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THE WHITE HOUSE

WASHINGTON

August 16, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: L. WILLIAM SEIDMAN
FROM: JAMES E. CONNOR *JEC*
SUBJECT: Review and Modification of
the U.S. Generalized System of
Preferences

The President reviewed your memorandum of August 14 on the above subject and made the following decisions:

Agreed Cases

Approved the unanimous recommendations of the Trade Policy Committee as outlined in your memorandum.

Disagreed Cases

Issue 1: Should the petition to remove leather apparel from the GSP product coverage be accepted?

Option 2: Deny the petition to remove leather wearing apparel from the GSP product list. Direct a survey of current production and employment conditions in the leather apparel industry and announce that there will be an inter-agency review of the issue no later than three months from now.

Issue 2: Should the petition to remove pig leather from GSP product coverage be accepted?

Option 1: Remove pig leather from the GSP product list.

Please follow-up with appropriate action.

cc: Dick Cheney

THE WHITE HOUSE

WASHINGTON

August 14, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*

SUBJECT: Timing and Implementation of Decisions on
Modification of U.S. General System of
Preferences

Your decisions regarding designation of Portugal as a GSP beneficiary and modification of the U.S. Generalized System of Preferences will be incorporated into an Executive Order for your signature. The decisions will only be made public with the issuance of the Executive Order.

Our present plans are to use the week of August 16 to draft the Executive Order in accordance with your decisions and to secure the necessary clearances on the Executive Order so that you can sign it either late in the week of August 16 or sometime during the week of August 23.

Ambassador Dent is anxious that promulgation of the Executive Order not be delayed unnecessarily because of the tremendous interest on the part of the several parties involved in the review process. However, he is quite comfortable with the week of August 23.

THE WHITE HOUSE
WASHINGTON

August 14, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*

SUBJECT: Review and Modification of the U.S.
Generalized System of Preferences

The Trade Act of 1974 authorizes you to modify the products covered by the Generalized System of Preferences (GSP) under which certain imports from designated developing countries enter the U.S. duty free. Our regulations provide for a six-month review of petitions to add or remove products from GSP coverage. STR recently concluded the first such review, including five days of public hearings, considering 41 cases. The Interagency Trade Policy Review Group unanimously agreed on recommendations in 35 of the cases, disagreed on recommendations in 2 of the cases, and has postponed making a recommendation in 4 of the cases pending a U.S. International Trade Commission investigation. A memorandum from Ambassador Dent on this issue, including the recommendations of the Trade Policy Committee, is attached at Tab A.

Agreed Cases

The Interagency Trade Policy Committee unanimously recommends that you accept the request to add tamarind fruit paste to GSP coverage and withdraw TV picture tubes (above 16"), inedible gelatin and price tag fasteners from GSP coverage. The Trade Policy Committee also unanimously recommends that you deny 6 requests for product additions to GSP and 25 requests for withdrawal of products from GSP as outlined in Attachment I of Ambassador Dent's memorandum. Ambassador Dent's memorandum has been staffed to the appropriate White House offices not included on the Trade Policy Committee. Their comments and recommendations are as follows:

Philip Buchen	No comment or recommendation
James Cannon	Concur with Trade Policy Committee
John O. Marsh	Approve

- o Unemployment in the apparel industry is still nearly two percentage points higher than the rate for all manufacturing.
- o Representatives of organized labor on the advisory committees for the Multilateral Trade Negotiations have focused on this case and have strongly urged withdrawal of leather apparel from the GSP product list.

Option 2: Deny the petition to remove leather wearing apparel from the GSP product list. Direct a survey of current production and employment conditions in the leather apparel industry and announce that there will be an interagency review of the issue no later than three months from now.

Advantages:

- o This approach would permit an opportunity to collect firm and comprehensive data on domestic production and employment in this industry on which to base a decision.
- o Twenty-seven developing countries export leather apparel to the United States and would view removal of leather apparel from the GSP product list as inconsistent with our pledge to try to help them earn their own way through increased exports. For some Latin countries this is a major export on which withdrawal of GSP would cause serious concern.
- o The dramatic growth in exports of leather apparel to the U.S. is about evenly divided between GSP eligible and non-eligible countries and thus removal of leather apparel from the GSP product list may have little or no impact on U.S. imports.

Decision

Option 1 _____ Remove leather wearing apparel from the GSP product list.

Supported by: STR, Interior, CIEP, Labor¹
Friedersdorf, Marsh

Option 2 NR⁹ Deny the petition to remove leather wearing apparel from the GSP product list. Direct a survey of current production and employment conditions in the leather apparel industry and announce that there will be an inter-

agency review of the issue no later than three months from now.

Supported by: State, Treasury, Commerce, OMB,
Justice, Agriculture, CEA, NSC²
Domestic Council (Cannon)

- 1 A letter from Secretary Usery outlining his views is attached at Tab B.
- 2 A memorandum from Brent Scowcroft outlining his views is attached at Tab C.

Philip Buchen has no comment or recommendation.

Issue 2: Should the petition to remove pig leather from GSP product coverage be accepted?

Imports of pig and hog leather declined almost 50 percent from 1974 to 1975 and during the first half of 1976 imports were somewhat below first half 1975 levels. Moreover, imports from GSP beneficiary countries, during the first six months GSP has been in effect, are also below 1975 levels.

However, domestic producers contend that they are adversely affected by even these reduced amounts of imports and require time to further develop a recently introduced technology for removing pigskins. Trade related matters, other than GSP treatment, are also involved including market and supply access considerations with two GSP beneficiary countries -- Brazil and Yugoslavia.

Option 1: Remove pig leather from the GSP product list.

Advantages:

- o The domestic industry has developed a new technology for removing pigskins and desires protection from imports until the process is well established.
- o LDC markets for U.S. pig leather exports are severely restricted by LDC import barriers.
- o Wolverine World Wide, a member of the petitioning Tanners Council of America, has indicated that they would be especially impacted as the nation's largest producer. Wolverine's position is supported by Congressman Vander Jagt.

Option 2: Deny the petition to remove pig leather from the GSP product list.

Advantages:

- o Imports of pig and hog leather have declined since 1974 and imports from GSP eligible countries in 1976 are below 1975 levels.
- o Direct negotiations can be undertaken with Brazil regarding market access for investment by Wolverine to produce shoes. The State Department strongly feels that deleting an item from GSP to "get even" with Brazil or Yugoslavia is a misuse of the GSP process.

Decision

Option 1 MRJ Remove pig leather from the GSP product list.
Supported by: STR, Interior, CIEP, Labor, Friedersdorf, Marsh

Option 2 _____ Deny the petition to remove pig leather from the GSP product list.
Supported by: State, Treasury, Commerce, OMB, Justice, Agriculture, CEA, NSC Domestic Council (Cannon)

Philip Buchen has no comment or recommendation.

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

CONFIDENTIAL

AUG 9 1976

MEMORANDUM FOR THE PRESIDENT

FROM: Frederick B. Dent 

SUBJECT: Review and Modification of the U.S.
Generalized System of Preferences (GSP)

Under the Trade Act of 1974, you have authority to modify the product coverage of the Generalized System of Preferences (GSP) under which certain imports from developing countries enter free of duty. Our regulations provide for a six-month review of petitions to either (1) add products to, or (2) remove products from GSP coverage. We recently concluded such a review, including five days of public hearings, with respect to 41 cases. Of these cases, the Interagency Trade Policy Review Group (TPRG), on which all agencies involved in the formulation of trade policy are represented, unanimously agrees on recommendations on 35, disagrees on recommendations on two, and postpones recommendations on four cases pending a U.S. International Trade Commission investigation.

Agreed Cases

I recommend your concurrence with the unanimous interagency recommendations; one product would be added to GSP coverage and three products would be withdrawn. Of the 31 cases that the interagency group unanimously denied, six of these are requests for product additions to GSP and 25 are requests for withdrawal of products from GSP. In addition to the petitions, there is agreement on recommendations which will allow the designation of Portugal as an eligible country and the addition of four products from designated developing countries (see Attachment I).

Concur _____
Do Not Concur _____

DECLASSIFIED
E.O. 12958 Sec. 3.6

MR94-20, #24; NSL/WH - 7/25/96

By Ut NARA, Date 3/6/97

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Disagreed Cases

For the two cases described in Attachment II, leather apparel and pig leather, all agencies on the TPRG except State, Commerce and Treasury favor removal. Those three departments favor leaving these items on GSP but agree to review these petitions again in December.

For leather apparel the proponents of removal argue that imports from developing countries account for over 40 percent of the U.S. market in these products, and that imports have risen steadily since the products were placed on GSP. The Labor Department is particularly concerned about unemployment in the industry which is higher than the national average. State, Commerce and Treasury argue (1) there has been no proof of disruption to the domestic industry and (2) removal from GSP of products which 27 developing countries export to us will have serious foreign policy repercussions. Furthermore they suggest that during the period until December, the Census Bureau would undertake production and employment surveys in the leather apparel industry.

For pig leather the proponents point to the industry claim that they need protection for a new technology. State, Commerce and Treasury argue that there is no sensitivity since imports have been declining.

My recommendation is that these two products should be removed from GSP in order to assure continuing domestic support for GSP and our policy of trade liberalization. Deferment of these decisions will create uncertainty in the trade and possibly distort investment decisions at home and abroad.

Decisions:

Leather apparel	Remove from GSP	_____
	Review in December	_____
Pig leather	Remove from GSP	_____
	Review in December	_____

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ATTACHMENT I
TRADE POLICY REVIEW GROUP
UNANIMOUS RECOMMENDATIONS

A. Requests to be Accepted	Action Requested
Tamarind Fruit Paste	Designate for GSP
TV Picture Tubes (above 16 inches)	Withdraw GSP
Inedible Gelatin	" "
Price Tag Fasteners	" "
B. Requests to be Denied	
Veneers	Designate for GSP
Rubber & Plastic Gloves	" " "
Receiving Tube Mounts	" " "
Truck Cab Chasis	" " "
Ball Bearings	" " "
Mica Capacitors	" " "
Hardboard	Withdraw GSP
Wooden Doors	" "
Candles	" "
Cotton Dyes	" "
Ferroalloys	" "
Wheelbarrows	" "
Ophthalmic Lenses and Frames	" "
Baseballs	" "
Squeeze toys	" "
Diecast Toys	" "
Wheat Gluten	" "
Scissors and Shears	" "
Molybdenum Compounds	" "
Sisal Mattress Pads	" "
Upholstery Leather	" "
Microscopic Slides	" "
Scale Model Railroads	" "
Pocket-sized Calculating Machines	" "
Aluminum Rods	" "
Fishing Lures	" "
Paper Boxes	" "
Edible Gelatin	" "
Christmas Tree Lights	" "
Steel Wire Rope	" "
Photographic Equipment	" "
C. Pending Requests	
Artificial Flowers	Designate for GSP
Typewriter Ribbons	" " "
Fireplace Grates & Stoves	Withdraw GSP
Small Electric Motors	" "

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D. Interagency Recommendations Will Allow the Following Improvements to GSP

1. Designation of Portugal as a beneficiary country.
2. Eligibility of cork stoppers from Portugal, sugar from Costa Rica, bulk tequila from Mexico, and unrefined castor oil from Brazil.

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ATTACHMENT II

TRADE POLICY REVIEW GROUP
DISAGREED RECOMMENDATIONS

Leather Apparel (Duty: 6 percent 1975 Imports: \$154 Million)	Action Requested Withdraw GSP
---------------------------------------------------------------------	--------------------------------------

AGENCIES RECOMMENDING ACCEPTANCE:

STR, Agriculture, CIEP, Interior, Labor

AGENCIES RECOMMENDING AGAINST ACCEPTANCE AT THIS TIME:

State, Treasury, Commerce

Arguments in favor of Acceptance:

- o Total imports of leather apparel have increased by 85 percent in the six months since GSP was implemented when compared with the same period in 1975. Imports from eligible countries have increased by nearly 70%.
- o Unemployment in the apparel industry has been running at 14 percent.
- o Imports of leather apparel constituted over 40 percent of domestic consumption even before GSP was implemented.
- o Representatives of organized labor on the advisory committees for Multilateral Trade Negotiations have focused on this case and will consider it a political rebuke if GSP is not withdrawn.

Arguments against:

- o Although the relative market share of domestically produced leather apparel has been reduced to 60 percent, there has been growth in the value of domestic production (1974 - 75 growth was 9 percent).
- o An international reaction is anticipated since 27 LDCs ship leather apparel to the United States. For some Latin American countries this is a major export, on which withdrawal of GSP would cause serious concern.
- o It is not apparent that imports have increased due to GSP. Imports from Korea have increased significantly since March 1 even though it has not been eligible for GSP on this product.

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Pig Leather (Duty: 6 percent 1975 Imports: \$4.2 million)	Action Requested Withdraw GSP
-----------------------------------------------------------------	----------------------------------

AGENCIES RECOMMENDING ACCEPTANCE:
STR, Agriculture, CIEP, Interior, Labor

AGENCIES RECOMMENDING AGAINST ACCEPTANCE AT THIS TIME:
State, Treasury, Commerce

Arguments in favor of Acceptance:

- o The domestic industry has developed a new technology for removing pigskins which would benefit from protection from imports until well established. LDCs are competitive in the U.S. market without GSP.
- o LDC markets for U.S. pig leather imports are severely restricted by LDC import barriers. Also, LDC's often deny our tanners access to their pigskins.
- o Wolverine World Wide, a member of the petitioning Tanners Council of America, has indicated that they would be especially impacted as the nation's largest producer. Wolverine's position is supported by Congressman Vander Jagt.

Arguments Against:

- o Imports were down almost 50 percent from 1974 to 1975 and the First Half 1976 imports are somewhat behind First Half 1975 imports.
- o Almost half the imports come from developed countries and do not enter under GSP.
- o During the period between now and the December review, the U.S. Government can pursue any legitimate private sector complaint against LDC trade barriers.

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B

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

AUG 12 1976

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

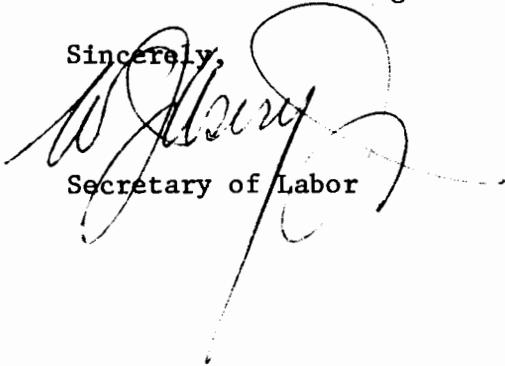
RP
I understand from Ambassador Dent that you are considering action on petitions relating to the list of articles eligible for the Generalized System of Preferences (GSP). One such petition has been submitted by the Amalgamated Clothing Workers of America, the Tanner's Council of America and the National Outerwear and Sportswear Associations, Inc., to remove leather wearing apparel from the GSP list. In my judgment this petition has merit and warrants a favorable response by the U. S. Government.

Leather wearing apparel is clearly an import-sensitive product within the context of GSP. Although the overall demand for such apparel is stable or increasing slightly, domestic firms are not sharing in this growth. Imports account for a large share of the domestic market, over 40 percent in 1975. Over 30 percent of our market is served by developing countries which benefit from the duty-free treatment accorded by GSP. During the first five months GSP was in effect, from January-May 1976, imports of leather apparel increased by nearly 85 percent over the comparable period in 1975. Most of this increase was accounted for by imports from developing countries. The startling increase of imports from certain Latin American countries this year (over 300 percent higher for Uruguay and 200 percent higher for Argentina) indicates the severity of the situation. Leather apparel producers claim that the huge influx of competitive imports since GSP was effected has resulted in major disruption to the domestic industry.

The Labor Department has had strong representations from the Amalgamated Clothing Workers of America about the problems imports of leather wearing apparel under GSP are causing U. S. workers. The union has appealed to the U. S. Government for help in maintaining the jobs of its members. The unemployment rate in the apparel industry, which includes leather apparel, was 14.5 percent in 1975. Although this rate had declined to 9.4 percent by June, 1976, it was still nearly two percentage points higher than the rate for all manufacturing.

Contrary to the goals of the Trade Act of 1974, the situation in this case is that of an already clearly competitive industry in a developing country obtaining major shares of the U. S. market at the direct expense of the U. S. industry and its workers. I would strongly urge you to support the petitioners in this case for the removal of leather wearing apparel, TSUS 791.75, from the list of articles eligible for the GSP.

Sincerely,



Secretary of Labor

C

THE WHITE HOUSE
WASHINGTON

CONFIDENTIAL

August 14, 1976

MEMORANDUM FOR: WILLIAM L. SEIDMAN
FROM: BRENT SCOWCROFT 
SUBJECT: Review and Modification of the US
Generalized System of Preferences

You asked for our comments on Fred Dent's memorandum of August 9 concerning the review and modification of the US Generalized System of Preferences (GSP).

I am pleased that the Trade Policy Review Group was able to reduce the number of cases involving interagency disagreement from five to two. I fully support its unanimous recommendations calling for the addition of one product to the GSP list, the removal of three others, and the designation of Portugal as a beneficiary country.

However, I disagree with Ambassador Dent's recommendations regarding leather apparel and pig leather for the following reasons:

-- First, the petitioners in the leather apparel and pig leather cases have not demonstrated that they have suffered injury as a result of increased imports. With respect to leather apparel, the value of domestic production has risen since 1974 even though in relative terms the domestic share of consumption has fallen. In the case of pig leather, imports have actually declined since 1974, and the downward trend even accelerated during the first half of 1976. Moreover, the petitioners have not shown that GSP itself was responsible for import growth. In fact, the only real argument for withdrawal is a highly questionable "infant industry argument" -- that a certain new technology needs temporary protection -- which is acceptable justification for a developing country, but not for the United States. In addition, US imports for leather apparel from countries eligible for GSP have risen at a slower pace than those from non-GSP suppliers. Also nearly 50% of our imports of pig leather come from developed countries and thus do not benefit from GSP. In the case of leather-wearing apparel the foreign policy reaction

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would be especially strong since 17 developing countries ship leather apparel to the US; for some Latin countries this is a major export on which withdrawal of GSP would cause serious concern. Adverse reaction would be less widespread on the other item, but withdrawal would be seized upon as further evidence of US backtracking on its commitment to help the developing countries.

-- Under these circumstances, removal of the two produces in question from the eligible list would cause developing countries to question our commitment to improve, much less maintain the current level of benefits of, GSP. Furthermore, if, in our first review of GSP since the program went into effect in January, we take what is perceived to be arbitrary action to reduce the number of eligible items without demonstrable economic rationale, our credibility in the North-South dialogue would be seriously undermined. This would be a most unfortunate and untimely development, particularly since the discussions in CIEC are entering a critical phase.

-- The US has consistently argued against developing country proposals, in such areas as commodities, which interfere with, or distort, the market. In fact, GSP is a program consistent with market forces in that it reduces barriers to developing country imports into the US market. If we want to have credibility in arguing against those developing country proposals which distort market forces, we must be as forthcoming as possible in helping the developing countries through programs consistent with the market.

-- I question the memo's conclusion that declaring these items ineligible for GSP treatment would help assure support within the US for GSP and a liberal trade policy. On the contrary, since the evidence of injury presented in these cases is so weak, we would in effect be giving a clear signal to other US industries facing import competition that GSP is "fair game". Thus we could expect an increased flow of petitions and special pleadings from those industries which would add fuel to protectionist sentiment at home and further compound our foreign policy problems.

In short, in neither of these items has a significant enough economic case been made to justify the foreign policy difficulties resulting from their removal. Therefore, I strongly recommend against the removal of leather apparel and pig leather from the GSP list. If at some future date import penetration should increase and the industries concerned can demonstrate more convincingly their need for protection, we might reconsider our position. We should carefully monitor imports and production data in the months ahead.