

Statement by

Representative Les AuCoin
1st District, Oregon

In Support of H. R. 8814

Before the Subcommittee on Trade
House Committee on Ways & Means

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Mr. Chairman, I appreciate very much the opportunity to be here this morning to submit a statement for the consideration of the Subcommittee in support of the bill which I introduced in the Congress, H.R. 8814, a bill to reduce until June 30, 1980, the column 2 rates of duty on woven fabrics of silk.

The bill proposes to effect this reduction by amending the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) to insert 10 new items covering various woven fabrics wholly or in chief value of silk. The bill would amend the column 2 rates of customs duty to reduce those rates to the level now provided for customs duty in column 1. The column 2 rates are the rates applicable to those countries which at present do not enjoy most-favored nations treatment in tariffs or customs duties on goods arriving in the United States, principally those in the Communist bloc with which we do not have commercial treaties and which have not been given special consideration by the Congress (as in the case of Yugoslavia and Poland). One country (Rumania) has qualified for such favorable treatment under the Trade Act of 1974 and Hungary may soon be similarly qualified. The prime beneficiary of the treatment provided in H.R. 8814 would be the People's Republic of China, the largest producer in the world today of raw silk. The PRC is also a large producer of woven fabrics of silk.

I emphasize at this time, Mr. Chairman, that my bill would not provide for duty-free treatment of imports of such silk fabrics from the People's Republic but would merely reduce the duty assessed against such imports to the rate of other most-favored nations.

The column 2 rates presently in effect on silk fabrics range from 60% ad valorem to 82.5% ad valorem. The comparable column 1 rates on such fabrics range from 11% to 18% ad valorem.

Of the 10 categories of woven silk fabrics specified in the bill, the first four relate to fabrics wholly of silk and the remaining six to fabrics in chief value but not wholly of silk. The categories are further broken down, depending upon whether or not the fabric is jacquard-figured, has been degummed, or, in the case of fabrics not wholly of silk, contains more than 17% of wool by weight. "Jacquard-figured" denotes a patterned fabric. Silk thread in its natural state contains a gummy coating. A fabric is considered to be degummed if this coating has been removed prior to the weaving of the fabric.

There is no raw silk production in the United States and, relatively speaking, imports of raw silk have been small as compared with the gigantic production and sale in this country of man-made fabrics, which in one way or another resemble or compete with raw silk and textile fabrics of silk.

In answer to an inquiry which I directed to the United States International Trade Commission on August 2, 1977, I was given the following information about the consumption of silk fabrics in the United States:

...overall consumption of silk fabric has dropped significantly since 1968 with a bottoming out occurring in 1975 and an upturn starting in 1976. Consumption is related largely to fashion, but availability of silk yarn and substitutability of certain man-made fiber fabrics play a role. There are about 20 mills in the United States which are predominantly occupied in the manufacture of silk fabric, and production employment in those mills is estimated at 2,500 persons. Seventy-five percent of production is concentrated in five mills and the industry is located primarily in the Mid-Atlantic and Southeastern States.

Over the years, the largest exporters of silk fabrics into the United States have been Japan and Italy. In 1976, they accounted for 62 percent of all United States silk fabric imports.

The letter from the International Trade Commission also describes the effect of the high duty rate differential in excluding silk products from the United States as follows.

The conclusion that the high duty rate differential serves to bar imports from PRC is reinforced in a study released by the U.S. International Trade Commission in May 1977 entitled "Implications for U.S. Trade of Granting Most-Favored-Nation Treatment to the People's Republic of China," USITC Publication 816. This study shows, in part, that in 1974 PRC exported \$43,689,000 in silk fabrics to 13 industrial countries that give MFN status to PRC but exported only \$74,000 in silk fabrics (.0017 percent of the total) to the United States. In the same year, however, the United States imported \$17,541,000 in silk fabrics from countries who receive MFN treatment on their imports to the United States.

Mr. Chairman, in and of itself, this bill may be of little significance. However, as a symbol, the bill has a potential to be tremendously significant. For the People's Republic of China, the weaving of silk fabrics is a cottage industry, engaged in by the people of almost every village and town. It is not the largest industry in China, but Chinese officials tell American businessmen it may be one of the most important because of its long historic significance to their ancient country. Chinese silk is the best in the world and when it is exported from their country, their pride goes with it.

Chinese silk exports have been a staple in Sino-United States trade for many years. Even though other fabrics have come to dominate U.S. markets, silk still retains an important niche in the marketplace.

When Sino-United States relations underwent a thaw in 1972, U.S. imports of Chinese silk fabrics increased from \$3,000 in 1971 to \$209,000 in 1972 and to \$445,000 in 1973.

Chinese silk imports to the United States tapered sharply in 1974, the year the Trade Reform Act was passed. But even so the U.S. thirst for silk fabrics had not completely dried up, as Chinese exports to America totaled \$195,000 in 1975.

In contrast to up and down Sino-United States trade in Japan which is the major importer of Chinese silk fabrics and raw silk, Japan's gradual rapprochement with the People's Republic of China beginning in the 1960's and culminating with formal diplomatic recognition in 1972 are attributed as major factors in improved Sino-Japanese silk trade, which grew from \$7.9 million in 1970 to \$56.8 million in 1975.

Currently, there is no U.S. duty on silk yarn, largely because there is no raw silk production in the United States.

In recognition of a small domestic industry involvement and capacity, my bill does not propose eliminating, or suspending duty rates on silk fabrics.

My own belief, at this point, is that at most there would be a minute impact on domestic industry if the bill is passed. For example, in 1960, the Tariff Commission held hearings to determine what textile fabrics should be included in a quota system and found silk fabric imports not harmful to domestic industry. At that time, silk fabric imports were 17 times larger than they were in 1976. This is largely so because silk is a luxury item, costing in 1977 something around \$11 per pound while synthetic fabrics were selling at 90 cents a pound.

While the physical impact of the bill is important in that it will make imported silk fabrics, especially those from the People's Republic of China, slightly less expensive, the main objective I have for this legislation is what it will symbolize.

Earlier this year, I introduced companion bills that would extend U.S. export credits through the Export-Import Bank to the People's Republic of China. The purpose of those bills is to serve as tools for a gradual, incremental, economic rapprochement with the People's Republic of China.

If the initiative launched with the 1972 Shanghai communique is to be kept alive, we must continually seek ways to move toward normalization of our relations with the People's Republic of China. Still faced with the "Two China" question which at this moment is unresolvable without a major upheaval, I believe small, symbolic steps are extremely important, and necessary.

I believe that the bill which the Committee is considering today to reduce import duties on silk fabric is important in our efforts to normalize relations with the People's Republic of China and in establishing a vital trading partnership among Pacific-rim countries. At the same time, as I have said, the bill does not propose to give the People's Republic an unfair advantage over our other trading partners. I commend the bill, H.R. 8814, to your favorable consideration.