THE TEXTILE IMPORT RESTRICTION BILL DESERVES A BUSH VETO

George Bush plans to veto a protectionist trade bill that he has just received from Congress. The Textile, Apparel and Footwear Act of 1990 (H.R. 4496, S. 2411) would tighten America's already tough import restrictions on textile and apparel products. If it becomes law, this legislation will raise prices for American consumers, cripple United States efforts to open foreign markets for American goods, and launch a destructive trade war. The result of this law: the already shaky world economy will be pushed into a major recession – or even depression.

The Senate approved the bill by a 68 to 32 vote, one vote more than necessary to override a presidential veto. The House however passed it by a margin of only 271 to 149; this is 17 votes short of what is needed for an override. Yet on override votes on similar textile bills in 1985 and 1987, many Congressmen who voted against the original bill changed their votes to support the override. George Bush therefore should stress to Congress the damage this bill would do to the American economy and campaign hard to ensure enough votes in the House and Senate to sustain his veto.

Huge Consumer Costs. While complaining about other countries closing their markets to U.S. goods, the U.S. imposes some of the world's tightest restrictions on textile and apparel imports. The principal victim of this policy is the American consumer. U.S. Trade Representative Carla Hills estimates that the current textile bill will cost each American family of four some $2,600 every year for the next five years, or the entire population a total of $160 billion during this period in higher prices for textile and apparel products. This cost could rise to $500 billion through the year 2000. A Federal Trade Commission report of February 1989 entitled, "A General Equilibrium Analysis of the Welfare and Employment Effects of U.S. Quotas in Textiles, Autos, and Steel" finds that current textile and apparel protection already costs the American consumer between $11 billion and $15 billion annually. Other studies find the annual costs as high as $30 billion. At a time when Americans are facing higher oil prices, such higher costs for textile and apparel products would be devastating for many families.

The U.S. textile industry does not in any case need or deserve protection. Since 1985, output and employment in the U.S. textile industry has grown. Unemployment in the five largest textile producing states, Alabama, Georgia, North Carolina, South Carolina, and Virginia, remains below the national average at about 5 percent. Last year, the textile industry worked at about 90 percent capacity, compared to the 84 percent average level in other industries. Textile industry profits have increased steadily since 1985, reaching $1.7 billion last year.

The current textile bill would undermine all of America's efforts to open overseas markets to American exports. In the General Agreement on Tariffs and Trade (GATT) negotiations, with a deadline of December 1990, the U.S. is attempting to remove trade barriers to its exports of farm products and services and to gain better protection of American patents. Strong American exports currently are one of the bright spots in the weakening U.S. economy. Prospects for future export opportunities would boost U.S. business confidence and investments.

But the refusal of the U.S. to agree to more liberal trade in textiles and apparel is hindering negotiations. For more than a quarter-century, textiles and apparel have remained outside of GATT negotiations. At U.S. insistence, the current agreement in textiles, the Multi-Fiber Arrangement, imposes quotas on imports and has grown more restrictive. Less developed countries are seriously harmed by these restrictions since textiles are a major export from such countries. Much American foreign aid merely makes up for the damage America inflicts on poorer countries by protectionist practices.

Risking Recession. A protectionist textile bill at this time would doom the GATT talks. Less developed countries would see that they have little to gain from a GATT agreement if the U.S. refuses to practice the free trade it preaches. Further, other countries likely would take their cues from America and "protect" their own industries by closing their markets to American products. The likely result: a worldwide recession.

The American textile industry has been protected for 33 years, allowing it to extort tens of billions of dollars in higher prices from American consumers. This must stop. It is time to open the American market to more textile and apparel imports, not close it further. The Bush Administration, with the support of Congress, has been working in the current GATT round to open foreign markets further to American exports. Members of Congress voting on the veto override should recognize that a protectionist textile bill will guarantee the failure of these negotiations. Giving yet more special favors to the already privileged textile industry will rob other American enterprises of future export opportunities. And the immediate effect would be higher prices for American consumers, retaliation from other countries, and a recession. The Bush Administration therefore should work closely with its free trade friends in Congress to assure that the veto will be sustained.

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For further information:

Bryan T. Johnson, "Time to End U.S. Textile Import Restrictions," Heritage Foundation *Executive Memorandum* No. 265, May 4, 1990.

Thomas Grennes, "The Collision Course on Textile Quotes," Cato Institute *Policy Analysis* No. 140, September 12, 1990.