REMARKS OF SENATOR DOLE

AMERICAN TEXTILE MANUFACTURERS INSTITUTE

Wednesday, February 1, 1984--8 a.m.--Dolley Madison Rm., Madison Hotel

What is the Federal deficit likely to be?

- The estimates of future Federal deficits are quite sensitive to one's economic assumptions. Yet even under the most optimistic of economic assumptions, the deficit will remain at historically high $200 billion levels over the foreseeable future, unless drastic action is taken.

- Assuming an extremely strong recovery (4% real growth of GNP) is sustained over the next few years and all of the Administration's proposed spending cuts are made, the deficits are still projected to be:

FY 1985	FY 1986	FY 1987	FY 1988
$185 billion	$195 billion	$199 billion	$179 billion

- If economic growth is not so strong (3% real GNP growth) and interest rates are slightly higher (9% T-bill rate), and Administration's spending cuts are <u>not</u> enacted, the projects deficits would be:

FY 1985	FY 1986	FY 1987	FY 1988
$202.6 billion	$236.7 billion	$270 billion	$290.1 billion

- If we have an economic downturn during this period, we may be facing $300 plus billion deficits.

Why worry about the deficit--What does it mean to the average American?

- If nothing is done to reduce deficit spending over the next five years, the total Federal debt will nearly double to over $10,000 for every man, woman and child in America.

- At this level, by 1989 it will take one-half of all Americans' personal income tax payments just to pay the Federal Government's interest bill.

- By 1989 the annual Federal interest cost will amount to $250 billion--about $1,100 for every American.

- That $1,100 per person interest cost is equal to 40% of each person's annual expenditure for food.

- Virtually all economists agree that the sustained enormous deficits that we are facing will be economically harmful.

- Many Americans will find home-buying more difficult with higher deficits. Consider a family purchasing a home at today's current interest rate, averaging about 12-1/2%, with a $55,000 mortgage. If the deficits push interest rates up, total interest costs over the 30 year term will be $15,500 more for each one percentage point increase.

- All Americans will directly feel the results of high deficits if they lose jobs as a result of a business slowdown resulting from a crowding out of private investment, or if they lose jobs to imported products made more competitive because of an abnormally strong dollar or if they end up paying higher prices because inflation is rekindled.

<u>What do you think the Adminstration will propose in its FY 1985 budget to deal the with deficits?</u>

- Clearly the Administration will repropose many of the domestic spending cuts from its 1984 budget that have not been acted upon.

- Based on the figures I have seen, the Administration may propose only about $6 billion in net domestic cuts for FY 1985, but that figure is larger in the out years:

FY 1985	FY 1986	FY 1987	FY 1988
$5.6 billion	$13.7 billion	$17.0 billion	$22.1 billion

- On the tax side, the Administration will likely propose some tax reforms that will raise revenue, including cutbacks in tax shelters Treasury has endorsed.

- While none of these proposals involve huge numbers given the size of our deficits, when they are combined with pending reconciliation measures and additional items, they can provide a substantial 'down payment' on the deficit.

What about defense spending?

- It is expected the Administration will reccommend $305 billion in defense spending for FY 1985--a 13% real increase over the 1984 defense spending level.

- This sharp increase in defense spending is $16 billion over the substantial increase provided for FY 1985 in the most recent Congressional budget resolution.

- Over the period FY 1985-1987, the Administration's defense recommendation is about $65 billion higher than the 5% real growth path that Congress last year set as adequate for a strong defense.

- The Adminstration's defense recommendation is a first offer that sets its opening bargaining position. I believe that the final defense number for FY 1985 will be close to the $289 billion figure contained in last year's budget resolution.

- Even at a $289 billion level, defense spending will have increased 91% since 1981, the first year of the Reagan Presidency.

WHY SHOULD WE ACT THIS YEAR ON THE DEFICIT

- If we fail to deal with the deficit now, the problem will become worse. Current projections showing deficits holding in the range of $200 billion probably are optimistic, as they are based upon assumption of steady economic growth through 1989. However, postwar experience suggests that the average recovery lasts only 3 years, making a recession in 1985 or 1986 likely.

- If we postpone action until 1985 and we do suffer another recession, the deficits would then hit the $300-$400 billion range. At that point, it may be difficult to cut the deficit without further weakening the economy. Our choices would become very difficult indeed.

- Of course, failure to reduce the deficit in 1984 makes a recession likely to come sooner, as interest rates are forced up by private credit demands clashing with Treasury borrowing needs.

- By postponing action of the deficit, we increase the risk of recession. The average increase in the unemployment rate during a postwar recession is about three points, or three million jobs. By acting to reduce the deficit, we can significantly lower the risk that three million workers will lose their jobs in 1985 and 1986.

- The rise in interest rates will depress auto sales, housing starts, and capital goods orders. It is widely recognized that sustained economic recovery will be impossible unless these key sectors are healthy.

- Alternatively, the Fed could offset the deficits' impact on interest rates by "monetizing" the debt, leading to a resurgence of inflation in 1985. If we do nothing, we will force the Fed to choose between high interest rates and recession, or inflation.

- Failure to reduce the deficits in 1984 may also depress the stock market. A key factor in determining equity and bond prices is investors' confidence that Congress and the Administration can produce a sound fiscal policy. If we send the signal that the deficit problem is secondary to politics, equity and bond prices may fall.

- The exploding cost of servicing the Federal debt will make controlling spending more difficult each year, unless the deficits are reduced soon. Each year that we add $200 billion in new Federal debt adds about $15 billion to the next year's interest costs.

- The economy is now on a path where more and more of its resources go just to pay off the debt. According to economist Lawrence Summers, "It's a case where the miracle of compounding (interest) works against you."

- In 1976 net interest accounted for just 7% of total outlays But if we do nothing, by 1988 the total Federal debt will be more than half of total GNP, and the net interest cost of servicing this debt will reach 14% of all spending. Each year that we do nothing, the share of Federal spending that we can control gets smaller.

- Recent studies indicate that current and prospective budget deficits may have helped to overvalue the American dollar. If the deficits are not reduced, the problem of overvaluation could become worse, weakening the competitive position of American exports and costing the U.S. jobs in such industries as steel, electronics, and agriculture.

RECOVERY--WHAT PROGRESS HAVE WE MADE

Strength of recovery

- A strong recovery is on track and appears to be moderating to a pace that can be sustained in the years ahead. As an indication, look at the expansion of real gross national product. It grew by

9.7% in the second quarter of 1983, 7.9% in the third quarter, and an estimated 4.5% in the fourth quarter. By this measure, the recovery is the strongest since 1961.

- Housing starts are running at a rate of about 1.7 million units a year, and new home sales are up by 91% over the recession low.
- Industrial output in 1983 rose 6.5%, and factory utilization is up to 79.4%--the highest level in two years, and close to the normal capacity of 82%.
- The Commerce Department's survey of business plans for 1984 show that business plans to increase capital investment by 9.4%--this is a rate about 2% higher than that seen at comparable points in previous postwar recoveries.

Inflation

- The best news about this recovery is that it is noninflationary. In 1983 the producer price index rost just 0.6%--the lowest increase since 1964. The CPI for 1983 was 3.8%, the lowest since 1972. Continued moderation in producer prices indicates low inflation will continue.

Creating Jobs

- People are going back to work, and the pace of job creation has been unusually high for a postwar recovery. On January 6 the Labor Department announced the civilian unemployment rate dropped from 8.4% to 8.2% in December. Overall, this means unemployment has dropped 2.5 percentage points over the past year.
- The continued strength of the recovery shows that recent growth in employment has not just been a statistical fluke, but shows a real turnaround in the labor market. Unemployment fell 230,000 in December, and there have been 4 million jobs created in the last year.
- What is more, the growth in jobs is broad-based. While manufacturing industries showed the most dramatic gains, all industries other than government and agriculture showed dramatic drops in unemployment.

TALKING POINTS--DOWN PAYMENT ON THE DEFICIT IN 1984

- While the President is taking the lead to begin a deficit-reduction effort in 1984, beginning with modest spending reductions and tax reforms that will generate revenue. We should work from these proposals, and build on them, to enact a significant 'down payment' on the deficit in 1984. As the President indicated in his State of the Union address, we can reduce the deficit by $100 billion over three years with this approach.

- As the President indicated, even though election-year politics make it difficult to launch the kind of major assault on the deficit that we really need, that is no reason to do nothing. If we scale back our expectations somewhat, we should be able to make a noticeable dent in the deficit--and that will make our job easier in the years ahead. What is even more important, it will demonstrate to our citizens and to economic decision-makers in all sectors that we <u>can</u> face up to the deficit problem even in an election year.

- The bipartisan working group proposed by President Reagan can begin with a number of deficit-reduction proposals already on the table, some of them already in the legislative 'pipeline'.

  -Items included in the FY 1984 reconciliation bill, S. 2062, still pending in the Senate

  -Treasury-endorsed proposals on tax shelters and other abuses

  -Administration-proposed spending cuts that were not carried out last year

  In addition to these sources for ideas to cut the deficit, we can draw on proposals made by the Grace Commission, other proposals suggested to the Finance Committee last fall, and initiative recommended in the President's FY 1985 budget.

- <u>Target</u>: Last November the Finance Committee instructed its staff to prepare a deficit-reduction package totalling $150 billion. It may be more realistic at this time to aim for a total of $100 billion, divided 50-50 between spending cuts and revenue increases.

- <u>Feasibility</u>: This seems to be reasonable, 'doable' goal to set if you consider what is already on the table. Over a four-year period--1984 through 1987--spending reductions in the pending reconciliation bill, S. 2062, already total $21.2

billion. Revenue provisions of S. 2062 raise $21.1 billion over the same four-year period, for a total of $42.3 billion in deficit reduction. These measures have already been reported by Senate committees, so a major part of the work has already been done. It would be foolish to let that work go to waste.

- We can better than double that total of $42.3 billion, without resorting to drastic new measures. Some of the options we are considering are Administration recommendations, or modifications thereof, that restrain spending. Some are tax reforms, including a possible $13 billion in tax-shelter reforms proposed by Treasury. We are talking about proposals that by and large have had Administration support.

OUTLINE OF REMARKS

AMERICAN TEXTILE MANUFACTURERS INSTITUTE

February 1, 1984--The Madison Hotel--Washington, D.C.

I AM VERY PLEASED WITH THE OPPORTUNITY TO MEET WITH YOU THIS MORNING. AS RAY SHOCKLEY POINTED OUT IN HIS INVITATION, I HAVE A LONG-STANDING INTEREST IN THE HEALTH OF YOUR INDUSTRY, PARTICULARLY AS IT AFFECTS OUR AGRICULTURAL COMMUNITY, AND OF COURSE THERE ARE A GREAT NUMBER OF FAMILIAR FACES IN THIS GROUP THAT I'VE HAD THE PLEASURE OF KNOWING FOR MANY YEARS. I HOPE TODAY I CAN BOTH BRING YOU UP-TO-DATE ON THE WORK OF THE COMMITTEE ON FINANCE, AND RECEIVE YOUR INSIGHTS ON THE TRADE AND ECONOMIC ISSUES OF PARTICULAR CONCERN TO YOUR INDUSTRY.

FOLLOWING RAY'S SUGGESTION, I FIRST WILL ADDRESS TRADE MATTERS, AND THEN TURN TO THE TAX AND BUDGETARY WORK OF THE COMMITTEE.

LET ME SET OUT THREE PRINCIPLES THAT I BELIEVE MUST UNDERLINE U.S. TEXTILES TRADE POLICYMAKING:

1) THE TEXTILES AND APPAREL INDUSTRY MUST BE MAINTAINED AS AN IMPORTANT CONTRIBUTOR TO BOTH THE MANUFACTURING <u>AND</u> AGRICULTURAL SECTORS OF OUR ECONOMY;

2) BECAUSE OF THE IMMENSE, UNIVERSAL CAPACITY TO PRODUCE LOW-COST APPAREL PRODUCTS, THE INDUSTRY FACES A UNIQUE TRADE THREAT THAT DESERVES SPECIAL CONSIDERATION;

3) BUT DECISIONS ON TRADE POLICY REGARDING TEXTILES AND APPAREL CANNOT BE MADE IN A VACUUM--THE ECONOMIC HEALTH OF OTHER ECONOMIC SECTORS MUST BE CONSIDERED ALSO.

THESE PRINCIPLES HAVE UNDERLAIN MY LONG RECORD OF SUPPORT FOR MANY OF YOUR INDUSTRY'S PROGRAMS, WHILE LEADING ME OCCASIONALLY TO PART COMPANY, AS WAS THE CASE LAST SUMMER ON THE QUESTION WHETHER TO CONCLUDE THE BILATERAL TEXTILES AGREEMENT WITH CHINA. BUT I THINK YOU AND I CAN AGREE THAT THESE OCCASIONAL DISAGREEMENTS ARE AMONG FRIENDS.

LIKE MANY SECTORS, THE TEXTILES AND APPAREL INDUSTRY SUFFERED SLUGGISH DEMAND, INCREASED UNEMPLOYMENT, AND LOW PROFITABILITY IN THE PAST FEW YEARS. I AM DELIGHTED THAT THE PAST FEW MONTHS HAVE SEEN A SHARP INDUSTRY REBOUND, AS THE RECOVERY TOOK HOLD. I KNOW THAT YOU WELCOMED THE INCREASE IN CAPACITY UTILIZATION IN THE TEXTILES INDUSTRY FROM 73 PERCENT IN 1982 TO OVER 90 PERCENT LAST NOVEMBER; AN INCREASE OF NEARLY 60,000 JOBS IN BOTH TEXTILES AND APPAREL FOR A DECLINE IN THE JOBLESS RATE TO 6.2 AND 11.5 PERCENT, RESPECTIVELY (DOWN FROM 13.5 AND 15.4 PERCENT); AND A SUBSTANTIAL INCREASE IN PROFITABILITY. YOUR RECENT RECORD IS A TRIBUTE TO THE SIGNIFICANT IMPROVEMENTS IN COMPETITIVENESS THAT THE INDUSTRY HAS ACHIEVED IN RECENT YEARS.

BUT YOU ARE ALL CONCERNED THAT ONE OTHER INCREASE--THE GROWTH IN APPAREL IMPORTS OF SOME 25 PERCENT IN 1983--THREATENS NOT ONLY YOUR RECENT GAINS, BUT THE LONG-TERM FUTURE OF YOUR INDUSTRY. THIS IS A LEGITIMATE CONCERN. THE QUESTION IS HOW TO ADDRESS THAT THREAT WHILE PROTECTING OTHER VITAL U.S. INTERESTS.

THE PRESIDENT'S COMMITMENT TO RELATE THE GROWTH IN IMPORTS TO THE GROWTH OF THE DOMESTIC MARKET FOR TEXTILES AND APPAREL IS GENERALLY SOUND AS A MATTER OF POLICY--IF DIFFICULT TO MAINTAIN IN THE FACE OF A RECESSION ON THE ONE HAND, OR OVER 90 PERCENT CAPACITY UTILIZATION ON THE OTHER. UNFORTUNATELY, ONE OF THE INEVITABLE SIDE-EFFECTS OF ECONOMIC RECOVERY IS A CONCOMMITANT SPUR TO DEMAND FOR IMPORTS.

THE WHITE HOUSE'S DECEMBER TEXTILES POLICY STATEMENT, IN MY VIEW, WILL GO A LONG WAY TO DAMPEN SUBSTANTIALLY THE RAPID RISE IN IMPORTS. THE LARGE NUMBER OF "CALLS" ON SPECIFIC IMPORT ITEMS MADE SINCE DECEMBER LEAVE NO DOUBT OF THE PRESIDENT'S DETERMINATION TO EXERCISE U.S. RIGHTS UNDER THE MULTI-FIBER ARRANGEMENT AND THE BILATERAL QUOTA AGREEMENTS.

I BELIEVE IT IS ESSENTIAL TO ADDRESS IMPORT PROBLEMS THROUGH THESE DOMESTIC LEGAL MECHANISMS AND PURSUANT TO THE OBLIGATIONS THE UNITED STATES HAS ASSUMED WITH REGARD TO THE TEXTILES-EXPORTING NATIONS. THIS IS WHY I WROTE THE PRESIDENT IN DECEMBER URGING HIM TO PROCESS THE COUNTERVAILING DUTY CASE BROUGHT BY YOUR INDUSTRY ON THE MERITS. I THOUGHT IT ESSENTIAL THAT THE CHINESE GOVERNMENT BE MADE TO UNDERSTAND THAT THE U.S. UNFAIR

TRADE PRACTICE AND IMPORT RELIEF LAWS WERE NOT PRE-EMPTED BY THE BILATERAL TEXTILES AGREEMENT, NOR COULD THE PRESIDENT LAWFULLY DENY YOUR INDUSTRY ITS RIGHTS UNDER THOSE LAWS. FRANKLY, I ALSO WAS CONCERNED THAT THE COMMERCE DEPARTMENT WOULD ADVOCATE THE IMPOSITION OF UNILATERAL IMPORT RESTRAINTS IN VIOLATION OF OUR INTERNATIONAL OBLIGATIONS; SUCH AN ACTION WOULD HAVE BEEN DESTRUCTIVE TO OTHER IMPORTANT U.S. TRADE INTERESTS, PARTICULARLY IN THE AGRICULTURAL SECTOR. FORTUNATELY, THE FINAL WHITE HOUSE ANNOUNCEMENT OFFERED A STRENGTHENED IMPORT MONITORING SYSTEM WITHOUT VIOLATING OUR INTERNATIONAL OBLIGATIONS.

THE DECISION IN DECEMBER BROUGHT INTO SHARP RELIEF THE DIFFICULTIES AND DANGERS OF FRAMING TEXTILES POLICY DECISIONS WITHOUT CONSIDERING THE LARGER CONTEXT. THE FACT IS THAT THE DEVELOPING COUNTRIES ARE OUR FASTEST GROWING EXPORT MARKET, TAKING NOW 40 PERCENT OF U.S. EXPORTS. THOSE COUNTRIES MUST BE ABLE TO EXPORT IN ORDER TO IMPORT, AND UNFORTUNATELY, AT THIS TIME APPAREL PRODUCTS ARE ONE OF THEIR FEW SIGNIFICANT EXPORT ITEMS. WE CANNOT TAKE ALL THE EXPORTS THE LDCs CAN OFFER--BUT CONVERSELY, WE CANNOT DENY TO THEM EFFECTIVE ACCESS TO OUR MARKETS.

LAST YEAR, CHINA DEMONSTRATED ALL TOO CLEARLY THE CONSEQUENCES OF REFUSING TO CONSIDER FULLY ITS ECONOMIC INTERESTS IN NEGOTIATING THE BILATERAL TEXTILES AGREEMENT. FARMERS WERE ENORMOUSLY PATIENT WHILE LOSING OVER $600 MILLION IN EXPORTS IN THE FIRST 6 MONTHS OF LAST YEAR. WHEN AGREEMENT WAS WITHIN REACH, I THEREFORE URGED THE PRESIDENT TO SIGN IT, EVEN THOUGH IT

DID NOT NECESSARILY PROVIDE EVERYTHING YOUR INDUSTRY SOUGHT. WE MUST NOT BE INTIMIDATED BY OTHER COUNTRIES, BUT WE MUST ALSO EXPECT TRADE NEGOTIATIONS TO BE A TWO-WAY STREET.

I HOPE THAT IN FRAMING FUTURE TRADE INITIATIVES THE TEXTILES AND APPAREL INDUSTRY WILL KEEP THIS THOUGHT IN MIND: A FAIR, SUCCESSFUL PROPOSAL CANNOT BE ONE THAT SIMPLY TRANSFERS COMPETITIVE BURDENS FROM ONE INDUSTRY TO ANOTHER. THE LIBERAL TRADE POLICY FOLLOWED BY THE U.S. FOR THE PAST 50 YEARS HAS BEEN ENORMOUSLY SUCCESSFUL AS A JOB-CREATING PROGRAM. IT ALSO HAS RESULTED IN AN ECONOMY THAT BECOMES MORE INTEGRATED INTO THE WORLD ECONOMY EVERY DAY. IT IS ALL TOO TRUE THAT WE--THE TEXTILES INDUSTRY, FARMERS, STEEL WORKERS, CONSUMERS ALIKE--ARE ALL IN THIS TOGETHER. I BELIEVE THAT WE CAN ACCOMMODATE EVERYONE'S ESSENTIAL CONCERNS WITHIN THE COMPREHENSIVE FRAMEWORK OF NEGOTIATING OBJECTIVES AND TRADE LAWS IN PLACE NOW FOR SEVERAL DECADES. THE SPECIAL NEEDS OF THE TEXTILES INDUSTRY WILL ALWAYS MAINTAIN A SPECIAL PLACE WITHIN THAT FRAMEWORK.

LET ME NOW TURN TO THE TAX AND BUDGET MATTERS WITH WHICH OUR COMMITTEE IS MUCH CONCERNED THESE DAYS.

1984 OUTLOOK FOR INTERNATIONAL TRADE IN THE SENATE

Talking Points

Export Administration Act

- The Senate will soon consider legislation to reauthorize the Export Administration Act.
- The Senate bill is likely to contain provisions protecting the sanctity of export contracts and encouraging exports while tightening national security exports controls.
- The Finance Committee has voted to delete the import control authority now contained in the bill based on a general reluctance to us trade as a political weapon. Some difficult issues on national security controls will have to be resolved in conference with the House.

Generalized System of Preferences (GSP)

- The current GSP program, which permits duty-free entry to goods exported from developing countries, will expire in January 1985. S. 1718 is the Administration's proposal to renew it.
- The Administration supports the program as a way of helping poor countries to develop.
- Organized labor will seek substantial reductions in GSP benefits, including total exclusion of the advanced developing countries from the program.
- The current exemption for most textiles and apparel products will doubtless be retained.
- The Subcommittee on International Trade held its second, and last, hearing on S. 1718 on January 27. No markup is scheduled at this time.

Reciprocity-H.R. 3398 (the miscellaneous tariff bill)

- The Danforth-Bentsen bill has gone to the Senate for the third time as part of the miscellaneous tariff bill package, but the Senate failed to act on that package before the recess.
- We expect the Senate will act on the bill containing reciprocity early in 1984 and have some hope of prompt House action on reciprocity.
- Senator Baker has asked Senator Byrd to clear H.R. 3398 for Senate consideration.

Israeli Free-Trade Area

- The Administration has proposed that a reciprocal duty-free arrangement be established with Israel. I will sponsor this for the President.
- A hearing is scheduled for February 6. The Textiles Coalition is scheduled to testify.
- Because our overwhelming trade advantage with Israel is threatened by a free-trade agreement between Israel and the E.C., this proposal is very important to U.S. trade interests.
- We will give serious consideration to an exemption for textiles.

DISC

- I have introduced a bill, S. 1804, which reflects the Administration's proposal to replace DISC with an entity which will be compatible with GATT rules.
- The new entity, called the Foreign Sales Corporation, will exempt a portion of the income generated by significant sales functions performed outside the U.S.
- A second hearing is scheduled for February 3.

Trade Reorganization

- A trade reorganization bill, S. 121, has been reported out of the Government Affairs Committee, and the Finance Committee will have hearings on this issue in February.
- In view of House opposition to trade reorganization, the Administration's proposal does not appear to be going anywhere.
- "Industrial Policy" amendments contained in the Senate trade reorganization bill will complicate Senate action on the bill.

Trade Law Reform-S. 2139

- There are a variety of proposals to reform our trade laws, streamlining the antidumping and countervailing duty procedures and responding to industrial targeting and so-called "upstream" subsidies.

- We are likely to consider these issues in the Finance Committee once the House has had an opportunity to review and refine them. Congressman Gibbons will attempt to markup a bill very soon, perhaps on February 1.

- While important, trade law reform is very controversial in its specific aspects. It is too early to predict its prospects.

Domestic Content Bill

- I would anticipate an effort to pass domestic content legislation in the Senate in 1984.

- Although the bill passed the House, I anticipate substantial opposition to the bill in the Senate.

- I regard the bill as a dangerous and counterproductive idea which could inflict considerable damage on American exporters while providing transitory benefits to the auto industry and its workers.

Trade Deficit

- The U.S. merchandise trade deficit exceeded $60 billion last year and will be larger next year.

- This deficit is caused in major part by the over-valued dollar which in turn is a reaction to the high interest rates caused by the federal budget deficit.

- We are looking at ways of reducing the federal deficit, but we are considering calling hearings in the Finance Committee to see what else might be done to reduce this growing trade deficit.

LDC Debt

- The huge debts accumulated by less developed countries, particularly Mexico, Brazil and Argentina, is a major cloud hanging over the international trading system.

- These debtor countries have promoted exports and slashed imports in an effort to earn the foreign exchange needed to pay their debts.

- While most of the attention has been focused on the dangers of default, I believe we must also be concerned about the effects of LDC debts on our balance of trade.

THE TEXTILE IMPORT PROBLEM

o Textile and apparel imports in 1983 will almost certainly be 1.4 billion square yards more than in 1982. This increase in imports is the equivalent of 140,000 American jobs and will increase the total number of American jobs represented by textile and apparel imports to 750,000.

o In 1980 the President said that he would make sure that the "2.3 million jobs" in the fiber/textile/apparel manufacturing complex remain in this country. Today the U.S. fiber/textile/apparel industry employs 2.039 million Americans.

o In a 1980 letter to Senator Thurmond the President said that he would relate import growth from all sources to domestic market growth. In 1983 imports will grow by more than 20 percent above 1982 and the U.S. market is growing at a rate far below that. More importantly, over the long run the U.S. market is projected to grow at no more than 1-1/2 or 2 percent each year in the foreseeable future. Any import growth above this rate will mean that the U.S. industry and its workers must give up the U.S. market to foreign producers.

o A well-respected econometrics firm has produced a study which shows that 1990 textile and apparel industry employment will be down 300,000 workers under Administration policies which permit the trend growth in imports to continue. With new policies which meet the President's commitment, employment could be up from present levels by 200,000 workers. This is a net increase of half a million workers.

o The U.S. and the PRC came to terms in August 1983 on a new bilateral textile agreement. The industry was extremely disappointed that the agreement was not as restrictive as the agreements with other major suppliers, Taiwan, Hong Kong and Korea. Including the large "bonuses" given to the quota levels in the first year of the PRC agreement, quota growth will average 10.1 percent each year compounded over the life of the agreement -- compared to less than 1 percent average quota growth for Hong Kong, Korea and Taiwan.

o In July the White House established a Working Group to deal with the textile import problem. However, some government agencies were able to limit the Group's mandate and prohibit the Group from recommending fundamental changes needed to meet the President's commitment.

o In December 1983 the White House announced new measures designed to better define market disruption and to slow import growth. The industry is watching how these new measures are being implemented and what impact they will have on import growth. However, the industry believes that basic changes are needed in the import program if the President's commitment is to be met. These changes include: overall or aggregate limits with all significant low-wage exporting countries, an import licensing system, and amendment of Section 204 of the Agricultural Adjustment Act of 1956 to provide increased authority for unilateral controls of textile imports.

DOMESTIC EMPLOYMENT

(IN 1,000 EMPLOYEES)

	1980	1981	1982	Nov.'83	Dec.'83
Textiles	847.7	823.0	750.0	759	761
Apparel	1,263.5	1,244.4	1,163.7	1,200	1,211
Total	2,111.2	2,067.0	1,913.7	1,959	1,972

Production Workers Only

	1980	1981	1982	Nov.'83	Dec.'83
Textiles	736.9	712.5	642.6	657	660
Apparel	1,079.4	1,059.5	983.8	1,017	1,025
Total	1,815.9	1,815.9	1,626.4	1,674	1,685

Unemployment Rate
(All Workers)

	1980	1981	1982	Nov.'83	Dec.'83
Total	10.3	10.6	14.6	8.4	9.8
Textiles	8.4	9.0	13.5	5.2	6.2
Apparel	11.5	11.5	15.4	10.1	11.5

1984 IMPORT GROWTH
(In Million Square Yards Equivalent - MSYE)

Supplier	Total	Increase	Percent Increase	Percent of World Increase
Big Three[1]:	3,098	553	22.0	37.4
China:	784	113	17.0	7.7
Japan:	674	163	32.0	11.0
Other Agreement Countries:	1,627	326	25.0	22.1
New Starters:	272	59	27.7	4.0
OECD (excluding Japan):	957	263	38.0	17.8
World	7,412	1,477	24.9	100.0

[1]Taiwan, Korea and Hong Kong