100th Congress, 2d Session - - - - - - - - - House Document 100-200

VETO OF H.R. 3

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

HIS VETO OF H.R. 3, A BILL TO ENHANCE THE COMPETITIVENESS OF AMERICAN INDUSTRY, AND FOR OTHER PURPOSES

MAY 24, 1988.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

19-011 WASHINGTON : 1988

To the House of Representatives:

It is with sincere regret that today I must disapprove and return H.R. 3, the Omnibus Trade and Competitiveness Act of 1988. We worked long and hard to produce legislation that would enhance our country's ability to meet foreign competition head-on—to strengthen our trade laws and remove restrictions on America's great economic engine. And we came very close to developing such a bill. Unfortunately, as the process came to a close, provisions were included that simply make this bill, on balance, bad for America—particularly working men and women. The criteria I used in reaching this decision were whether this legislation will create jobs and help sustain our economic growth. I am convinced this bill will cost jobs and damage our economic growth.

During this Administration the American economy has created 16 million new jobs. Our unemployment rate is the lowest in 14 years with more Americans working than ever before in our history. And we are experiencing the longest peacetime expansion this country has ever seen.

While this has been going on at home, many of our trading partners have had a different economic situation. Perhaps the most compelling and important comparison is that over the past decade, the United States has created more than twice as many jobs as Europe and Japan combined.

The United States economy, which foreign leaders have dubbed the "American Miracle," is not a freak accident or a statistical curiosity. It is the result of 7 years of consistent policies: lower tax rates, reduced regulation, control returned to State and local governments. The Washington tendency to have government be all things to all people has been reversed, and we have gotten government off the backs of the American people. In contrast, many foreign countries remain hamstrung by archaic policies and are now trying to remove these impediments, to reform tax systems, to make labor markets more flexible, and to encourage entrepreneurs.

That is not to say that we cannot do more here at home—we can. That is why I forwarded proposals to improve our competitive strength and why we worked hard with the Congress to try to achieve a positive, forward-looking bill. Unfortunately, that is not the bill the Congress passed and sent to my desk.

The issue receiving the most attention in this bill is the mandatory requirement for businesses to give advance notice of closings or layoffs. I support voluntarily giving workers and communities as much advance warning as possible when a layoff or closing becomes necessary. It allows the workers, the employer, the community, time to adjust to the dislocation. It is the humane thing to do.

But I object to the idea that the Federal Government would arbitrarily mandate, for all conditions and under all circumstances, exactly when and in what form that notification should take place.

There are many circumstances under which such mandatory notification would actually force a faltering business to close—by driving away creditors, suppliers, customers, and—in the process destroying outcome, its "faltering business" exemption is too ambiguous to be workable and invites untold litigation.

These concerns are real, not simply philosophical or theoretical. The experience of the Caterpillar Company in the early 1980's, for example, is indicative of the need to be flexible to meet foreign competition and indeed to survive. They had to utilize layoffs and temporary plant closings to respond to competitive developments. And, as one executive of that company stated, they did not have the luxury then, nor do they now, of knowing with certainty what business conditions would be like 60 days in the future. Without the ability to be agile and responsive, they might have closed their doors permanently.

Caterpillar's experience is repeated many times over throughout our economy. One independent analysis shows that if this law had been in place between 1982 and 1986, the United States would have produced almost one-half million fewer jobs. And that is what this debate is about—creating jobs and keeping them—not losing jobs by the straightjacket of regulations.

Over a year ago, I submitted legislation that would provide assistance to workers, employers, and communities in the event of a layoff or closing. The program would serve virtually every dislocated worker who needs it with training, education, and assistance in securing a new job and provide an incentive for giving advance notice of layoffs and closings. Ironically, the one piece of that package that the Congress rejected was a direct incentive for business to give advance notices of closing and layoffs. We need labor laws that fit the flexible, fast-paced economy of the 1990's, not restrictive leftovers from the 1930's agenda. And I encourage the Congress in any subsequent trade bill to include a program that provides incentives for such notice.

There are other provisions in the legislation that provide disincentives to our sustained economic growth or serve some narrow special interests:

—New restrictions on the export, transportation, and even utilization of Alaskan oil further complicate the overbearing regulatory scheme that already impedes the development of Alaskan oil fields. It is the wrong policy. We need to provide incentives, not restrictions, for the production of oil in the United States so that we can reduce our dependence on foreign suppliers. Further, as the Congress has now recognized, it amounts to an unconstitutional discrimination against a single State.

—A mistaken effort to revive discredited industrial policy planning through a so-called Council on Competitiveness that will open even more venues for special pleaders.

—A requirement to negotiate a new centralized international institution to arrange the forgiveness of billions of dollars of debt around the world—all supposedly without increasing U.S. taxes or adding to *our* debt.

—Expanded ethanol imports that could harm U.S. grain producers.

—An amendment to the Trading with the Enemy Act that prevents the President from moving swiftly to block blatant enemy propaganda material from entering the United States, *even during wartime.*

While the Congress did a remarkable job in watering down or eliminating the most protectionist provisions, there remain sections of the bill that push us in the direction of protectionism. Closing our borders is not the solution to opening foreign markets. We need to demand to be treated fairly and take a strong stand against barriers abroad. In short, we need to open markets, not close them.

While there are objectionable portions of the bill, there are also desirable provisions. There is negotiating authority so that the next President will have congressional support to continue to seek agreements that open markets abroad. That, coupled with new trade law tools to strengthen the hand of America in international trade negotiations, will mean that this country can enter the next decade with new agreements that reduce barriers and encourage trade. There are strengthened protections for intellectual property, such as copyrights, and a reduction in various handicaps to U.S. exporters. Finally, the bill would remove a major impediment to U.S. oil production by repealing the windfall profits tax.

That is why I want a trade bill, and why I like much of this bill. But I regret that the addition of a few counterproductive and costly measures outweigh the positive features of this particular legislation. I will continue to work vigorously to secure sound legislation this year.

Let me reiterate what I have said on a number of occasions. I am committed to enactment of a responsible trade bill this year. I have heard some say that there is not time to send me a second bill after my veto is sustained; my response is that there are many months left in 1988—time enough to set aside partisanship and finish the job. I want to sign a trade bill this year. I urge prompt action on a second bill immediately after the Congress sustains my veto.

RONALD REAGAN.

THE WHITE HOUSE, *May 24, 1988.*

[For text of bill see conference report; H. Rept. No. 100-576.]

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