

Kay Luther

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FIBER, FABRIC APPAREL COALITION FOR TRADE
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- o The U.S. merchandise trade deficit for 1985 was \$148.5 billion. For 1986, it is running at an annualized rate of about \$174 billion, but the final total is forecast by the Commerce Department at about the 1985 level.
- o We have a number of problems facing American industries which have nothing to do with their underlying competitiveness.
- o The international competitiveness of traditional industries in the South (textiles, timber, steel, footwear, petrochemicals and agriculture) is dependent on many factors.

Value of the Dollar

- o The strong dollar has been among the major causes of our trade deficit; we in Congress long ago concluded that the Administration had to take a more active role in managing the exchange rate of the dollar, and I am pleased that Secretary Baker seems to have come to the same conclusion.
- o Since the meeting of the so-called G-5 nations in September, the dollar has fallen over 20% from its Spring 1985 peak.
- o The impact of this will not likely be seen in our trade balance until later this year, but an expansion of U.S. exports and easing of imports (in volume terms) is just beginning to become evident.
- o The fact that major debtor countries which were formerly significant U.S. export markets cannot afford to purchase U.S. exports continues to be a major obstacle to U.S. exports; the Administration has been slow to deal with this problem, and even now the "Baker plan" affords little prospect of improvement.
- o But the manufacturing sector in particular faces problems which transcend these macroeconomic factors.
- o All labor-intensive American industries, such as apparel and footwear, face the continuing challenge of low wage foreign producers; these industries can remain internationally

producers; these industries can remain internationally competitive only by increasing their efficiency through labor-saving devices and otherwise.

- o Textiles, apparel and many other industries face a variety of unfair trade practices from subsidies to diversion; Congress has become more determined to force the Administration to aggressively combat these unfair practices.

Shift in Administration Policy

- o There has been a shift in Administration policy which I believe to be the result of the Congress voting in support of such legislation as the textile bill.
- o This shift is evident in their growing use of Section 301 of the Trade Act of 1974. Since September, cases have been self-initiated (or accelerated) against Japan (leather and tobacco); the EEC (canned fruit, meat and soybeans); Brazil (informatics); Korea (insurance and counterfeiting.); and Taiwan (investment restrictions).
- o With few exceptions, these cases are still pending and the jury is out on whether the Administration will be willing to retaliate against the countries involved if negotiated solutions fail.
- o Although unfair trade practices may not account for all of the difficulty faced by these industries, a number of us think that the Administration has been too complacent in dealing with these practices.
- o It's pretty hard to stand up for "free trade" if we are the only ones practicing it; combating unfair trade practices is not protectionist; it gives American producers a chance to compete fairly. Above all, U.S. trade policy must acknowledge that there is a difference between protectionism and retaliation or enforcement.

Benefits of Free Trade

- o Let me underscore that I personally favor a world trading system with open markets, enabling each nation to benefit from its respective comparative advantage. Historically, free trade has spurred U.S. economic growth, and fair competition from abroad has encouraged our industries to be more efficient. As a Senator from an agricultural state, I appreciate the importance of world markets of U.S. farmers.

In principle, I am in agreement with the President's position on trade. I join him in rejecting knee-jerk protectionism as a solution to our trade crisis.

- o But, the United States cannot be the world's only free trader any more than we can unilaterally disarm. In the past, the U.S. blinked at other countries' trade barriers even though our markets are among the most open in the world. In view of the current U.S. political and economic climate we can no longer afford this luxury.
- o I have never seen stronger Congressional sentiment for acting on the trade front. My colleagues, including strong advocates of free trade, are fed up with what they believe to be basic unfairness.
- o Trade already is and will continue to be a major political issue in the 1986 and 1988 elections. Many in Congress are already moving to gain early political advantage. Hundreds of trade bills have been introduced to date. The stakes are high--maybe control of the Senate in 1986.
- o Members of Congress are being pressed by American businessmen and women, by farmers who cannot sell their products and by workers who have lost their jobs.
- o As Senator Thurmond has often reminded us, it is estimated that foreign competition resulted in the loss of at least 222,000 jobs in the U.S. last year.
- o Many of us reject protectionism and strive instead for a system of equal access to all markets; but the challenge if we hope to prevent a tide of real and perceived protectionist measures, is to devise other meaningful responses.
- o When a plant closes in a town, the workers are not interested in the fine points of the comparative advantage theory of free trade and how the cumbersome GATT system works. The workers, textile workers and others, want jobs and protection from unfair trade practices.

Textile Imports/Multifiber Arrangement (MFA)

- o The trade deficit for textiles and apparel in 1985 was \$17.9 billion. The deficit for January/February 1986 was up about \$500 million compared to the same period in 1985.

- o As you know, the response to this growing deficit was the Thurmond/Jenkins Bill which imposed tight quotas on textile and apparel imports. The bill passed the Senate by 60 to 39 (November 13) and the House by 255 to 161 (December 3). On December 17, 1985 the President vetoed that legislation.
- o I voted for this bill out of concern for the industries and accompanying jobs that are disappearing from our economy.
- o While I am prepared to accept the price of adjustment in an open world trading environment where other countries pay a similar price for open markets, I am not prepared to insist that our people bear the burdens of free trade alone.
- o Too many of our trading partners, many of them major producers of textile and apparel, are quick to exploit the benefits of our open market but slow to permit us to sell them those competitive products which we produce.
- o Many of the major textile and apparel exports have relatively closed markets to such imports.
- o Many of you in this audience have urged that an attempt be made to override the President's veto early in August.
- o Many in Congress support the negotiations of an improved MFA.
- o I, for example, have agreed to sign a letter which lists a number of key objectives for the United States as they enter into negotiations on an extension of the MFA.
- o The second extension of the 1974 MFA expires July 31. I understand that little progress is being made in the negotiations to extend the MFA.
- o Countries that are dragging their feet in the MFA negotiations should understand that failure to reach a satisfactory agreement may well persuade Congress to override the President's veto.
- o The stated U.S. position is one in favor of a four or five year extension that provides for "orderly growth and the ability to prevent destabilizing import increases." We also want to include other fibers including silk and ramie, a substance similar to flax.

- o Some of the developing exporters have only reluctantly agreed to an MFA extension, but are insisting that the U.S. agree that there will be no further extensions when it expires.
- o The negotiation of a new MFA offers an important opportunity to address your concerns. The objective should clearly be to relate import growth from all source to domestic market growth. I believe this can be done through a forceful implementation of all provisions of a new MFA.

Congress, the Constitution and Trade Policy

- o As the problems with the trade deficit have grown, so has the consensus that Congress must reassert its broad constitutional authority over trade policy. Under Article I of the Constitution, the Congress is expressly vested with the power to regulate commerce with foreign nations and to set tariffs. The erosion of this authority had its origin early in this century and has continued over the years to the point that Congress has ceded to the Executive Branch the primary role not only in implementing these policies but also in setting our overall trade policies.
- o In reasserting its constitutional mandate, Congress could impose tighter constraints on executive negotiating authority by placing explicit limits on certain trade areas, thereby reducing the broad discretion the Executive Branch has in trade matters.
- o Whatever specific steps are decided upon, one thing is clear--Congress thinks that American trade policy is in shambles, and Congress seems prepared to pick up the pieces--if you can believe all the rhetoric.

Conclusion

- o The clock is ticking. Ticking for our trading partners throughout the world, who need to take some decisive action soon.
- o The clock is also ticking here at home. We must do something, quickly, on two fronts. We have to get our deficits, and our dollar, under control. And we must set up an effective mechanism to deal with trade issues on a comprehensive basis. If we ignore this problem any longer, we put at risk our own prosperity and our role as the engine of global economic progress.