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by US Rep.

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

October 30, 1987

The Honorable Dan Rostenkowski
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

We are writing to offer our views on trade issues before the House-Senate Conference on H.R. 3. Constructive trade legislation could offer an opportunity to help reassert American economic leadership and industrial competitiveness.

Since the President took office in January 1981, his Administration has worked closely with the Congress to rebuild the American economy. We have joined on a bipartisan basis to reduce the tax burden on the American people, to build a fairer, more equitable tax system, and to eliminate unnecessary regulations that were hamstringing American business. The underlying fundamentals of the American economy are healthy. We have enjoyed five years of growth, the longest peacetime expansion in our history. Inflation has been sharply reduced from the extraordinary levels in effect when the President took office. We have created 14 million new jobs in the U.S. just since November 1982. And we expect the economy to continue to grow, at a reasonable and sustainable rate.

Additional challenges, however, confront us. The post-war international trading system is under unprecedented pressure today. We should all take care not to repeat the error of the 71st Congress in 1930 by enacting protectionist trade legislation, which would harm rather than help the economy. Since World War II, the United States has taken the lead in fashioning an open world trading system, a system that has contributed significantly to American prosperity and has led to the rebuilding of much of Europe and Asia on the basis of stable democratic values.

The President has continued this leadership tradition in sending to the Congress last February a major trade competitiveness initiative. He has also initiated a new round of multilateral trade negotiations to extend and strengthen international trading disciplines. These negotiations, known as the Uruguay Round, are vital if we are to further

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open foreign markets to American goods and services and bring impoverished developing countries into the world trading system. To facilitate these negotiations and ensure timely Congressional review of their results, we need new trade agreements authority.

In addition, the President wants to retain strong, flexible authority for the Administration's section 301 program to end unfair barriers to American exports. Inflexible rules and forced retaliation would weaken the President's ability to achieve this objective, and would end up closing markets. We also need legislation to better protect America's intellectual property. The United States is today losing billions of dollars of potential exports because of international piracy of our patents and copyrights. Finally, the President has proposed a major new series of reforms--such as amendments to the Foreign Corrupt Practices Act, antitrust laws and export control laws; reforms regarding product liability and economic regulations; and new initiatives for worker readjustment, science, education and training. These measures are designed to put American industry in a position of unquestioned world leadership.

We are prepared to work with you on a bipartisan basis to develop forward-looking 'trade legislation. We could support a strong, responsible bill, which will indeed enhance the ability of U.S. firms to compete in a global market and encourage other nations to open their markets further.

However, we are concerned about a myriad of provisions in both the House and Senate bills that go in precisely the wrong direction.

- o We strongly oppose provisions that mandate American retaliation. Trade problems are too complicated for that. The Executive Branch must have discretion to determine whether retaliation would be helpful or harmful to our interests. Mandatory retaliation provisions would come back to haunt us, and could be counterproductive to our efforts to further open markets.
- o We oppose proposals to strip the President of authority to consider the national economic interest in import relief cases. Only the President can evaluate the delicate tradeoffs that are involved in such cases--tradeoffs between and among the affected industry, other domestic industries, other importers and exporters,

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and consumers. Tying the President's hands on decisions of this magnitude makes no sense at all.

- o We oppose the transfers of Presidential authorities in both bills. The involvement of the President is essential to ensure that our broad and diverse national interests are taken into account in any trade action, and to make sure that we retain maximum leverage in negotiations on trade cases.
- o We oppose provisions that would violate our international obligations. We cannot encourage others to engage in constructive multilateral or bilateral agreements to expand trade, if we unilaterally abrogate past agreements and are seen to be an unreliable trading partner.
- o We oppose provisions that have superficial appeal, at least for the short run, but will be damaging to our interests in the long run. In many instances these are provisions that will likely provoke "mirror" legislation in other nations, severely damaging our exports.
- o We oppose changes that will further retard rather than promote adjustment, such as the significant expansion and extension of the ineffective Trade Adjustment Assistance program, whose intended replacement is created by the same bill.

These and other shortcomings of the legislation can be overcome if there is the bipartisan political will to do so. The undesirable provisions of the bills can be jettisoned and the desirable ones retained. Attached to this letter is a paper outlining the Administration's positions on the most contentious issues before subconference #1. It is not by any means an exhaustive list of Administration concerns; we will convey our views more fully as the subconference proceeds. We hope it will focus attention on some of the key issues, however.

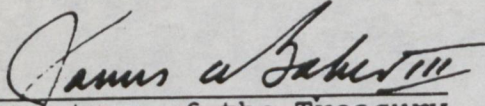
We hope that, working together, we can craft a responsible trade bill that satisfactorily resolves the serious concerns we have identified in the present bills. However, if the final product retains provisions that will be counterproductive

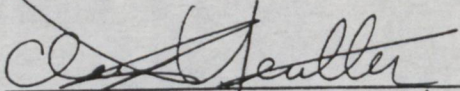
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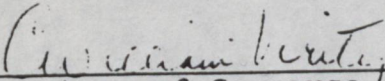
to our objectives of enhancing the competitiveness of U.S. business and expanding global trade opportunities, we will not be able to recommend that the President sign the bill.

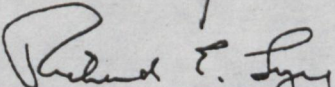
The Office of Management and Budget advises that there is no objection to the presentation of these views and that enactment of H.R. 3 as passed by the House or amended by the Senate would not be in accord with the President's program.

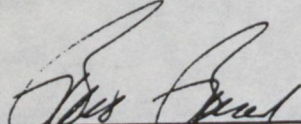
Sincerely,

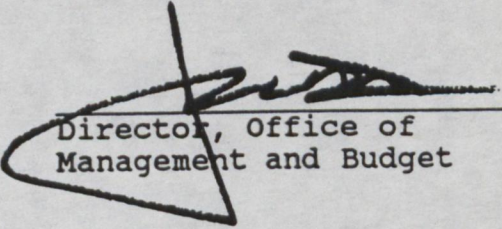

Secretary of the Treasury


U.S. Trade Representative


Secretary of Commerce


Secretary of Agriculture


Secretary of Labor


Director, Office of
Management and Budget