

1 EXECUTIVE COMMITTEE MEETING

2 THURSDAY, JUNE 21, 1990

3 U.S. Senate

4 Committee on Finance

5 Washington, D.C.

6 The meeting was convened, pursuant to notice, at 10:04 a.m. in room  
7 SD 215, Dirksen Senate Office Building, Hon. Lloyd Bentsen (Chairman)  
8 presiding.

9 Also present: Senators Moynihan, Bradley, Rockefeller, Daschle,  
10 Breaux, Packwood, Danforth, Chafee, Heinz, and Armstrong.

11 Also present: Vanda McMurtry, Staff Director and Chief Counsel;  
12 Edmond J. Mihalski, Chief of Staff, Minority.

13 Also present: Ronald J. Sorini, Chief Textile Negotiator, USTR;  
14 Marcia Miller, Majority Professional Staff; Brad Figel, Minority Trade  
15 Counsel; and Bob Kyle, International Trade Counsel.

16 (The press release announcing the meeting follows:)  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 The Chairman. This meeting will come to order.

2 Today we are meeting to consider S. 2411, the Textile  
3 bill. The bill certainly has substantial support in the  
4 Congress. We have some 55 Senators that have cosponsored it,  
5 10 of them on this committee. We have had additional  
6 legislation introduced on the House side, and it is my  
7 understanding it is cosponsored over there by 233 members.  
8 But at the same time I recognize there are a number of members  
9 on this committee and in the Senate who have reservations  
10 about this legislation. But because of the wide support for  
11 this piece of legislation and the request of the Senator from  
12 South Carolina, I decided to hold this markup today.

13 It would be my intent to report this bill out as we did  
14 before without recommendation once we have established a  
15 quorum.

16 I would also move that the text of S. 2411 be substituted  
17 for the text of H.R. 4328 so it comes out as a revenue  
18 measure.

19 We also have on the agenda a request for a Section 332  
20 study by the International Trade Commission that Senator  
21 Danforth originally proposed. And it deals with a study of  
22 the competitiveness of U.S. industry at the markup on the  
23 Miscellaneous Tariff bill. But at that time specific  
24 language had not been worked out. I understand the draft has  
25 now been reviewed by the International Trade Commission staff,

1 and circulated to the members of this committee, so I am  
2 hopeful that we can approve that request today also.

3 I hope we will be able to report these two out quickly  
4 this morning. And we will have a little bit of a problem  
5 establishing a quorum, and I hope that the appropriate staffs  
6 in the room will get the word to their members to try to  
7 expedite it for us.

8 I now yield to my colleague, Senator Packwood, for any  
9 comments he may have.

10 Senator Packwood. Mr. Chairman, you have been very  
11 gracious on this truly terrible bill, and indeed for those of  
12 us who are opposed to it, you could have caused infinitely more  
13 grief and problems, and I am going to vote to send it out  
14 without recommendation.

15 I will ask that a letter from Carla Hills, in opposition,  
16 be inserted in the record. I think the same thing is going  
17 to happen before to this turkey.

18 (The letter appears in the appendix.)

19 The Chairman. I think I appreciate that comment.

20 (Laughter)

21 Senator Packwood. It is going to go out. It is going to  
22 pass the Congress. It is going to be vetoed. And I hope the  
23 veto is going to be sustained. If anything, the argument to  
24 sustain it now are better than they were two years ago and they  
25 were dynamite two years ago. The textile industry is doing

1 relatively fine in this country. And the shoe industry in  
2 terms of the jobs that are kept here, the high paying jobs.  
3 Lord knows, I have got Nike headquartered in my State and  
4 Nave headquartered in my State, and the people that are  
5 working in the headquarters of Nike and Nave are doing well.  
6 And these are good paying jobs. These are now \$3.35 an hour  
7 jobs..

8 This is going to violate our obligations under the  
9 Multifiber Agreement. It is going to violate our GATT  
10 obligations. We are in the Uruguay Round trying to convince  
11 people that we ought to lower tariff and non-tariff barriers,  
12 and here we come with a bill that violates everyting we are  
13 talking about. I cannot think of a single justifiable  
14 smidgen of comment to say positive about this bill.

15 So with that, Mr. Chairman, I will shut up. I will cast  
16 my vote to send it out without recommendation and pray that  
17 the President is successful.

18 Senator Danforth. Mr. Chairman, would the Senator yield  
19 for a moment?

20 Senator Packwood. I am done.

21 Senator Danforth. I just wanted to know if at some point  
22 between now and when this comes up on the floor of the Senate  
23 the ranking member of our committee is going to express an  
24 opinion on this legislation.

25 (laughter)

1           The Chairman. Let me say the realities of the process of  
2 legislation. When you have 55 members that have cosponsored  
3 it, and the possibility of attaching it on as an amendment,  
4 there is some other important piece of legislation. And  
5 facing what is expected to be a veto, you can see the kind of  
6 problems you would run into with that. And I must say I am  
7 appreciative of the Senator from South Carolina following the  
8 regular process here.

9           Senator Moynihan, do you have any comments?

10          Senator Moynihan. Mr. Chairman, just one thing. Before we  
11 get to the floor I hope that Ambassador Sorini would be able  
12 to supply the committee with an estimate of the impact of the  
13 agreement on the Canadian Free Trade Agreement. As I  
14 understand, the great portion of the Canadian exports to use  
15 of textiles and apparel come in duty-free, and if they come in  
16 duty-free they are not affected by these quotas. Is that  
17 right, sir?

18          Mr. Sorini. That is correct. I do not have the --

19          Senator Moynihan. But you could get them. But the  
20 general point is you agree with it?

21          Mr. Sorini. I would be happy to check on it. But,  
22 truly, I don't even know if the statistics are available yet.

23          Senator Moynihan. But the general point is the case.

24          Mr. Sorini. Yes, sir.

25          Senator Moynihan. Thank you, sir.

1 The Chairman. Thank you.

2 Senator Armstrong. Mr. Chairman.

3 The Chairman. Yes.

4 Senator Armstrong. I would just like to say that I feel  
5 exactly as Senator Packwood does, and I am glad to vote to put  
6 it out for the same reasons he has stated, but I did want to  
7 comment at least to make that point so that there wouldn't be  
8 any confusion for somebody that I changed my mind. I think  
9 it is a terrible bill, and will be vetoed and should.

10 I leave my proxy behind for that purpose if that is  
11 all right, Mr. Chairman.

12 The Chairman. Is there anything else any member wants to  
13 get off his chest?

14 (Laughter)

15 The Chairman. All right.

16 May I have a motion?

17 Senator Moynihan. I move to report the bill.

18 The Chairman. Wait a minute. We are one short for a  
19 quorum.

20 (Pause)

21 Senator Packwood. I will move to report it out without  
22 recommendation.

23 The Chairman. Do we have 11? No, we only have 10. I  
24 would like to hold a vote and not resort to a ruling quorum.

25 (Pause)

1 The Chairman. All right. Let's have the motion.

2 Senator Packwood. I move to report the bill out without  
3 recommendation.

4 The Chairman. Is there a second?

5 Senator Moynihan. I second that.

6 The Chairman. All in favor of the motion as stated make it  
7 known by saying aye.

8 (Chorus of ayes.)

9 The Chairman. And we have a motion for a study.

10 Senator Packwood. I so move we do the study, or direct  
11 that the International Trade Commission do the study.

12 Senator Moynihan. I second that.

13 The Chairman. This is a request for a Section 332 study  
14 by the International Trade Commission. The motion has been  
15 made and seconded. All in favor of the motion make it known by  
16 saying aye.

17 (Chorus of ayes.)

18 The Chairman. Carried.

19 Is there anything further to be brought up?

20 (No response)

21 The Chairman. We will stand adjourned.

22 (Whereupon, at 10:12 a.m., the meeting was concluded.)


23

24

25

## C E R T I F I C A T E

1  
2 This is to certify that the foregoing proceedings of an  
3 Executive Committee Meeting of the Senate Committee on  
4 Finance, held on Thursday, June 21, 1990, were transcribed as  
5 herein appears and that this is the original transcript  
6 thereof.

7  
8  
9  
10   
11 WILLIAM J. MOFFITT  
12 Official Court Reporter

13 My Commission expires April 14, 1994.  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

*Moffitt Reporting Associates*

(301) 350-2223



MR. CHAIRMAN; MR. MOYNIHAN, MR. ROCKWELL  
MR. ARMSTRONG; MR. BRADLEY; MR. BREWSTER  
MR. ROCKEFELLER; MR. DASCHLE; MR. HEINZ  
MR. CHAFEE

UNITED STATES SENATE  
COMMITTEE ON FINANCE

Executive Session

Thursday, June 21, 1990 - 10:00 AM  
SD-215 Dirksen Senate Office Building

A G E N D A

- I. S. 2411 - The Textile, Apparel, and Footwear Act of 1990.
- II. Request for ITC investigation pursuant to Section 332 of the Tariff Act of 1930.

THE TEXTILE, APPAREL, AND FOOTWEAR TRADE ACT OF 1990  
(S. 2411)

(Prepared by the Staff of the Senate Committee on Finance)

Thursday, June 21, 1990

A. Background

S. 2411, introduced by Senator Hollings on April 4, 1990, would establish quotas on U.S. imports of textiles, textile products, and nonrubber footwear, covering all countries with the exception of certain imports from Canada and Israel. The bill has 55 cosponsors. An identical bill, H.R. 4496, was introduced in the House the same day by Congresswoman Lloyd, and presently has 233 cosponsors.

As explained below, S. 2411 would set 1990 quotas on textiles and textile products at one percent above 1989 import levels. These levels then would increase one percent (in each product category) per year thereafter. Quotas on nonrubber footwear would be set at 1989 levels for 1990 and all subsequent years as well. According to the International Trade Commission, in 1989 the United States imported approximately six billion square meters of textile products, six billion square meters of apparel products, and 860 million pairs of nonrubber footwear.

The Committee on Finance held a hearing on S. 2411 on Thursday, June 7, 1990, at which the Committee heard testimony in support of the bill from Senators Thurmond, Hollings, Sanford, and Helms, and three private sector witnesses, and in opposition from Ambassador Ronald Sorini, Chief U.S. Textile Negotiator, and three private sector witnesses. Congress passed similar textile, apparel, and footwear legislation in 1985 and 1988 but in each case it was vetoed by President Reagan and Congress failed to override the veto.

B. Section-by-Section Summary of S. 2411

Section 1. Short Title.--The "Textile, Apparel, and Footwear Trade Act of 1990."

Section 2. Policy.--The policy of the Act is to relate the growth of textile and apparel imports to the growth of the U.S. market (about one percent annually), and to maintain a viable U.S. nonrubber footwear industry.

**Section 3. Findings and Determinations.**--This section sets out certain Congressional findings concerning the increasing levels of U.S. imports of textiles and textile products; the loss of U.S. jobs and numerous firm closings; the effects of imports on U.S. industries that manufacture textile inputs (cotton, wool, and manmade fibers); the inadequacy of the current Multifiber Arrangement (MFA) in preventing market disruptions; and the large textile and apparel trade deficit. With respect to nonrubber footwear, section 3 notes substantial increases in imports and declines in industry employment.

Under section 3(b), Congress determines, based on these findings, that imports are causing or threatening serious injury to both U.S. textile and nonrubber footwear producers, within the meaning of GATT Article XIX.

**Section 4. Limits on Imports.**--The bill imposes the following global limits on imports in calendar year 1990: (i) aggregate textile and textile product imports in each defined category in 1990 shall not be more than one percent above 1989 imports, with one percent growth also allowed in each subsequent year; and (ii) aggregate nonrubber footwear imports in each category in 1990 and every year thereafter shall not exceed 1989 imports. This limit also is imposed within each category for "high-priced" nonrubber footwear, defined in section 9 as that with a customs value of at least \$2.50 per pair.

Textile and textile products of Canada and Israel (based on specified rules of origin requirements) are exempted from these limitations, as are certain products of U.S. insular possessions. Imports from Caribbean Basin Initiative countries in 1990 and thereafter are to equal 1989 levels, plus any increases provided by the President that fit within the one percent allowable growth level.

Department of Commerce regulations are to provide for reasonable spacing of imports over the calendar year.

Some amount of the quota increase authorized is to be allocated to products from those countries to which U.S. commercial agricultural exports increased in the preceding calendar year.

**Section 5. Tariff Compensation.**--The President is authorized to enter trade agreements to grant new concessions as compensation for the above import limits, to the extent this is required under U.S. international trade agreements to maintain "the general level of reciprocal and mutually advantageous concessions under such agreements." Before entering into any such agreement, however, the President must consider whether the foreign country to be compensated has violated trade concessions that benefit the United States.

The President also may decrease, but not by more than ten percent, duties on textiles, textile products, or nonrubber footwear as necessary to carry out such agreements. Any such tariff reductions are to be phased in over at least five years.

Section 6. Annual Report.--By March 15, 1991 and each March 15 thereafter, the President shall submit a report to Congress on the administration of the Act in the preceding year.

Section 7. Review.--Ten years after the Act's enactment, the Secretary of Commerce must begin a review of the operations of the Act. After consulting with both government and industry officials, the Secretary shall produce a report to Congress within six months of beginning this review.

Section 8. Auction of Import Licenses.--The Secretary of the Treasury is to establish a "pilot program," for calendar year 1991, to sell at public auction import licenses applicable to different categories of textiles and textile products. The categories selected must together account for an import volume that equals at least 20 percent of the value of textiles and textile products entered. Regulations shall provide for how quotas shall be auctioned among U.S. textile manufacturers, retailers, and importers, and how they shall be transferred among importers. The auction revenues will be deposited in general U.S. Treasury funds. The pilot program is to be completed at the end of 1991, and the Secretary of the Treasury is to report to Congress by March 31, 1992 on its administration, advantages, and disadvantages.

Section 9. Definitions.--This section provides definitions under the Act of key terms, including the covered categories of textiles, textile products, and nonrubber footwear.

Section 10. Effective Date.--The Act applies to products entered beginning with its date of enactment. Section 10(b) provides that if imports from the beginning of 1990 to the date of enactment exceed the levels permitted by the bill, then the 1991 levels are to be reduced by such excess amount.

LLOYD BENTSEN, TEXAS, CHAIRMAN

DANIEL PATRICK MOYNIHAN, NEW YORK  
MAX BAUCUS, MONTANA  
DAVID L. BOREN, OKLAHOMA  
BILL BRADLEY, NEW JERSEY  
GEORGE J. MITCHELL, MAINE  
DAVID PRYOR, ARKANSAS  
DONALD W. RIEGLE, JR., MICHIGAN  
JOHN D. ROCKEFELLER IV, WEST VIRGINIA  
TOM DASCHLE, SOUTH DAKOTA  
JOHN BREAU, LOUISIANA

BOB PACKWOOD, OREGON  
BOB DOLE, KANSAS  
WILLIAM V. ROTH, JR., DELAWARE  
JOHN C. DANFORTH, MISSOURI  
JOHN H. CHAFEE, RHODE ISLAND  
JOHN HEINZ, PENNSYLVANIA  
DAVID DURENBERGER, MINNESOTA  
WILLIAM L. ARMSTRONG, COLORADO  
STEVE SYMMS, IDAHO

# United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

VANDA B. McMURTRY, STAFF DIRECTOR AND CHIEF COUNSEL  
EDMUND J. MIHALSKI, MINORITY CHIEF OF STAFF

June 21, 1990

The Honorable  
Anne Brunsdale  
Chairman  
United States International  
Trade Commission  
500 "E" Street, S.W.  
Washington, D.C. 20436

Dear Madam Chairman:

As part of its policymaking process, the Senate Committee on Finance anticipates a need for impartial and detailed information on the competitiveness of advanced technology manufacturing industries in the United States. As an independent Federal agency with the authority to investigate the impact of international trade upon domestic industry, it would be a logical extension of the Commission's responsibility to expand and enhance its capacity to provide information on an ongoing basis concerning the relative global competitiveness of American industry.

Accordingly, the Committee hereby requests the Commission to expand its collection of, and ability to analyze, information on the competitiveness of such industries pursuant to sections 332(b), 332(d), and 332(g) of the Tariff Act of 1930.

While the Committee wants the Commission to develop a long-term capacity on a broad range of industries, it recognizes that this expertise must evolve in stages. Thus, the Committee requests initially a two-step investigation. Within three months of the receipt of this letter, the Commission is requested to provide to the Committee a list of industries about which the Commission will develop and maintain up-to-date information. In identifying these industries, the Commission should consider the following criteria, as well as any other criteria it may choose to establish:

The Honorable  
Anne Brunsdale  
June 21, 1990  
Page Two

-- Those industries producing a product that:

- (1) involves use or development of new or advanced technology, involves high value-added, involves research and development expenditures that, as a percentage of sales, are substantially above the national average, and is expected to experience above-average growth of demand in both domestic and international markets; and
- (2) benefits in foreign markets from coordinated -- though not necessarily sector-specific -- policies that include, but are not limited to, protection of the home market, tax policies, export promotion policies, antitrust exemptions, regulatory policies, patent and other intellectual property policies, assistance in developing technology and bringing it to market, technical or extension services, performance requirements that mandate either certain levels of investment or exports or transfers of technology in order to gain access to that country's market, and other forms of Government assistance.

At the time the Commission provides this list of industries, the Commission is requested to recommend to the Committee three industries for comprehensive study. In selecting these industries, the Commission should consider, among any other factors it considers relevant, the importance of the industries producing these products to future U.S. global competitiveness; and the extent of foreign government benefits to industries producing competing products.

The Commission's report on these three industries should include, but is not limited to, the following information:

- Existing or proposed foreign government policies that assist or encourage these industries to remain or to become globally competitive, existing or proposed U.S. Government policies that assist or encourage these industries to remain or become globally competitive, and impediments in the U.S. economy that inhibit increased competitiveness of these U.S. industries.

The Honorable  
Anne Brunsdale  
June 21, 1990  
Page Three

The Commission should complete the study of these three industries within 12 months of the Committee's approval of the list of recommended industries.

It would be the Committee's intention to review the report carefully in order to determine how to expand, extend, or otherwise modify this request, if necessary, to ensure that future reports continue to yield worthwhile results.

Sincerely,

Lloyd Bentsen  
Chairman

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

The Honorable Bob Packwood  
Ranking Member  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

Dear Senator Packwood:

I understand that the Finance Committee will mark up the Textile, Apparel and Footwear Trade Act of 1990, S. 2411, tomorrow. I would like to again express the Administration's strongest opposition to this bill.

We have four basic reasons for opposing this legislation. First, the economics of the issue do not warrant increased protection for the textile and apparel industries. These industries have registered steady increases in performance over the past several years. For example, domestic shipments and exports have increased; fiber consumption by U.S. mills reached an all time high in 1989, indicating further gains in production; and capacity utilization remains high. Unemployment rates in the major textile producing states are generally lower than the national average. In addition, this legislation would place a heavy increased burden on our consumers, hurting those at the lower income levels the hardest. Our estimate is that consumer costs per job saved in the textile and apparel industries could average more than \$100,000 annually during the first five years alone.

Second, the textile and apparel industries already receive substantial protection from imports under the current Multifiber Arrangement (MFA) -- many argue that the protection has been more than adequate. We have negotiated 38 bilateral agreements under the auspices of the MFA with our trading partners which place over 1,000 separate quotas on textile and apparel products. Furthermore, our textile, apparel and footwear tariffs are on average five times higher than for other manufactured products.

Third, the legislation would, if enacted, violate our international commitments under the MFA and each of our bilateral agreements, as well as the GATT and place quotas on some trade from Canada despite the Free Trade Agreement (FTA), thus putting our exports at risk of retaliation. I do not believe that the United States, or any other responsible member of the international trading system since the founding of the GATT, has taken such a dramatic departure from its international trade commitments as we would if this legislation were enacted into law.



Letter to Senator Packwood  
Page 2

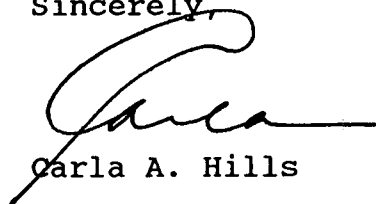
Fourth, if enacted, the legislation would wreak havoc on our efforts to create an improved trading system in the multilateral trade negotiations which is vital to the future economic prosperity of the United States and all of our trading partners. Surely if we were to take textiles, apparel and footwear off the negotiating table in the Uruguay Round, our trading partners will refuse to negotiate with us in areas where it is vitally important that we open foreign markets and establish fair and predictable trading rules.

Nonetheless, we are by no means ignoring the interests of the textile and apparel industries in the Uruguay Round negotiations. Our objective is to gradually reduce their dependence on quota protection. While major portions of our textile and apparel industries are globally competitive, many sectors do need a further period of transition to ease their adjustment. Thus, we are committed in the Uruguay Round negotiations to bring textiles and apparel under strengthened GATT rules and disciplines, but only if an acceptable transition mechanism for doing so can be agreed upon.

In summary, I see no justification for this legislation and would have no choice, if it were presented to the President, but to recommend that it be vetoed.

The Office of Management and Budget advises there is no objection to the submission of this letter and that enactment of S. 2411 would not be in accord with the President's program.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carla A. Hills', written over a horizontal line.

Carla A. Hills

CAH:Rab

Finance Committee  
June 21, 1990  
The Honorable John D. Rockefeller IV

Thank you, Mr. Chairman.

I am a proud co-sponsor of this bill, the Textile, Apparel, and Footwear Trade Act of 1990, and today once again I reiterate my strong support for this legislation. I also commend Senator Hollings, the chairman of the Senate Commerce Committee, for his valiant and effective leadership that has brought us once again to acting on this crucial trade measure.

Each day that we delay passage of this bill, we risk the loss of more American jobs in a critical industry. We simply have to take action, and it is our responsibility to provide the leadership that the American people expect. At risk are thousands of jobs in my state, West Virginia -- the workers, for example, at M. Serman Company in Ritchie County, or those at Hanover Shoe in Pendleton County -- and hundreds of thousands of jobs across the United States.

I was appalled, Mr. Chairman, to learn recently that in the first four months of this year alone, 22 textile, apparel, or footwear plants across the country were forced to close or layoff employees--causing a devastating loss of over 5000 jobs. One four-month period, and 5000 jobs gone, all attributed to the flood of imported textile and apparel goods across our borders. That means thousands of families without a wage earner, thousands of families without health insurance, and thousands who are in danger of losing their homes or struggling to put food on the table.

Mr. Chairman, to those who say that the unregulated flood of textile and footwear imports is necessary to help other countries build their economies, I reply that charity begins at home. Our own people, our own businesses deserve the leadership, the attention, and the help that the bill before us represents. Our first and foremost priority should be to ensure that America's textile workers and companies can survive, prosper, and compete.

The people of West Virginia know hard times, and they know the value of hard work. West Virginians aren't afraid of fair competition. But they ask and they should expect, I would argue, that Congress exercise its constitutional responsibility to regulate foreign commerce and ensure that our workers have a level playing field on which to compete. Passage of this bill will ensure that the American textile, apparel, and footwear industry, a major employer in West Virginia and in many other states, gets that level playing field. American workers should not have to accept unemployment because of the unfair trade practices of foreign textile and footwear manufacturers. Passage of this bill will regulate those imports until unfair trade practices are eliminated.