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THE WHITE HOUSE

WASHINGTON

April 9, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: L. WILLIAM SEIDMAN

FROM: JAMES E. CONNOR JEC

SUBJECT: Escape Clause Case
Slide Fasteners and Parts

The President reviewed your memorandum of April 7 on the above subject and approved the following recommendations of the Trade Policy Committee:

(1) Accept the decision of those ITC Commissioners finding that increased imports are not a substantial cause of serious injury or threat thereof to the domestic industry.

Sent 5/13

(2) Instruct the Secretaries of Commerce and Labor to give expeditious consideration to any petitions filed with them for adjustment assistance.

Please follow-up with appropriate action.

cc: Dick Cheney

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THE WHITE HOUSE

WASHINGTON

April 7, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN LWS

SUBJECT: Escape Clause Case
Slide Fasteners and Parts

A memorandum from Ambassador Dent on the slide fasteners and parts escape clause case, including the recommendations of the Trade Policy Committee, is attached.

The Trade Policy Committee unanimously recommends that you:

(1) Accept the decision of those ITC Commissioners finding that increased imports are not a substantial cause of serious injury or threat thereof to the domestic industry.

(2) Instruct the Secretaries of Commerce and Labor to give expeditious consideration to any petitions filed with them for adjustment assistance.

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:

James Cannon	Approve Trade Policy Committee recommendation
Philip Buchen	No objection
John O. Marsh	Approve Trade Policy Committee recommendation
Max Friedersdorf	Approve Trade Policy Committee recommendation
Brent Scowcroft	Approve Trade Policy Committee recommendation

Recommendation:

I recommend that you approve the recommendation of the Trade Policy Committee as outlined above.

Approve _____ Disapprove _____

Attachments

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

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MEMORANDUM FOR THE PRESIDENT 26 MAR 1976

SUBJECT: Escape Clause Case - Slide Fasteners and Parts

On February 18, 1976 the United States International Trade Commission reported to you the results of its investigation made under section 201(b)(1) of the Trade Act of 1974, relating to slide fasteners and parts. The Commissioners were equally divided in their findings as to whether the domestic industry producing these items is suffering, or is threatened with, serious injury from increased imports. Those Commissioners who recommended a remedy recommended the provision of adjustment assistance.

Under the provisions of the Tariff Act of 1930, as amended, when the Commissioners are evenly divided on the question of injury, as in this instance, you are not required to take any action but you have the authority to accept the findings of either the affirmative or negative group as the findings of the Commission. If you accept the negative finding, the industry would not be eligible for import relief, but individual firms, groups of workers, and communities could be given adjustment assistance if they can satisfy the criteria of Title II, Chapters 2, 3 and 4 of the Trade Act of 1974.

We have recently received letters on this case from Senators Thurmond and Eastland, both of whom recommended that tariffs be increased substantially.

If you wish to act in this case, your decision must be made by April 19, 1976.

This case has been considered in the interagency Trade Policy Committee structure in accordance with section 242(b)(2) of the Trade Expansion Act of 1962. Agencies were unanimous in recommending that you (1) accept the decision of those Commissioners finding that increased imports are not a substantial cause of serious injury or threat thereof to the domestic industry and (2) instruct the Secretaries of Commerce and Labor to give expeditious consideration to any

petitions filed with them for adjustment assistance. I concur with those recommendations.

Approve: _____

Disapprove: _____

For your information, I am attaching a copy of the position paper on this issue prepared by the Trade Policy Staff Committee. I am also enclosing letters to the Secretary of Commerce and Secretary of Labor, a draft press release and a Federal Register notice announcing your decision if you should accept the above recommendation.

Frederick B. Dent

Attachments

TRADE POLICY STAFF COMMITTEE

ACTION RECORD

DATE: March 26, 1976

DOCUMENT: 76-9

SUBJECT: Slide Fasteners and Parts Thereof

SUBMITTED BY: Task Force on Slide Fasteners

ATTENDANCE:

Agency	Member or Alternate	Other
STR	Allen H. Garland	Doris Whitnack
Agriculture	John Beshoar	
Commerce	William Cavitt	Fred Howell
Defense	Joseph W. Darling	
Interior	Howard Andersen	
ITC	John Boyd	
Labor	R. Shulman	
State	William Diroll	
Treasury	William Barreda	

COMMITTEE DECISION:

Paper approved

COMMITTEE COMMENT:

Lucy J. Itterly
Secretary

PROBLEM

On February 18, 1976 the U.S. International Trade Commission (USITC) reported to the President that its members were equally divided, three to three, as to whether slide fasteners and parts thereof are being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic industry producing like or directly competitive products. Those Commissioners finding in the affirmative recommended the provision of adjustment assistance, rather than import relief, as the effective remedy.

When the Commissioners are equally divided on the question of injury in an escape clause case the President is not required to take any action. However, he has authority under section 330(d) of the Tariff Act of 1930 to accept the views of either set of Commissioners as the finding of the Commission. If the President wishes to act in this case, the 60 day statutory deadline for him to do so is April 19, 1976.

The TPSC must address itself to the basic question of whether the statutory criteria for an affirmative finding are satisfied, and, if so, what action to recommend on relief.

RECOMMENDATIONS

A. That the President be advised to accept as the findings of the Commission the findings of those Commissioners who voted in the negative.

B. While the evidence calls for a negative finding under Chapter 1 of Title II of the Trade Act, certain firms producing zippers, groups of workers and communities may petition and qualify for adjustment assistance under Chapters 2, 3, and 4. The President might therefore wish to direct the Secretaries of Commerce and Labor to give expeditious consideration to any such petitions.

BASIC BACKGROUND DATA ON THE INDUSTRY

There are about 68 U.S. companies manufacturing or assembling slide fasteners and parts in over 100 establishments in the United States. Sales in 1974 were about $200 million. The distribution of plants by size, based on employees, and by region in 1975 is indicated below:

Number of employees	West 1/	South-east 2/	North-east 3/	Metro-politan New York	Total
1 to 9	0	0	1	19	20
10 to 49	11	8	8	25	52
50 to 99	1	1	0	7	9
100+	0	14	3	6	23
Total	12	23	12	57	104 4/

1/ West of the Mississippi River.
2/ East of the Mississippi River, south of the Ohio and Potomac Rivers.
3/ East of the Mississippi River, north of the Ohio and Potomac Rivers, excluding the New York metropolitan area.
4/ Total production and related workers producing zippers in September 1975 was about 5500.

A few large producers are fully integrated (notably in Virginia, the Carolinas, and Georgia) and the intermediate-sized firms are partially integrated. Four firms (not including the large U.S. subsidiary of a Japanese company) account for about two thirds of sales by U.S. companies.

About 80 percent of finished zippers are sold directly to industrial users by manufacturers and the remainder are marketed through wholesale distributors. In 1974 parts manufacturers sold 35 percent of their output to integrated zipper producers and assemblers, 63 percent to other industrial customers and two percent to distributors. The bulk of end-use consumption is accounted for by apparel (66 percent), home sewing (11 percent), furniture (10 percent), and luggage (4 percent).

YKK (USA), a subsidiary of YKK, Japan, accounted for about 90 percent of total imports in 1975 and the firm's shipments of zippers and parts imported from Japan amounted to about 10 percent of U.S. consumption, by value, in 1974. The parent firm is fully integrated and produces about 25 percent of world zipper output. YKK (USA) has 13 assembly plants in the United States and a large, full scale manufacturing plant, which began operations in Georgia in 1974. While YKK (USA) showed a low ratio of operating profit to sales in 1974-75 (domestic and imported merchandise), the largest U.S. producer showed even less satisfactory profits and the industry as a whole had operating losses.

U.S. duties are 25 percent ad valorem on fasteners valued not over 4 cents each (TSUS 745.70); 20 percent for those valued over 4 cents each (TSUS 745.72) and 35 percent on parts (745.72). This compares with an average rate of 7.8 percent in 1974 for all dutiable U.S. imports excluding petroleum on which the duty was suspended. The Japanese and EC duties on zippers are six percent.

U.S. exports of zippers from 1970-75 averaged about four percent of producers' shipments and were equivalent to about 55 percent of imports, by quantity. A large part of the exports are for jeans. Japan was by far the largest purchaser until 1974, when a precipitous drop occurred. In 1975, the major markets were Japan, Canada, Hong Kong and Italy.

THE QUESTION OF INJURY

Three conditons must be met before an affirmative determination can be made:

a) Imports of the article must be increasing - All of the Commissioners found this condition satisfied. Data are presented in Table 1.

b) The domestic industry producing an article like or directly competitive with the imported article is seriously injured or threatened with serious injury - All of the Commissioners found this condition satisfied after taking into account the economic factors specified in section 201(b)(2)(A) of the Act.

1) Significant idling of productive facilities - Estimates of idle capacity are not available but may be inferred from the decline in domestic shipments - over 17 percent since 1972.

2) Inability of a significant number of firms to operate at a reasonable level of profit - Firms accounting for 80 percent of U.S. production showed a low ratio of net operating profit to sales in 1973 and a net operating loss in 1974. Of 27 firms reporting to the Commission, 11 showed a loss in 1974. Data for six firms in 1975 indicate that losses or low net operating ratios were continuing. (See Table 2). At least nine smaller companies reportedly went out of business in recent years in part because they could not meet YKK price competition.

3) Significant unemployment or underemployment - The number of production and related workers producing slide fasteners and parts declined in each of the last three years and in 1975 fell to 22 percent below the 1970-72 average. Manhours worked by these employees in 1974 showed a decline to 23 percent below the 1970-72 average. (See Table 3). Productivity increased by about 3 percent.

c) The increased imports must be a substantial cause of serious injury, or the threat thereof to the domestic industry producing an article like or directly competitive with the imports. The Commissioners split on this requirement, which is discussed below.

The Act defines "substantial cause" as "a cause which is important and not less than any other cause." The Act also directs the Commission, in making its determination with respect to sbustantial cause to consider all relevant economic factors including (but not limited to) "An increase in imports (either actual or relative to domestic production) and a decline in the proportion of the domestic market supplied by domestic producers." On these points, the Commission report presents data on two bases (See

Table 1.--Slide fasteners and parts thereof: U.S. imports for consumption, by types, 1968-74, January-September 1974, and January-September 1975

Period	Slide fasteners: Valued not over 4 cents each	Slide fasteners: Valued over 4 cents each	Slide fasteners: Total	Parts of slide fasteners	Total, slide fasteners and parts thereof
	Quantity (1,000 units)				
1968	24,860	26,260	51,120	1/	1/
1969	24,075	42,063	66,138	1/	1/
1970	24,464	55,041	79.505	1/	1/
1971	21,763	65,325	87,088	1/	1/
1972	21,594	100,381	121,975	1/	1/
1973	19,246	95,153	114,399	1/	1/
1974	27,435	99,634	127,069	1/	1/
Jan.-Sept.					
1974	24,363	84,127	108,490	1/	1/
1975	13,410	32,472	45,882	1/	1/
	Value (1,000 dollars) 2/				
1968	601	1,851	2,452	315	2,767
1969	613	2,933	3,546	319	3,865
1970	636	4,162	4,798	755	5,553
1971	632	5,545	6,177	1,935	8,112
1972	653	9,288	9,941	4,453	14,394
1973	618	9,997	10,615	3,700	14,315
1974	753	11,333	12,086	4,541	16,627
Jan.-Sept.					
1974	681	9,428	10,109	3,592	13,701
1975	365	4,004	4,369	1,746	6,116

1/ Not meaningful.
2/ Japan has in all years accounted for the bulk of the imports. In 1974 the distribution was: Japan 88 percent, EC 10 percent, other 2 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2.--Slide fasteners: Profit-and-loss experience of U.S. producers' establishments in which slide fasteners were produced, 1970-74 and January-June 1975

Item	1970	1971	1972	1973	1974	Jan.-June 1975
Net sales-1,000 dollars-	154,755	169,298	181,478	164,488	144,397	57,493
Cost of goods sold--do--	108,343	117,651	133,294	128,894	119,121	47,999
Gross profit--------do--	46,412	51,647	48,184	35,594	25,276	9,494
Selling, general, and administrative expense 1,000 dollars--	29,258	30,662	33,002	31,951	32,226	14,110
Net operating profit or (loss)-1,000 dollars--	17,154	20,985	15,182	3,643	(6,950)	(4,616)
Other expense-------do--	(5,985)	(6,321)	(5,944)	(4,652)	(3,178)	(2,614)
Net profit or (loss) before taxes----1,000 dollars----------	11,169	14,664	9,238	(1,009)	(10,128)	(7,230)
Ratio of net operating profit or (loss) to sales--------percent--	11.1	12.4	8.4	2.2	(4.8)	(8.0)
Number of firms reporting----------	24	26	26	27	27	6

Soucre: Compiled by the U.S. International Trade Commission from data submitted by the domestic producers.

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Table 3.--Average number of persons employed, number of production and related workers in U.S. establishments in which slide fasteners and/or parts thereof were produced, and non-hours worked by the latter, 1970-74, January-September 1974, and January-September 1975

Period	Average number of employees			Man-Hours worked by production and related workers	
	All persons	Production and related workers producing-- All products	Production and related workers producing-- Slide fasteners and parts	All products	Slide fasteners and parts
1970	8,817	7,788	6.921	15,557	13,937
1971	8,876	7,563	6,962	15,494	14,204
1972	8,973	7,734	7,282	15,664	14,814
1973	8,506	7,224	6,806	14,538	13,739
1974	7,473	6,180	5,759	12,451	11,663
Jan.-Sept..					
1974	7,589	6,302	5,834	9,559	8,892
1975	7,069	5,818	5,487	8,732	8,261

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

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Table 4). On both bases, the evidence is not strong but would permit an affirmative finding, although the relative position of the domestic industry improved significantly in 1975.

In addition to import competition, certain other developments were important causes of the injury suffered by the domestic zipper industry. Starting in 1972, the demand for zippers was adversely affected by changes in clothing styles, declining popularity of fashion boots, the replacement of domestic garment bags by imports, and the loss of foundation garment sales as panty hose gained popularity. By 1974, recession added to the pressures lowering demand. The question on which the Commissioners were divided was whether import competition was at least as important as these other developments in causing serious injury to the domestic industry.

Available data do not permit any precise estimate of the relative impact of the several important causes of injury. Under the criteria of the 1962 TEA, the combination of recession, fashion changes and use changes would in the aggregate exceed import competition in importance and hence call for a negative finding. Under the 1974 Act, the three Commissioners who found in the affirmative determined that price competition from imports, in the face of rising domestic costs and reduced volume was as important as any other single cause of injury. However, changes in the situation in 1975 raise serious questions as to whether an affirmative decision is warranted.

The problems of the domestic industry began to reach serious proportions in 1973 with a drop in shipments amounting to about 4.4 percent by volume. Although the price index for all zippers moved from 78.6 at the beginning of 1972 to 83.4 at the end of 1973, the value of domestic shipments fell by 11.5 percent. Profit and loss data show a decline in the operating ratio to 2.2 percent (from 8.4 percent in 1972) and 10 of 27 firms reported a loss. Shipments of imported merchandise changed only marginally in 1973; exports rose; the impact of fashion changes became apparent in this period.

In 1974 domestic shipments and sales continued sharply downward as recession deepened. Imports showed little change in quantity but increased their share of the domestic market, both by value and quantity. Exports declined. Overall the domestic industry experienced a net operating loss of 4.8 percent despite significant price increases in the course of the year.

In 1975 domestic shipments for the first nine months showed a continuing decline and data on earnings through June, while limited, indicate further losses. However, imports declined very sharply in both quantity and value. As a result, the ratio of shipments of imported zippers to domestically produced shipments fell to 4.7 percent (or 6.4 percent) depending on the basis of calculation for shipments (see Table 4 footnote). The import consumption ratio also dropped to 4.7 percent (or 6.3 percent).

In interpreting these data it should be kept in mind that the major importer began manufacturing on a substantial scale in the United States in 1974 and by August 1975 was operating three shifts a day at its new plant

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Table 4.--Shipments of domestically produced and imported zippers and parts, exports, and apparent consumption 1970-75

(Quantity in millions of units; value in millions of dollars)

	Shipments of domestically produced merchandise		Shipments of imported merchandise		Exports of domestic	Apparent Consumption	Ratio shipments of imported merchandise to shipments of domestic merchandise		Ratio shipments of imported merchandise to apparent consumption	
	Basis A 2/	Basis B 3/	Basis A 2/	Basis B 3/			Basis A	Basis B	Basis A	Basis B
	Quantity									
1970-------	1,821.6	1,814.9	71.2	77.9	39	1,853.8	3.9	4.3	3.8	4.2
1971-------	2,040.7	2,026.3	83.8	98.2	54	2,070.5	4.1	4.9	4.1	4.7
1972-------	2,091.3	2,061.4	117.8	147.7	72	2,137.1	5.6	7.2	5.5	6.9
1973-------	2,000.4	1,971.1	117.6	146.9	85	2,033.0	5.9	7.5	5.8	7.2
1974-------	1,746.8	1,718.3	118.1	146.6	71	1,793.9	6.8	8.5	6.6	8.2
Jan-Sept.										
1974-----	1,322.3	1,299.6	94.3	117.0	54	1,362.6	7.1	9.0	6.9	8.6
1975-----	1,238.4	1,218.5	58.2	78.1	62	1,234.6	4.7	6.4	4.7	6.3
	Value									
1970-------	184.6	183.7	8.0	8.9	2.9	189.7	4.3	4.8	4.2	4.7
1971-------	205.8	203.4	15.5	17.9	4.3	217.0	7.5	8.8	7.1	8.3
1972-------	220.9	216.2	17.2	21.9	5.6	232.5	7.8	10.1	7.4	9.4
1973-------	195.6	191.4	17.4	21.6	6.7	206.3	8.9	11.3	8.4	10.5
1974-------	178.5	174.4	19.7	23.8	5.5	192.7	11.0	13.7	10.2	12.4
Jan-Sept.										
1974-----	131.8	128.6	15.5	18.7	4.1	143.2	11.8	14.5	10.8	13.1
1975-----	134.7	131.7	10.5	13.5	4.7	140.5	7.8	10.3	7.5	9.6

1/ Parts converted to equivalent slide fasteners by dividing the value of the parts by the average unit value of the finished fasteners.

2/ Under Basis A domestically produced merchandise include all fasteners assembled in the U.S. (including those assembled wholly or partially from imported parts) and all domestically produced parts of slide fasteners entering consumption as parts. Imports include only finished foreign-made zippers and parts imported by domestic producers and shipped directly to industrial users.

3/ Under Basis B domestically produced merchandise includes all fasteners produced completely from domestic parts; fasteners where 50 percent or more of the value is in domestically produced parts; and domestically produced parts shipped unassembled to industrial users. Imports include finished foreign made zippers and parts going to industrial users and zippers assembled in the U.S. from foreign parts, where over 50 percent of the value of the zipper is in foreign parts.

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in Georgia. Moreover, the bottoming out of the recession and beginning of recovery warrants the expectation that domestic consumption will turn up in 1976. Testimony at the ITC hearings by apparel and furniture manufacturers (groups which account for a major part of consumption) indicated production was moving up, with a sharp increase in demand expected in 1976. Given the high level of duties, the decline in 1975 imports, and the low ratio of the quantity of imports to consumption and improved outlook for 1976, it can easily be argued that an affirmative finding is not warranted.

An affirmative finding that imports were not less important than other causes of injury would have to rest on the argument that lower import prices and concentration by importers on high volume types of zippers made it impossible for domestic firms to raise prices enough to cover increasing operating costs. The Commission's report shows that since 1970 zipper prices have risen substantially less than other prices - 30.3 percent versus 59.5 percent. Cost-of-production increases from 1970 to 1974 ranged from 9 to 80 percent for various types of zippers but in 18 of 23 cases for which data were available the costs rose more than the price index.

Prices of imported zippers rose almost continuously from the last quarter of 1971 through the third quarter of 1975. Prices of domestic zippers, after a slow start, rose by almost as much (26 percent) over the period. From the third quarter of 1971 to the third quarter of 1973, import prices rose 21.6 percent as compared with 2.0 percent for domestic prices, while from the third quarter of 1973 to the first quarter of 1975 the reverse was true, with import prices up 13.1 percent versus 24.8 percent for domestic prices. However, comparing prices (as distinguished from price movements) a Commission sample covering six important types of slide fasteners (January 1970-September 1975) shows that prices were lower for imports than for the domestically produced article in the case of two types of zippers; for three types most of the import prices were lower; and for one type import prices were higher.

Domestic producers contend that they did not raise their prices enough to cover higher costs in an effort to keep customers from switching to YKK, a wholly owned Japanese subsidiary which accounted for 85-90 percent of the imports and whose completely integrated parent company accounts for 25 percent of world zipper production. Price competition was accompanied by aggressive sales techniques and pressure on domestic firms to extend more generous credit terms, with attendant increases in cost. In addition, YKK sales efforts concentrated on the high volume, long-leadtime, no-fashion-change items for which unit costs were relatively low and profits relatively high.

The Task Force noted that the decline in U.S. shipments after 1971-72 was far greater in absolute terms than the increase in imports through 1974. Thus imports were not as important as recession in explaining the drop in domestic production and employment. The industry's argument that imports nevertheless caused net operating losses by suppressing prices is difficult to evaluate against other causes. On balance, the Task Force considered that the scales were tipped in favor of a negative determination.

REMEDY

The three Commissioners who found in the affirmative determined "that adjustment assistance can more effectively remedy the injury suffered by the domestic industry than the imposition of increased duties." One Commissioner who found in the negative expressed the view that the Commission should make no recommendation of remedy in an evenly divided case but recommended "as an individual Commissioner" that adjustment assistance under Chapters 2, 3, and 4 of the Trade Act be provided in the event the President should consider the Commission determination as affirmative. Two Commissioners who found in the negative found no import relief necessary and did not recommend adjustment assistance.

If the President decides to accept the negative views as the findings of the Commission, no determination is required with regard to remedy. If the President should accept the affirmative views, however, he must consider whether to provide import relief. In making the later determination he is required under section 202(c) of the Trade Act to take into account nine considerations:

(1) Advice from the Secretary of Labor - In his report to the President, the Secretary of Labor indicated that since April 3, 1975, one petition for certification of eligibility to apply for worker adjustment assistance was received from the slide fastener industry. Certification was denied on December 2, 1975. Over the next 12 months, about 25 groups totaling just under 1,000 workers may apply for certification of eligibility to apply for adjustment assistance. Although most of these groups are likely to be small, four of them are expected to account for 700 workers.

The unemployed workers are located primarily in metropolitan areas in New York, New Jersey and Virginia. Some unemployed workers are also located in rural areas of western Pennsylvania. Local unemployment rates in two of the metropolitan areas were substantially above the national average. The reemployment prospects of these workers, a majority of whom are semi-skilled, depend to a large extent on their ability to find employment in other industries. Some workers may avail themselves of training programs as a means of facilitating their movement to other industries. Few workers would be expected to consider relocation.

The Comprehensive Employment and Training Act (CETA) programs in one of the impacted areas in New Jersey is capable of meeting the needs of the displaced workers. The CETA programs in the other areas are, at best, marginally capable of absorbing additional trainees.

(2) Advice from the Secretary of Commerce - The report by the Secretary of Commerce to the President indicates that thus far, two slide fastener manufacturers have petitioned for certification of eligibility to apply for adjustment assistance, but the Department has not made a determination on either case.

The maximum number of firms likely to be certified depends partly on the President's action on the ITC report. If the President accepts the affirmative finding (injury), and especially if he directs that expeditious consideration be given to the petitions, this might encourage petitions for certification.

Presently available economic data make it uncertain that any firms could qualify for certification. Nevertheless, without more specific facts on the experience of individual firms there is no way to be certain. Each case would have to be judged on its own merits and in the light of whatever evidence the firm could adduce concerning its own operation. If the President makes a finding of injury, and directs that expeditious consideration be given to the petitions for adjustment assistance, as many as ten firms might be certified. Otherwise one-half that number is a likely maximum.

(3) Probable effectiveness of import relief as a means to promote adjustment, the efforts being made or to be implemented by the industry to adjust to import competition, etc. -

With conditions in the economy improving, demand for zippers has moved up sharply in recent months, e.g., for apparel and furniture. The principal importer is increasing production at his new U.S. plant and the prospects are thus for imports to supply a smaller share of an improved domestic market in 1976. In the present circumstances and outlook, import relief thus does not appear necessary. The Commission reports that some of the larger firms have made substantial outlays for research and development on new products, manufacturing methods, equipment, testing, substitute raw materials etc. and have attempted new selling techniques to reduce costs.

(4) Effect of import relief on consumers -

Higher duties would be passed along to purchasers of the imported products and be accompanied by higher prices for the domestic zippers (consumed mainly by industrial users). Imports and domestic zippers and parts are with a few exceptions substitutable and no danger of inadequate supplies arises. Competition in the domestic market would not be significantly affected.

(5) International economic interests of the United States -

U.S. international interests would be adversely affected. Our trading partners have already expressed serious concern that the increase in escape clause petitions, antidumping and countervailing duty cases etc. is evidence of a rising protectionist trend in the United States and hence a threat to the success of the multilateral trade negotiations. Our representatives have been able to explain such developments and allay foreign apprehensions but their credibility would be jeopardized and protectionist forces abroad strengthened if the President chose to impose import restrictions in a case where the Commission was divided and even the affirmative side did not recommend such relief. The impact would be particularly adverse in relations with Japan which has a large volume of trade affected by other escape

clause actions (e.g., ceramic table articles, ball bearings, specialty steel, and stainless steel flatware). Consultations/negotiations on all of these cases are pending.

(6) Impact on U.S. industries and firms as a result of compensation -

To redress the balance of concessions, duties on U.S. trade valued at about $15 million would have to be reduced while import relief remained in effect, thus increasing import competition for those industries.

(7) Geographic concentration of imported products -

Imported zippers are marketed throughout the United States.

(8) Foreign restraints diverting trade to the U.S. market -

No such restraints have been reported and duties in other major markets are much lower than those of the United States.

(9) Economic and social costs to taxpayers, communities, and workers if import relief were or were not provided -

Import relief would not entail any significant costs to the above groups as such, but would, as previously noted, entail costs affecting their interests as consumers and through the adverse impact on the U.S. position in international trade negotiations.

Failure to provide import relief would not entail economic and social costs if affected firms and workers can qualify for adjustment assistance. Only five to ten firms are considered to be likely prospects for certification of eligibility to apply for adjustment assistance. The amount required for such assistance could approximate $2 to $3 million for workers and range between $0.5 and $12 million for firms. It is unlikely that any communities will petition for certification under the Trade Act pursuant to this finding.

The Task Force concluded that with prospects for the industry improving import relief was not warranted even if an affirmative finding were made on injury. However, certain firms, particularly the smaller manufacturers and assemblers, are in a weakened position from import competition and some might qualify for adjustment assistance. Similarly, employment has fallen, and pending a greater degree of recovery of domestic output a number of workers would probably be eligible for adjustment assistance benefits. While the potential outlay of Federal funds could be substantial, it should be noted that for those who can qualify, such assistance is available regardless of the President's decision in the escape clause case. In the event of an affirmative decision and the choice of adjustment assistance as the remedy,

applicants would have to petition and qualify under the provisions of chapters, 2, 3, or 4 of Title III; the only effect of the President's decision would be possibly to encourage some petitions that would not otherwise have been filed, and to assure expeditious consideration of petitions by the Secretaries of Commerce or Labor.

DRAFT LETTER TO SECRETARY OF COMMERCE

Dear Mr. Secretary:

After reviewing the report of the United States International Trade Commission on its investigation TA-201-6 under section 201 of the Trade Act of 1974, I have decided under authority of section 330(d)(1) of the Tariff Act of 1930, as amended, to consider as the findings of the Commission the findings of those Commissioners who voted in the negative.

While the evidence does not support a finding that the domestic industry producing slide fasteners and parts satisfies the requirements for escape clause relief, it appears that some firms producing such products have experienced serious difficulties and may be able to qualify for adjustment assistance under Title II, Chapter 3 of the Trade Act. I am directing you, therefore, to give expeditious consideration to any petitions for adjustment assistance filed with you by domestic firms producing slide fasteners and parts.

Sincerely,

DRAFT LETTER TO SECRETARY OF LABOR

Dear Mr. Secretary:

After reviewing the report of the United States International Trade Commission on its investigation TA-201-6 under section 201 of the Trade Act of 1974, I have decided under authority of section 330(d)(1) of the Tariff Act of 1930, as amended, to consider as the findings of the Commission the findings of those Commissioners who voted in the negative.

While the evidence does not support a finding that the domestic industry producing slide fasteners and parts satisfies the requirements for escape clause relief, it appears that some groups of workers producing such products have become unemployed or underemployed and may be able to qualify for adjustment assistance under Title II, Chapter 2 of the Trade Act. I am directing you, therefore, to give expeditious consideration to any petitions for adjustment assistance filed with you by workers producing slide fasteners and parts.

Sincerely,

DRAFT PRESS RELEASE

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

President Ford Determines That the Domestic Slide Fastener Industry Does Not Qualify for Import Relief

President Ford has accepted as the findings of the U.S. International Trade Commission the views of the Commissioners who determined that imports of slide fasteners and parts are not causing or threatening to cause serious injury to the domestic industry producing such items. The President's decision was announced today by Ambassador Frederick B. Dent, the President's Special Representative for Trade Negotiations.

On February 18, 1976, the USITC reported to the President that its members were equally divided, 3 to 3, on the question of injury. In such circumstances, the President has the authority to accept either the affirmative or negative position as the findings of the Commission.

Since the President has accepted the views of those voting in the negative, no import relief measures, such as increased tariffs, will be provided. However, since certain firms in the industry have experienced declining sales and net operating losses and some workers have lost their jobs, President Ford has instructed the Secretaries of Commerce and Labor to give expeditious consideration to petitions filed by such firms and workers for adjustment assistance.

To qualify for import relief under the Trade Act of 1974 an industry must meet certain criteria. The negative finding in this case was based on the determination that increased imports were not a substantial cause of serious injury. By statute, substantial cause is defined as a cause which is important and not less than any other cause.

After reaching a level of almost 2 billion units in 1972, shipments of domestically produced slide fasteners, commonly called zippers, have declined each year. With the drop in domestic production, employment also fell significantly and a number of firms operated at a loss. Imports, which carry duties of 35 percent ad valorem on parts and 20-25 percent on fasteners, increased through 1972, remained at about the 1972 level through 1974 but dropped significantly in 1975. Most of the entries come from Japan and are accounted for by a subsidiary of a Japanese firm; this subsidiary, in addition to importing finished zippers, has a number of domestic assembly operations and since 1974 has been manufacturing parts in the United States on a substantial scale.

U.S. consumption of zippers in 1975 was well below the 1972 peak, due in large part to changes in fashion and to recession, which reduced demand for articles incorporating zippers. In the nine months of 1975 for which data on domestic shipments are available, imports accounted for about five or six percent of apparent U.S. consumption. The

economic upturn since that time warrants the expectation that the demand for slide fasteners will improve in the current year.

DRAFT FEDERAL REGISTER NOTICE

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

PRESIDENTIAL DECISION UNDER
SEC. 330(d) OF THE TARIFF ACT OF 1930

IMPORTS NOT A SUBSTANTIAL CAUSE OF INJURY
TO THE U.S. INDUSTRY PRODUCING
SLIDE FASTENERS AND PARTS

President Ford has accepted as the findings of the United States International Trade Commission the views of those Commissioners who found that the U.S. industry producing slide fasteners and parts is not being seriously injured or threatened with such injury by reason of increased imports. On February 18, 1976 the U.S. International Trade Commission reported to the President that its members were evenly divided on the petition of the domestic industry for escape clause relief. In such instances, the President has authority to accept the findings of either group of Commissioners as the findings of the Commission.

The Trade Act of 1974 requires that certain conditions be met for an industry to be eligible for import relief. Having reviewed all of the pertinent data and submissions by interested parties, the President has accepted the views of those Commissioners who determined that the statutory criteria were not satisfied. Specifially, imports were not a substantial cause of the difficulties experienced by the

domestic slide fastener industry. Under the statute "substantial cause" is defined as a cause which is important and not less than any other cause. In this case, style changes, changes in use, and recessionary pressures which developed in 1974 were considered more important than imports as causes of the domestic industry's problems.

Consistent with this decision, therefore, no import relief measures will be applied. However, in view of the fact that some clide fastener companies have not been able to operate at a reasonable level of profit and some workers have become unemployed, the President has instructed the Secretary of Commerce and the Secretary of Labor to give expeditious consideration to petitions for adjustment assistance filed by such firms and workers.