and, adding to already existing tax expenditures may make it more difficult to defend the 1983 personal tax reduction.
- Would be inconsistent with Administration efforts to ensure that export credit subsidies are selectively targeted as subsidized financing would be available and sought by exporters even if there was no foreign competition.
- Would contribute to further crowding out of private borrowing in the capital markets and further reduces benefits of tax-exempt financing for municipalities.

SUPPORT

USTR, Commerce

AGRICULTURAL EXPORT SUBSIDIES

Issue

Should the Administration have available a program consisting of surplus commodity disposal and export subsidies in order to target subsidized export competition by the European Community?

Background

The United States is virtually the only agricultural exporting country which adjusts its production as well as its prices to market conditions. In effect, U.S. farmers are forced to cut back production or compete against foreign governments, since most other governments provide incentives to export their principal farm products. If the United States is not to accept a position of residual and shrinking supplier to the world market, this situation must be reversed. Because of the dominant position of the European community in subsidized trade, progress in this area is possible only if the EC can be persuaded to temper its policies.

The EC has become the world's second largest exporter of agricultural products (the U.S. is first), and has cut into U.S. sales in several third-country markets. In 1982, the EC will spend \$6 billion, or half its budget for agricultural market support on direct export subsidies for commercial agricultural exports. EC exports are predominantly high-value products -- animal products and processed commodities -- which have the greatest potential market growth and job creation.

The U.S. has challenged EC subsidies of wheat flour, sugar, poultry and pasta in the GATT. However, the GATT process is very slow, and the restrictions on agricultural export subsidies are much looser than for manufactured exports. EC subsidies may be found legal under current GATT rules.

The recently concluded GATT Ministerial was unable to impose any further international discipline on the use of export subsidies, due to objections by the European Community.

Five Cabinet members met with EC officials on December 10 at which time the EC agreed to work toward solving our bilateral trade frictions at a sub-cabinet meeting to be held in January. A second meeting of EC and U.S. Cabinet-level policymakers is to be held in March to review progress of the working group. We do not believe the Community will be interested in making any fundamental change in their export subsidy practices unless they perceive it is in their own best interests to do so. Up until now, we have been unsuccessful in our attempts to get the Community to discipline its use of subsidies in both our bilateral and multilateral efforts. What is needed is a short-term program which will convince them of our intent to protect U.S. trade interests in the face of unfair subsidized competition.

Proposal

The Administration would agree to make available surplus CCC stocks and a \$900 million warehouse to be used on a case-by-case basis to offset the effects of EC subsidies.

USDA, USTR, and State would coordinate the CCC sales and determine markets and commodities for the subsidy program.

Decision

- _____ 1. Authorize sale of excess CCC commodities, such as butter.

- _____ 2. Authorize creation of a warehouse of up to \$900 million, supplemented and/or substituted by the use of surplus stocks and targeted to compete against foreign subsidized exports.

INDUSTRIAL ADJUSTMENT

ISSUE

Should we develop new adjustment assistance programs for workers and firms that would serve as alternatives to import relief and promote modernization and adjustment of trade-impacted workers and firms?

BACKGROUND

Many of America's basic manufacturing industries are experiencing high and rising unemployment and major financial losses which could result in significant bankruptcies. At the same time, imports are increasing in many of these same industries; Pressures for import protection are growing and may get out of control.

A trade adjustment assistance program for workers and firms could be developed as part of a broad Administration strategy to address these protectionist pressures and to help these groups adjust to changing competitive circumstances. These programs provide specific alternatives to import protection as a means of addressing the potentially negative pressures raised in public and in Congress for responding to increasing import competition. Many members of Congress seem to believe that the alternative of trade adjustment assistance for workers and firms is essential. These two programs can provide an easily-identifiable, clear alternative which the Administration can utilize as a policy tool to respond to increasing imports without closing our borders to the benefits of greater competition.

Moreover, U.S. law provides that the government grant import relief when industries are injured from increased foreign competition. Trade adjustment assistance can provide an alternative to import relief in such cases. It is likely that we will be faced by an increasing number of petitions for import relief over the coming months. If TAA is terminated, we could find ourselves under greater pressure to provide import relief in these instances.

TAA for both firms and workers has inherent inequities and inefficiencies that may not be resolvable. These programs would also increase government expenditures in a tight budgetary situation. This must be weighed against the benefits of those programs as alternatives to protection.

To the extent that the lack of adjustment is a key issue, across-the-board benefits to aid adjustment could provide a more efficient alternative to trade adjustment assistance. For example, general incentives for R&D and investment will help firms adjust and general retraining benefits could help all unemployed workers regardless of the cause of unemployment.

TRADE ADJUSTMENT ASSISTANCE FOR WORKERS

BACKGROUND

Trade Adjustment Assistance for workers has been in place in various forms since 1962. The program is due to expire, and the Department of Labor has proposed that the program be terminated. Instead, DOL supports concentrating on an overall effort to help displaced workers generally.

USTR, on the other hand, believes that the program should be maintained with modifications, in light of public and Congressional concern regarding the impact of import competition on our key industries. USTR sees trade adjustment assistance for workers as one element of the overall package designed to diffuse import protection in specific cases where industries can petition for import relief under U.S. law.

If it is agreed that trade adjustment assistance is desirable, one approach could be to modify the existing program to allow workers in an industry to seek trade adjustment assistance benefits by petitioning the International Trade Commission for a determination of whether increased imports contributed importantly to their job loss. If a determination is made on this basis, or if the ITC makes a determination that an industry has been seriously injured by imports in an import relief case, workers in that industry certified by their employers as being permanently displaced would be eligible for retraining and/or relocation support. Retraining could be provided through vouchers.

OPTIONS

1. The Administration should propose a TAA program for workers as part of our trade strategy initiative.

Advantages

- Provides an alternative to import relief when the ITC finds, under U.S. law, that imports are injuring a U.S. industry.
- Gives Congress, which is convinced TAA is critical, an alternative in resisting protectionist pressures on the Hill.
- Allows greater potential for trade liberalization, by providing a clearly identifiable program of adjustment benefits for those subsequently injured.
- Allows us to take the lead on an issue that Congress is almost certain to take up anyway.

Disadvantages

- Provides extra benefits just to trade-affected workers, while others experiencing equally or more severe structural unemployment are not aided. Conflicts with Administration policy to provide equitable assistance to all unemployed, without regard to cause of unemployment.
- High risk that in any TAA extension Congress could expand cash benefits, putting at risk significant budget savings realized in 1981 Reconciliation Act.
- If any TAA program we develop is judged insufficient on the Hill, it may not have the desired effect of preventing protectionist legislation.

SUPPORT USTR, USDA.

1.A. If it is agreed to continue a worker trade adjustment assistance program, the Administration should propose a \$170 million program for training, job search and relocation grants for displaced workers in industries certified by the ITC as being import-impacted.

Advantages

- Encourages workers to leave dying industries.
- Certifying on an industry, rather than a firm basis would significantly shorten the certification process, to speed flow of assistance to affected workers and to eliminate many current inequities.
- Provides clear alternative to import protection.
- Limits costs and ensures better use of benefits than the current program, by providing benefits only to those certified by former employers as being permanently displaced.

Disadvantages

- It may prove difficult to shorten the certification process without opening up TAA to workers for whom benefits were not intended, expanding costs without benefits.
- To maintain "contributed importantly" import test beyond FY 1983 is a reversal of Administration policy.
- The ITC might be deluged with petitions for TAA that it is not staffed to process.

- The proposal may not be deemed as sufficiently helpful to displaced workers so as to fend off protectionist pressures.

SUPPORT USTR, USDA.

2. The Administration should develop a beefed-up general policy for helping displaced workers which could be included as part of our political trade strategy initiative.

Advantages

- Assistance (training, job search, etc.) available immediately to displaced workers, without need to go to TAA certification process.
- Consistent with Administration policy of treating unemployed workers equitably, regardless of cause of unemployment.
- If sufficiently strengthened beyond the existing general job training program, we could assert that this new program was prompted by the need to better assist the trade-impacted.

Disadvantages

- Not limited to trade-affected workers; may not be as strong a bargaining chip when fighting off protectionist measures on the Hill or in individual import relief cases.
- No evidence government knows what jobs to train displaced workers for, or that government intervention can help dislocated workers.

SUPPORT Will depend on how final product looks.

3. The Administration should consider the problems of trade-impacted workers within the context of its general review within the CCEA of all structurally unemployed workers.

Advantages

- Permits decision on assistance for trade-affected workers to be made in context of consideration being given to the development of a new, general Administration policy on employment and training programs, designed to deal with problems of structural unemployment, of which trade is but one facet. Certain proposals under review could be of significant benefit to trade-impacted workers.

Disadvantages

- Increases the likelihood that the program would be a general one, rather than a special purpose TAA program.
- If no program is developed, there will be a major gap in our trade initiative.

SUPPORT Treasury, Labor, OMB, CEA.

DECISION

- _____ 1. The Administration should have a trade adjustment assistance program for workers as part of our trade strategy initiative.
 - _____ 1.A. The Administration should propose a \$170 million program for retraining trade-impacted workers.
 - _____ 1.B. USTR and the Department of Labor should be asked to develop an alternative program for trade-impacted workers.
- _____ 2. The Administration should develop a general program for displaced workers that would be part of our trade package.
- _____ 3. The Administration should make a decision on a more comprehensive program for displaced workers generally as part of the CCEA review.
- _____ 4. The Administration should terminate the worker Trade Adjustment Assistance program.

TRADE ADJUSTMENT ASSISTANCE FOR FIRMS

BACKGROUND

Trade Adjustment Assistance for firms is authorized by the Trade Act of 1974 to assist the adjustment of firms injured by import competition. The President's 1983 budget proposed termination of the program, although continuing resolutions have sustained the program. Commerce has not requested 1984 funding.

USTR believes that a trade adjustment assistance program for firms is needed as an alternative to import protection as a means of responding to pressures generated by firms experiencing heavy import competition. USTR acknowledges the deficiencies of the existing program, however, and would propose the need for a modified approach. Since the specific elements of such a program would need to be worked out, USTR would suggest that in the interim funding for the existing program be maintained at current levels of approximately \$28 million a year.

If special assistance is provided to import-impacted firms, however, this would favor certain firms over other firms facing adjustment problems for nontrade reasons.

OPTIONS

1. The Office of the U.S. Trade Representative and the Department of Commerce should develop a new trade adjustment assistance program for firms, reporting back to you within the next two months.

Advantages

- Provides an alternative to protectionist legislation.
- Provides an alternative to import protection when industry relief is sought under U.S. law.
- Provides a basis for further trade liberalization if the perception exists that those firms potentially hurt will be assisted.

Disadvantages

- Would be a reversal of current U.S. policy not to target special assistance to select groups. The Administration's macroeconomic policies should provide for all U.S. firms.
- TAA for firms can be described as giving money to losers, since import injury must be demonstrated by loss of sales. It will be difficult to assure that assistance made available addresses the impact of trade, as opposed to poor management, etc.

SUPPORT USTR, USDA.

2. The Administration should terminate Trade Adjustment Assistance for firms.

Advantages

- "Saves" \$27 million spent on current TAA program.
- Allows free market to determine the level of R&D expenditures.

Disadvantages

- Reduces the overall effectiveness of the trade package that we might be able to offer Congress to diffuse pressure for protectionist legislation.
- Eliminates an alternative to import protection in individual import relief cases.
- Delays adjustment to increased imports.

SUPPORT OMB, Commerce.

DECISION

- _____ 1. The Administration should develop a new trade adjustment assistance program for firms.
- _____ 2. The Administration should terminate Trade Adjustment Assistance for firms.

NEW NEGOTIATING AUTHORITY

ISSUE

Should the Administration continue to seek authority from the Congress to negotiate reductions in tariffs and reductions or elimination of barriers to trade in services, high technology and foreign direct investment?

BACKGROUND

The Administration is currently without authority to negotiate mutual reductions in tariffs. The authority utilized in the Tokyo Round of Multilateral Trade Negotiations expired in 1980. Authority to negotiate the elimination or reduction in non-tariff barriers imposed against U.S. investment and trade in service and high technology goods would also be useful to strengthen the U.S. hand in pursuing issues internationally. The Administration supported these proposals in the last Congress and they are embodied in the following bills currently before the Congress: H.R. 4761, S. 1902 (increase in tariff authority) and H.R. 6773, S. 2094 (negotiating authority).

RECOMMENDATION

The Administration should continue to seek trade legislation which would authorize the negotiation of reductions in tariffs and the elimination or reduction of barriers to trade in services and high technology, and foreign investment.

Arguments For

- Enables U.S. to conduct meaningful negotiations with its trading partners on the mutual reduction of barriers to international trade.
- Provides the basis for U.S. participation in the development of international rules, including dispute settlement procedures, to eliminate or reduce such barriers.
- Reduction in trade barriers would increase access to foreign markets for U.S. exports. This would stimulate new jobs and production in the U.S.

Arguments Against

- Tariff cutting authority is strongly opposed by labor and import-sensitive industries.
- Protectionist amendments are likely to be offered to any such legislation, such as reciprocity requirements.

DECISION

- _____ Approve
- _____ Disapprove

RENEWAL LEGISLATION FOR GENERALIZED SYSTEM OF PREFERENCES

ISSUE

Should the Administration propose legislation for a renewed U.S. Generalized System of Preferences (GSP) program in 1983?

BACKGROUND

The GSP program was implemented in 1976 to encourage the economic development through trade of lesser developed countries (LDCs). The program provides duty-free treatment for most LDC imports into the U.S. The program expires in 1985. The 19 other OECD countries maintaining GSP programs recently extended their systems through the end of this decade.

The President pledged at Cancun that the Administrations would seek a renewal of the GSP Program. This pledge has been reiterated in many fora including Congressional Hearings, the OECD, UNCTAD and the GATT.

A debate is currently underway in the Congress regarding the extent to which advanced developing countries should be graduated out of the GSP program and whether the United States should begin conditioning GSP eligibility on improved access for U.S. exports in beneficiary country markets.

RECOMMENDATION

The Administration should submit GSP renewal legislation to the Congress by mid-1983 with the goal of securing Congressional approval by the end of the year. Before our proposal is submitted, USTR should hold public hearings on the renewal issue to ensure that all relevant information is fully considered.

Arguments For

- Renewing authority for GSP in 1983 with the Administration proposed modifications designed to diffuse Congressional opposition (e.g. a strong clearly enunciated graduation policy) will remove GSP from election year sensitivity.
- Passage of GSP legislation in 1983 with a clear graduation policy will spark interest among LDC's regarding other Administration goals (e.g. negotiations aimed at improving U.S. access to LDC markets).

Arguments Against

- Congresssional preoccupation with protectionist legislation may remain strong throughout 1983. Despite problems of addressing GSP in 1984, an election year, it might be preferable to wait until that time on the assumption that an economic upturn will reduce protectionist sentiment.

DECISION

_____ Approve

_____ Disapprove

THE WHITE HOUSE

WASHINGTON

CABINET COUNCIL ON COMMERCE AND TRADE

December 17, 1982

12:00 p.m.

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INDUSTRY/GOVERNMENT CONSULTATION ON INNOVATION

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- ° Orient technology policies to serve broad segments of the private sector rather than just specific industries.

Analysis

Some new entity should be created to consider such issues as: research and development direction; dissemination and use of R&D results; basic direction of Government laboratories; scientific and technical manpower; incentives and disincentives to industrial technology development and commercialization (e.g., patents, tax policy, antitrust, and regulation); and government, industry, labor, and university cooperation. Consideration of developments in international competition in high technology sectors and the factors influencing our Nation's competitive status should be emphasized.

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Pros

- Would show high level concern for relationship of federal programs to commercial technology development.
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- Puts onus on the private sector to define critical problems and needs and to present them to the public sector in a coherent and understandable manner.
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- Depends on private sector to organize appropriate input entity/mechanism/process.
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- Does not specify federal evaluation/implementation mechanism.

ISSUE

How can the Administration clarify and modify its antitrust policies in a manner which will promote the competitiveness of U.S. goods and services in world markets?

BACKGROUND

U.S. antitrust policies increasingly need to take account of international competition. The Justice Department has recognized this need, and has increasingly modified its policies in light of international competitive factors. As can be expected during a period of change, however, there is a great deal of ambiguity which bothers the business community. Of particular concern to businessmen are the following:

U.S. law is ambiguous on the extent to which companies can form arrangements to share their research and development efforts. In some sectors, particularly high technology, the lack of cooperative research and development has put the United States at a competitive disadvantage internationally. In contrast to U.S. policy, the Japanese Government encourages intercompany sharing of research and development. There is a widely held view that this has facilitated their worldwide success in the semiconductor market at the expense of U.S. manufactures.

Another issue concerns the definition of a competitive market. While interpretations of our antitrust laws by the Justice Department have been moving toward a broader global market concept, a clear statement on this issue would be helpful in guiding public policy and achieving a national consensus.

Another issue concerns the degree to which U.S. foreign subsidiaries may conform to local rules of competition without being subject to liability under U.S. antitrust laws.

RECOMMENDATION

An Interagency Task Force, chaired by the Department of Justice, should be established to identify antitrust barriers to the competitiveness of U.S. businesses in world markets and recommend policy changes as appropriate. Areas for examination should include joint research and development by private concerns, application of U.S. antitrust law to subsidiaries of U.S. firms operating in foreign countries, and the definition of an international competitive market.

DECISION

_____ Approve

_____ Disapprove

EXPORT FINANCING

ISSUE

As part of the Administration's trade strategy initiative, should an increase in Eximbank's resources be sought? If so, what would be the appropriate program mix?

BACKGROUND

Our major trading partners provide assured financing and some provide subsidized financing for their exports. In recent years, U.S. exporters have lost some major sales because of these foreign credit subsidies. The return of interest rates to more normal levels and the Administration's negotiating success in reducing foreign credit subsidies should continue to reduce the financing problem. However, the export community is concerned that should there again be a significant gap between OECD minimum rates and U.S. market rates, they would be at a disadvantage in export markets. This could contribute to a significant erosion in public support for an open trading system.

OPTIONS

1. An Eximbank budget of \$3.8 billion in direct credits and \$12 billion in guarantees and insurance. If foreign credit subsidies again become a significant problem, Eximbank could finance interest subsidies on up to \$3 billion in guaranteed loans by increasing its borrowings to cover the losses.

Advantages

- Would respond to current commercial circumstances in which access to financing, rather than cost, is likely to be the predominant export finance problem.
- Would demonstrate more strongly to U.S. business community the Administration's determination to support exports.
- Use of interest subsidy would have less current budget effect than additional direct credit authority.

Disadvantages

- Would be more costly to the U.S. Government than use of additional direct credits if option is exercised.
- Could increase USG demand on credit markets relative to Options 3 and 4.
- Could undermine discipline of Federal budget process if subsidized guaranteed loans are substituted for direct credits without Congressional review or appropriation.

2. An Eximbank budget of \$6.5 billion in direct credits and \$8.0 billion in guarantees and insurance.

Advantages

- Provides greatest assurance to U.S. business community that foreign credit subsidies will be neutralized.
- Less costly to U.S. Government than interest subsidy approach.
- Consistent with control and disclosure objectives of credit budget process.

Disadvantages

- Has greatest adverse initial budget impact and would result in greater budget outlays in the short to medium term than Options 1, 3 and 4.
- Less ability and incentive to move toward a system of guaranteeing private credit.
- Could increase USG demand on credit markets relative to Options 3 and 4.

SUPPORT Eximbank, Commerce.

3. An Eximbank budget of \$3.8 billion in direct credits and \$10 billion in guarantees and insurance.

Advantages

- Would respond to current commercial circumstances in which access to financing, rather than cost, is likely to be the predominant export finance problem.

Disadvantages

- Could increase USG demand on credit markets relative to Option 4.
- Could not give the business community the assurance it is seeking that the government will take action to offset foreign export credit subsidies if that becomes necessary.

SUPPORT Treasury.

4. No increase in Eximbank's FY 1984 resources over FY 1983. An Eximbank budget of \$3.8 billion in direct credits and \$8.0 billion in guarantees and insurance.

Advantages

- Holds down government expenditures and credit budget consistent with Administration policy of restraining Federal credit absorption.
- Does not propose that the Bank's program be restructured on an entitlement-like basis, which Options 1 and 2 would do.

Disadvantages

- Does not assure trade community that U.S. Government would neutralize increased foreign government export subsidies.
- Could result in lost export sales.

SUPPORT OMB.

DECISION

- _____ 1. An Eximbank budget of \$3.8 billion in direct credits and \$12 billion in guarantees and insurance. If foreign credit subsidies again become a significant problem, Eximbank could finance interest subsidies on up to \$3 billion in guaranteed loans by increasing its borrowings to cover the losses.
- _____ 2. An Eximbank budget of \$6.5 billion in direct credits and \$8.0 billion in guarantees and insurance.
- _____ 3. An Eximbank budget of \$3.8 billion in direct credits and \$10 billion in guarantees and insurance.
- _____ 4. No increase in Eximbank's FY 1984 resources over FY 1983. An Eximbank budget of \$3.8 billion in direct credits and \$8.0 billion in guarantees and insurance.

INDUSTRIAL REVENUE BONDS FOR EXPORTS

ISSUE

Should the Administration seek changes in the Internal Revenue Code that would authorize the use of tax-exempt industrial revenue bonds to finance exports?

BACKGROUND

A number of states are developing proposals for state export financing programs that would supplement the activities of the Eximbank. Some states are considering issuing tax-exempt bonds with which to create a revolving fund that could be used for export sales. If the terms of the financing were consistent with those of the OECD Export Credit Arrangement and the financing were not specifically directed toward exports but could be used for domestic sales as well, this approach would be consistent with our GATT obligations. To implement such a program, the Administration would have to seek changes in the Internal Revenue Code authorizing the use of tax-exempt bonds for financing exports.

Advantages

- Would supplement the resources of the Eximbank by ensuring access to financing, particularly for small and medium-sized businesses.
- Would ensure that some export sales that currently do not go forward are made.
- Would be perceived as Administration support for strong export policy.

Disadvantages

- Issuing tax-exempt bonds means a direct reduction in revenues to the Treasury; and, adding to already existing tax expenditures may make it more difficult to defend the 1983 personal tax reduction.
- Would be inconsistent with Administration efforts to ensure that export credit subsidies are selectively targeted as subsidized financing would be available and sought by exporters even if there was no foreign competition.
- Would contribute to further crowding out of private borrowing in the capital markets and further reduces benefits of tax-exempt financing for municipalities.

SUPPORT USTR, Commerce

AGRICULTURAL EXPORT SUBSIDIES

Issue

Should the Administration have available a program consisting of surplus commodity disposal and export subsidies in order to target subsidized export competition by the European Community?

Background

The United States is virtually the only agricultural exporting country which adjusts its production as well as its prices to market conditions. In effect, U.S. farmers are forced to cut back production or compete against foreign governments, since most other governments provide incentives to export their principal farm products. If the United States is not to accept a position of residual and shrinking supplier to the world market, this situation must be reversed. Because of the dominant position of the European community in subsidized trade, progress in this area is possible only if the EC can be persuaded to temper its policies.

The EC has become the world's second largest exporter of agricultural products (the U.S. is first), and has cut into U.S. sales in several third-country markets. In 1982, the EC will spend \$6 billion, or half its budget for agricultural market support on direct export subsidies for commercial agricultural exports. EC exports are predominantly high-value products -- animal products and processed commodities -- which have the greatest potential market growth and job creation.

The U.S. has challenged EC subsidies of wheat flour, sugar, poultry and pasta in the GATT. However, the GATT process is very slow, and the restrictions on agricultural export subsidies are much looser than for manufactured exports. EC subsidies may be found legal under current GATT rules.

The recently concluded GATT Ministerial was unable to impose any further international discipline on the use of export subsidies, due to objections by the European Community.

Five Cabinet members met with EC officials on December 10 at which time the EC agreed to work toward solving our bilateral trade frictions at a sub-cabinet meeting to be held in January. A second meeting of EC and U.S. Cabinet-level policymakers is to be held in March to review progress of the working group. We do not believe the Community will be interested in making any fundamental change in their export subsidy practices unless they perceive it is in their own best interests to do so. Up until now, we have been unsuccessful in our attempts to get the Community to discipline its use of subsidies in both our bilateral and multilateral efforts. What is needed is a short-term program which will convince them of our intent to protect U.S. trade interests in the face of unfair subsidized competition.

Proposal

The Administration would agree to make available surplus CCC stocks and a \$900 million warehouse to be used on a case-by-case basis to offset the effects of EC subsidies.

USDA, USTR, and State would coordinate the CCC sales and determine markets and commodities for the subsidy program.

Decision

1. Authorize sale of excess CCC commodities, such as butter.
2. Authorize creation of a warehouse of up to \$900 million, supplemented and/or substituted by the use of surplus stocks and targeted to compete against foreign subsidized exports.

INDUSTRIAL ADJUSTMENT

ISSUE

Should we develop new adjustment assistance programs for workers and firms that would serve as alternatives to import relief and promote modernization and adjustment of trade-impacted workers and firms?

BACKGROUND

Many of America's basic manufacturing industries are experiencing high and rising unemployment and major financial losses which could result in significant bankruptcies. At the same time, imports are increasing in many of these same industries; Pressures for import protection are growing and may get out of control.

A trade adjustment assistance program for workers and firms could be developed as part of a broad Administration strategy to address these protectionist pressures and to help these groups adjust to changing competitive circumstances. These programs provide specific alternatives to import protection as a means of addressing the potentially negative pressures raised in public and in Congress for responding to increasing import competition. Many members of Congress seem to believe that the alternative of trade adjustment assistance for workers and firms is essential. These two programs can provide an easily-identifiable, clear alternative which the Administration can utilize as a policy tool to respond to increasing imports without closing our borders to the benefits of greater competition.

Moreover, U.S. law provides that the government grant import relief when industries are injured from increased foreign competition. Trade adjustment assistance can provide an alternative to import relief in such cases. It is likely that we will be faced by an increasing number of petitions for import relief over the coming months. If TAA is terminated, we could find ourselves under greater pressure to provide import relief in these instances.

TAA for both firms and workers has inherent inequities and inefficiencies that may not be resolvable. These programs would also increase government expenditures in a tight budgetary situation. This must be weighed against the benefits of those programs as alternatives to protection.

To the extent that the lack of adjustment is a key issue, across-the-board benefits to aid adjustment could provide a more efficient alternative to trade adjustment assistance. For example, general incentives for R&D and investment will help firms adjust and general retraining benefits could help all unemployed workers regardless of the cause of unemployment.

TRADE ADJUSTMENT ASSISTANCE FOR WORKERS

BACKGROUND

Trade Adjustment Assistance for workers has been in place in various forms since 1962. The program is due to expire, and the Department of Labor has proposed that the program be terminated. Instead, DOL supports concentrating on an overall effort to help displaced workers generally.

USTR, on the other hand, believes that the program should be maintained with modifications, in light of public and Congressional concern regarding the impact of import competition on our key industries. USTR sees trade adjustment assistance for workers as one element of the overall package designed to diffuse import protection in specific cases where industries can petition for import relief under U.S. law.

If it is agreed that trade adjustment assistance is desirable, one approach could be to modify the existing program to allow workers in an industry to seek trade adjustment assistance benefits by petitioning the International Trade Commission for a determination of whether increased imports contributed importantly to their job loss. If a determination is made on this basis, or if the ITC makes a determination that an industry has been seriously injured by imports in an import relief case, workers in that industry certified by their employers as being permanently displaced would be eligible for retraining and/or relocation support. Retraining could be provided through vouchers.

OPTIONS

1. The Administration should propose a TAA program for workers as part of our trade strategy initiative.

Advantages

- Provides an alternative to import relief when the ITC finds, under U.S. law, that imports are injuring a U.S. industry.
- Gives Congress, which is convinced TAA is critical, an alternative in resisting protectionist pressures on the Hill.
- Allows greater potential for trade liberalization, by providing a clearly identifiable program of adjustment benefits for those subsequently injured.
- Allows us to take the lead on an issue that Congress is almost certain to take up anyway.

Disadvantages

- Provides extra benefits just to trade-affected workers, while others experiencing equally or more severe structural unemployment are not aided. Conflicts with Administration policy to provide equitable assistance to all unemployed, without regard to cause of unemployment.
- High risk that in any TAA extension Congress could expand cash benefits, putting at risk significant budget savings realized in 1981 Reconciliation Act.
- If any TAA program we develop is judged insufficient on the Hill, it may not have the desired effect of preventing protectionist legislation.

SUPPORT USTR, USDA.

1.A. If it is agreed to continue a worker trade adjustment assistance program, the Administration should propose a \$170 million program for training, job search and relocation grants for displaced workers in industries certified by the ITC as being import-impacted.

Advantages

- Encourages workers to leave dying industries.
- Certifying on an industry, rather than a firm basis would significantly shorten the certification process, to speed flow of assistance to affected workers and to eliminate many current inequities.
- Provides clear alternative to import protection.
- Limits costs and ensures better use of benefits than the current program, by providing benefits only to those certified by former employers as being permanently displaced.

Disadvantages

- It may prove difficult to shorten the certification process without opening up TAA to workers for whom benefits were not intended, expanding costs without benefits.
- To maintain "contributed importantly" import test beyond FY 1983 is a reversal of Administration policy.
- The ITC might be deluged with petitions for TAA that it is not staffed to process.

- The proposal may not be deemed as sufficiently helpful to displaced workers so as to fend off protectionist pressures.

SUPPORT USTR, USDA.

2. The Administration should develop a beefed-up general policy for helping displaced workers which could be included as part of our political trade strategy initiative.

Advantages

- Assistance (training, job search, etc.) available immediately to displaced workers, without need to go to TAA certification process.
- Consistent with Administration policy of treating unemployed workers equitably, regardless of cause of unemployment.
- If sufficiently strengthened beyond the existing general job training program, we could assert that this new program was prompted by the need to better assist the trade-impacted.

Disadvantages

- Not limited to trade-affected workers; may not be as strong a bargaining chip when fighting off protectionist measures on the Hill or in individual import relief cases.
- No evidence government knows what jobs to train displaced workers for, or that government intervention can help dislocated workers.

SUPPORT Will depend on how final product looks.

3. The Administration should consider the problems of trade-impacted workers within the context of its general review within the CCEA of all structurally unemployed workers.

Advantages

- Permits decision on assistance for trade-affected workers to be made in context of consideration being given to the development of a new, general Administration policy on employment and training programs, designed to deal with problems of structural unemployment, of which trade is but one facet. Certain proposals under review could be of significant benefit to trade-impacted workers.

Disadvantages

- Increases the likelihood that the program would be a general one, rather than a special purpose TAA program.
- If no program is developed, there will be a major gap in our trade initiative.

SUPPORT Treasury, Labor, OMB, CEA.

DECISION

- _____ 1. The Administration should have a trade adjustment assistance program for workers as part of our trade strategy initiative.
 - _____ 1.A. The Administration should propose a \$170 million program for retraining trade-impacted workers.
 - _____ 1.B. USTR and the Department of Labor should be asked to develop an alternative program for trade-impacted workers.
- _____ 2. The Administration should develop a general program for displaced workers that would be part of our trade package.
- _____ 3. The Administration should make a decision on a more comprehensive program for displaced workers generally as part of the CCEA review.
- _____ 4. The Administration should terminate the worker Trade Adjustment Assistance program.

TRADE ADJUSTMENT ASSISTANCE FOR FIRMS

BACKGROUND

Trade Adjustment Assistance for firms is authorized by the Trade Act of 1974 to assist the adjustment of firms injured by import competition. The President's 1983 budget proposed termination of the program, although continuing resolutions have sustained the program. Commerce has not requested 1984 funding.

USTR believes that a trade adjustment assistance program for firms is needed as an alternative to import protection as a means of responding to pressures generated by firms experiencing heavy import competition. USTR acknowledges the deficiencies of the existing program, however, and would propose the need for a modified approach. Since the specific elements of such a program would need to be worked out, USTR would suggest that in the interim funding for the existing program be maintained at current levels of approximately \$28 million a year.

If special assistance is provided to import-impacted firms, however, this would favor certain firms over other firms facing adjustment problems for nontrade reasons.

OPTIONS

1. The Office of the U.S. Trade Representative and the Department of Commerce should develop a new trade adjustment assistance program for firms, reporting back to you within the next two months.

Advantages

- Provides an alternative to protectionist legislation.
- Provides an alternative to import protection when industry relief is sought under U.S. law.
- Provides a basis for further trade liberalization if the perception exists that those firms potentially hurt will be assisted.

Disadvantages

- Would be a reversal of current U.S. policy not to target special assistance to select groups. The Administration's macroeconomic policies should provide for all U.S. firms.
- TAA for firms can be described as giving money to losers, since import injury must be demonstrated by loss of sales. It will be difficult to assure that assistance made available addresses the impact of trade, as opposed to poor management, etc.

SUPPORT

USTR, USDA.

2. The Administration should terminate Trade Adjustment Assistance for firms.

Advantages

- "Saves" \$27 million spent on current TAA program.
- Allows free market to determine the level of R&D expenditures.

Disadvantages

- Reduces the overall effectiveness of the trade package that we might be able to offer Congress to diffuse pressure for protectionist legislation.
- Eliminates an alternative to import protection in individual import relief cases.
- Delays adjustment to increased imports.

SUPPORT OMB, Commerce.

DECISION

- _____ 1. The Administration should develop a new trade adjustment assistance program for firms.
- _____ 2. The Administration should terminate Trade Adjustment Assistance for firms.

ISSUE

Should the Administration continue to seek authority from the Congress to negotiate reductions in tariffs and reductions or elimination of barriers to trade in services, high technology and foreign direct investment?

BACKGROUND

The Administration is currently without authority to negotiate mutual reductions in tariffs. The authority utilized in the Tokyo Round of Multilateral Trade Negotiations expired in 1980. Authority to negotiate the elimination or reduction in non-tariff barriers imposed against U.S. investment and trade in service and high technology goods would also be useful to strengthen the U.S. hand in pursuing issues internationally. The Administration supported these proposals in the last Congress and they are embodied in the following bills currently before the Congress: H.R. 4761, S. 1902 (increase in tariff authority) and H.R. 6773, S. 2094 (negotiating authority).

RECOMMENDATION

The Administration should continue to seek trade legislation which would authorize the negotiation of reductions in tariffs and the elimination or reduction of barriers to trade in services and high technology, and foreign investment.

Arguments For

- Enables U.S. to conduct meaningful negotiations with its trading partners on the mutual reduction of barriers to international trade.
- Provides the basis for U.S. participation in the development of international rules, including dispute settlement procedures, to eliminate or reduce such barriers.
- Reduction in trade barriers would increase access to foreign markets for U.S. exports. This would stimulate new jobs and production in the U.S.

Arguments Against

- Tariff cutting authority is strongly opposed by labor and import-sensitive industries.
- Protectionist amendments are likely to be offered to any such legislation, such as reciprocity requirements.

DECISION

_____ Approve

_____ Disapprove

RENEWAL LEGISLATION FOR GENERALIZED SYSTEM OF PREFERENCES

ISSUE

Should the Administration propose legislation for a renewed U.S. Generalized System of Preferences (GSP) program in 1983?

BACKGROUND

The GSP program was implemented in 1976 to encourage the economic development through trade of lesser developed countries (LDCs). The program provides duty-free treatment for most LDC imports into the U.S. The program expires in 1985. The 19 other OECD countries maintaining GSP programs recently extended their systems through the end of this decade.

The President pledged at Cancun that the Administrations would seek a renewal of the GSP Program. This pledge has been reiterated in many fora including Congressional Hearings, the OECD, UNCTAD and the GATT.

A debate is currently underway in the Congress regarding the extent to which advanced developing countries should be graduated out of the GSP program and whether the United States should begin conditioning GSP eligibility on improved access for U.S. exports in beneficiary country markets.

RECOMMENDATION

The Administration should submit GSP renewal legislation to the Congress by mid-1983 with the goal of securing Congressional approval by the end of the year. Before our proposal is submitted, USTR should hold public hearings on the renewal issue to ensure that all relevant information is fully considered.

Arguments For

- Renewing authority for GSP in 1983 with the Administration proposed modifications designed to diffuse Congressional opposition (e.g. a strong clearly enunciated graduation policy) will remove GSP from election year sensitivity.
- Passage of GSP legislation in 1983 with a clear graduation policy will spark interest among LDC's regarding other Administration goals (e.g. negotiations aimed at improving U.S. access to LDC markets).

Arguments Against

- Congressional preoccupation with protectionist legislation may remain strong throughout 1983. Despite problems of addressing GSP in 1984, an election year, it might be preferable to wait until that time on the assumption that an economic upturn will reduce protectionist sentiment.

DECISION

— Approve

D

(Rohrabacher/AB)
December 15, 1982
3:30 p.m.

PRESIDENTIAL TAPING: MESSAGE FOR GOVERNOR RAY TRIBUTE DINNER
FRIDAY, DECEMBER 17, 1982

Good evening. I welcome this opportunity to say a few words about your outstanding Governor -- and my friend -- Bob Ray. Governor Ray has been Governor of the Hawkeye State for quite awhile now. Why, I remember reporting on his first campaign during my years at WHO radio. Well, that is stretching it just a little. But, Nancy and I have known Bob and Billie Ray for a long time. I hosted them at the very first Governors' Conference they attended in the fall of 1968. Since that time, Governor and Mrs. Ray have been gracious hosts to us on many of our visits back to Iowa.

I want you to know Governor Ray has done an outstanding job representing you whenever he has been in our Nation's Capitol. His leadership has been demonstrated time and again in the National Governors' Association, and I can just add that, as a former Governor, and now as President, I have great respect for Bob Ray's judgment and common sense. Anyone who can get elected to the same job 5 times has to have something on the ball. Under Governor Ray your state government is known for its efficient management. Iowa leads the pack in so many ways, with initiatives in education and transportation, just to name a few. And having been a Governor myself I know that the success you've experience didn't just happen. It's a product of good ideas, hard work and a whole lot of follow through. That's just what you'd expect to find in Iowa. It's the type of thing you'd expect from Bob Ray.

Bob, I want to offer my appreciation on your work as Governor -- your tenure and your accomplishments, along with your candor and compassion. You've surely set a bright example for others who aspire to serve the people of our great country.

I hope you have an enjoyable evening with so many friends, and my best to you for 1983 and beyond.

(Maseng/AB)
December 15, 1982
3:30 p.m.

PRESIDENTIAL TAPING: RED CROSS MONTH
FRIDAY, DECEMBER 17, 1982

I have designated March, 1983 as Red Cross Month. In the true American spirit, Red Cross volunteers give their time, energy, and support to disaster victims, the sick and injured, veterans and servicemen, and to community health. Millions of Americans are Red Cross volunteers -- people who go about their busy, daily lives and still find time to lend a helping hand. They give meaning to this years Red Cross theme: We'll help. Will you?

(Maseng/AB)
December 15, 1982
3:30 p.m.

PRESIDENTIAL TAPING: PUBLIC SERVICE MESSAGE FOR
AMERICAN RED CROSS
FRIDAY, DECEMBER 17, 1982

Ever since the first settlers landed on our shores, we have built our society around the principle of neighbor helping neighbor. We have recognized that each of us is dependent on the rest for prosperity and security. In these demanding, modern times we need the good neighbor policy as much as ever before.

I am proud to be speaking to you today as Honorary Chairman of the American Red Cross, an organization founded in the volunteer spirit. Red Cross volunteers give their time, energy and support to those among us who most need our help: disaster victims, the elderly, the sick and injured, veterans and servicemen. And they have helped us make marked improvement in the area of community health. Millions of Americans are Red Cross volunteers -- people like you who go about their busy, daily lives and still find time to quietly lend a helping hand.

The Red Cross theme this year is "We'll help. Will you?" In recognition of that typically American spirit I am designating March, 1983 as Red Cross Month. Won't you join your friends and neighbors? Together there is nothing we cannot accomplish.

(Elliott/AB)
December 15, 1982
5:00 p.m.

PRESIDENTIAL TAPING: MESSAGE FOR FOWLER-MCCRACKEN
COMMISSION REGIONAL CONFERENCES
FRIDAY, DECEMBER 17, 1982

My fellow Americans and fellow citizens in the global trading community: When I was invited to speak briefly to those of you participating in the Fowler-McCracken Commission Regional Leadership Conferences, I accepted with pleasure. Our Administration is deeply grateful for your contributions in forming a new partnership between government and private industry. And I'd like to add a very special thank you for the strong leadership from your two, fine co-chairmen: former Treasury Secretary Henry Fowler, a leading Democrat; and former Chairman of the President's Council of Economic Advisers, Dr. Paul W. McCracken, a leading Republican.

The basic thrust of your commission's work -- to improve Government-business cooperation in the conduct of U.S. international economic policy -- is music to the ears of our Administration. For too long, many in Government have treated American business like an adversary instead of an ally. We've paid a heavy price for that head-in-the sand attitude: lost markets and slower growth and fewer jobs have meant fewer job opportunities for our people.

With your advice and support, we've been trying hard to turn that situation around. One of our highest priorities was passage of the Export Trading Company Act -- a bill that had been bottled up during the previous Administration. As you probably know, I signed this legislation last October.

We are confident it will provide thousands of small and medium-sized businesses new opportunities in foreign trade. It can create several hundred thousand jobs at minimum expense. With aggressive steps to open up overseas markets to American goods, with determination to insure our business community a fair shake with their competitors, and with an all-out commitment by American business leaders to seize the new opportunities in this legislation -- we can improve our competitive position and the well-being of all Americans.

We also agree with your commission that cooperation with our trading partners is not sentiment or charity, it's an economic necessity. Either we prosper together, or we may not prosper at all. In times of distress, it is all too tempting to invoke protectionist trade practices in the mistaken notion that they will save jobs. But the lessons of history are unmistakable: protectionism, leads only to more protectionism, less trade, economic contraction, lost jobs and eventually, dangerous instability.

In recent months, we've sent an important message to our friends abroad: the principles of free and fair trade were not designed to be selectively applied. Either we all go forward together, and keep the world's trading and financial systems on track, or these powerful engines of growth will sputter to a stop, ruining everyone's chance for lasting, vigorous recovery.

The single greatest contribution we Americans can make to world economic recovery is to get our own domestic house in order. With your support, we've made solid progress in reducing

runaway spending, double-digit inflation, record interest rates, and the terrible tax burden on our people.

But you and I know there is so much more to do. We've only begun the long overdue job of restoring America's industrial power. We must promote more capital formation, make our goods more competitive, and get this country back on the cutting edge of growth.

We need your experience, your wise counsel and your strong support -- and we need them now more than ever before. We want to go forward, together, building that new partnership for progress.

We are living in an historic moment of challenge, and change. It is a time of trouble, but also of great opportunity. I am confident that if we address our problems squarely we can leave behind a far better world for our children.

We'll be watching your conference with keen interest. And I'll be waiting for a report.

Until then, thank you again and God bless you all.