

The original documents are located in Box C53, folder “Presidential Handwriting, 12/30/1976” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

THE WHITE HOUSE
WASHINGTON

December 30, 1976

MEMORANDUM FOR:

L. WILLIAM SEIDMAN

FROM:

JAMES E. CONNOR *JEC*

SUBJECT:

Request for USITC Study of the
Basis for Classifying Textile Imports

Confirming phone call to your office, the President reviewed your memorandum of December 18 on the above subject and signed the letter requesting a study by the USITC of the probable domestic impact of changing from a "chief value" to a "chief weight" basis for classifying blended textile imports.

The signed letter has been given to Robert Linder for appropriate handling.

Please follow up with any other action that is necessary.

cc: Dick Cheney
Robert Linder

512/27/76

THE WHITE HOUSE
WASHINGTON

December 18, 1976

MEMORANDUM FOR THE PRESIDENT

FROM:

L. WILLIAM SEIDMAN

LWS

SUBJECT:

Request for USITC Study of the Basis for
Classifying Textile Imports

This memorandum transmits a proposed letter from you to Chairman Minchew of the United States International Trade Commission (USITC) requesting a study by the USITC of the probable domestic impact of changing from a "chief value" to a "chief weight" basis for classifying blended textile imports. By law, you only can make such a request for the Executive Branch.

Background

On September 22, 1976, Senator Talmadge introduced a rider to a minor tariff bill that, in effect, would have changed the method of classifying imports of blended textile articles for duty purposes. The Talmadge amendment would have changed classification practices from the current "chief value" method, by which a blended textile article is identified as a "cotton" or a "man-made fiber" article according to its most valuable fiber component, to a method by which a cotton/man-made fiber blend containing less than 66 percent cotton by weight would be classified as a man-made fiber product.

The purpose of the Talmadge amendment was to halt the erosion of tariff rates that allegedly has occurred as a result of recent increases in cotton prices. Those price increases have increased the number of textile imports that are classified as "cotton," under the "chief value" method, and thus are dutiable at the lower rates applicable to cotton articles rather than at the higher man-made fiber rates.

The Talmadge amendment would, however, have created serious problems because it inadvertently would have forced the United States to violate eighteen bilateral textile restraint agreements that we have concluded under the auspices of the multi-lateral Arrangement Regarding International Trade in Textiles, and would have violated United States obligations under the GATT. These problems are described in the legal opinion

attached at Tab B, and are covered more fully in the study attached at Tab C.

In response to protests by Ambassador Dent and other members of the Administration, Senator Talmadge withdrew his amendment. Subsequently, he wrote Ambassador Dent requesting a major study of the problems created by the shifts of increasing quantities of textile imports into the "cotton" category and the "chief value" method of classification. Such a study was produced under the direction of the Textile Trade Policy Group, chaired by Ambassador Dent, and is attached at Tab C.

This study confirms the view that the Talmadge amendment would force the United States to violate international agreements and would disrupt the administration of our textile restraint program. It also suggests that a longer term, orderly change from a "chief value" to a "chief weight" basis would create a more stable, predictable, and easily administrable system for classifying textile imports. The study recommends that the President request the U.S. International Trade Commission to conduct an investigation in order to determine the domestic impact of such a change of classification methods.

A letter from you to the Chairman of the USITC requesting such a study is attached at Tab A. As stated in the letter, we anticipate that after the USITC has reported on the domestic effects of such a change, the Textile Trade Policy Group will review the legal and policy effects of making such a change, in particular the effects on U.S. international obligations. Thereafter, if warranted, the TTPG would consider recommending an appropriate program including legislation if necessary.

This proposed letter has been approved by the Textile Trade Policy Group, which requests that the letter be sent to the Chairman of the USITC as soon as possible, so that the study can begin at the earlier possible time, and so that the request for the study can be announced at the same time that the TTPG study attached at Tab C is submitted to the Senate Finance Committee.

Recommendation: That you sign the letter requesting a study by the USITC of the probable domestic impact of changing from a "chief value" to a "chief weight" basis for classifying blended textile imports.

Approve _____

WRC

Disapprove _____

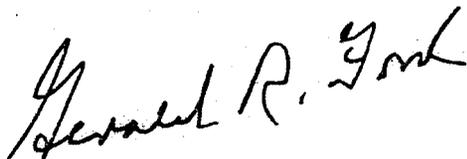
This memorandum has been staffed to the appropriate White House offices concerned with this issue. Their comments and recommendations are as follows:

White House Counsel's Office	No Objection
James M. Cannon	Approve
John O. Marsh	Approve
National Security Council	Approve
Max Friedersdorf	Recommend approval

It is understood that much of the basic data that the USITC will require for this study will have to be developed by the Customs Service in connection with the processing of import entries. I am, therefore, requesting the Secretary of the Treasury to ensure that the USITC has the assistance and cooperation of the Customs Service in the conduct of this study.

I further request that this study be completed as quickly as possible, and that the results be reported to the Chairman of the Textile Trade Policy Group, the Special Representative for Trade Negotiations, for receipt on the President's behalf. Following receipt of this report, the interagency Textile Trade Policy Group will review the legal and policy effects of changing to a "chief weight" method of classification, including the potential international effects of such a change upon U.S. obligations under the General Agreement on Tariffs and Trade, under the Arrangement Regarding International Trade in Textiles, and under U.S. bilateral international textile agreements.

Sincerely,

A handwritten signature in cursive script, reading "Gerald R. Ford". The signature is written in dark ink and is positioned below the typed name.

The Honorable Daniel Minchew
Chairman
U.S. International Trade Commission
Washington, D.C. 20436

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman:

Most textile imports composed of two or more fibers currently are classified for tariff purposes according to the value of the component fibers. For example, a cotton-polyester blended shirt is classified as a cotton shirt if the cotton component has a greater value than the polyester component. This practice is consistent with the current General Headnotes of the Tariff Schedules of the United States (TSUS).

The "chief value" method of classifying textile articles has been criticized on the grounds that it is unstable and unduly difficult to administer. It is argued that these problems would not exist if textile articles were classified on the basis of the weight of the component fibers, rather than on the basis of their value.

In order to assist the Executive Branch in deciding whether to recommend a change in the basis for classifying blended textile imports, I hereby request the USITC, pursuant to section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), to undertake a study of the probable domestic impact of changing from the current "chief value" method of classifying textile imports to a method by which textiles would be classified according to the fiber that constituted their chief weight. This study should include a consideration of the probable impact of such a change on United States customs procedures, on rates of duty, on reliability of trade data, and on U.S. production, consumption, and marketing of textiles and apparel, as well as any other domestic effects of such a change that the USITC considers relevant.